

# ***NATIONAL FILM PRESERVATION FOUNDATION***

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*FINANCIAL STATEMENTS*

*For The Years Ended December 31, 2016 and 2015*

*with*

*INDEPENDENT AUDITOR'S REPORT*

**NATIONAL FILM PRESERVATION FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015**

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**Independent Auditor's Report**

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

***Report on the Financial Statements***

I have audited the accompanying financial statements of financial position of the National Film Preservation Foundation, which comprise of the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, functional expenses 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***

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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 organization's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of significant estimates by management, as well as evaluating the overall presentation of the financial statements.

I believe that my audit provides a reasonable basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Film Preservation Foundation as of December 31, 2016 and 2015, and changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Allan Liu*

Allan Liu, CPA

May 5, 2017

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 877,203	\$ 1,057,183
Investments	349,001	324,794
Accounts and pledges receivable	273,812	255,496
Inventory	42,548	44,423
Prepaid expenses	8,436	10,198
Total current assets	1,551,000	1,692,094
Other assets		
Equipment, furniture, and software, net of accumulated depreciation	290	1,453
Deposits, rent and equipment	500	2,222
	790	3,675
Total assets	\$ 1,551,790	\$ 1,695,769
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 11,590	\$ 84,891
Grants payable	414,907	474,775
Accrued compensation	6,091	7,298
Total liabilities	432,588	566,964
Net assets		
Unrestricted	245,879	428,102
Temporarily restricted	873,323	700,703
Total net assets	1,119,202	1,128,805
Total liabilities and net assets	\$ 1,551,790	\$ 1,695,769

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>			<u>2015</u>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Grants and contributions	\$ 61,088	\$ 685,500	\$ 746,588	\$ 118,976	\$ 595,080	\$ 714,056
Federal contract income	38,943	-	38,943	83,042	-	83,042
DVD sales	8,110	-	8,110	5,240	-	5,240
Grant savings from under-budget projects	53,246	-	53,246	898	-	898
Investment income	10,282	-	10,282	11,766	-	11,766
Licensing and other fees	4,836	-	4,836	4,919	-	4,919
Unrealized gains (loss) on investments	15,639	-	15,639	(9,072)	-	(9,072)
Realized loss on investments	(8,134)	-	(8,134)	(5,130)	-	(5,130)
Net assets released from restriction	512,880	(512,880)	-	511,077	(511,077)	-
Total support and revenue	<u>696,889</u>	<u>172,620</u>	<u>869,509</u>	<u>721,716</u>	<u>84,003</u>	<u>805,719</u>
Expenses						
Programs	809,395	-	809,395	773,469	-	773,469
Management and general	65,416	-	65,416	59,732	-	59,732
Fundraising	4,302	-	4,302	7,940	-	7,940
Total expenses	<u>879,113</u>	<u>-</u>	<u>879,113</u>	<u>841,141</u>	<u>-</u>	<u>841,141</u>
Change in net assets	<u>(182,224)</u>	<u>172,620</u>	<u>(9,604)</u>	<u>(119,425)</u>	<u>84,003</u>	<u>(35,422)</u>
Net assets-beginning	<u>428,102</u>	<u>700,703</u>	<u>1,128,805</u>	<u>547,527</u>	<u>616,700</u>	<u>1,164,227</u>
Net assets-ending	<u>\$ 245,878</u>	<u>\$ 873,323</u>	<u>\$ 1,119,202</u>	<u>\$ 428,102</u>	<u>\$ 700,703</u>	<u>\$ 1,128,805</u>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statement of Functional Expenses**  
**December 31, 2016**

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Program grants				
Library of Congress	\$ 399,890	\$ -	\$ -	\$ 399,890
Avant Garde Masters	54,050	-	-	54,050
Repatriation projects	37,474	-	-	37,474
DVD production and inventory depletion	7,322	-	-	7,322
Salaries	201,521	27,163	2,264	230,948
Payroll taxes	14,806	2,042	170	17,018
Pension plan contributions	4,039	557	46	4,642
Other employee benefits	23,388	3,226	268	26,882
Accounting services	-	12,775	-	12,775
Audit and information returns	-	13,500	-	13,500
Rent	21,772	3,003	250	25,025
Travel and conferences	10,378	152	12	10,542
Insurance	3,613	499	42	4,154
Legal and other consulting	7,380	971	81	8,432
Office expenses	5,476	699	327	6,502
Telephone and communications	4,608	188	16	4,812
Website design, maintenance and hosting	5,311	69	756	6,136
Postage and delivery	1,637	82	29	1,748
Copying and printing	3,656	66	5	3,727
Equipment rental and maintenance	2,062	284	24	2,370
Depreciation	1,012	140	12	1,164
<b>Total expenses</b>	<u><u>\$ 809,395</u></u>	<u><u>\$ 65,416</u></u>	<u><u>\$ 4,302</u></u>	<u><u>\$ 879,113</u></u>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statement of Functional Expenses**  
**December 31, 2015**

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Program grants				
Library of Congress	\$ 341,670	\$ -	\$ -	\$ 341,670
Avant Garde Masters	45,790	-	-	45,790
Repatriation projects	90,620	-	-	90,620
DVD production and inventory depletion	3,607	-	-	3,607
Salaries	187,648	21,324	4,265	213,237
Payroll taxes	14,014	1,592	318	15,924
Pension plan contributions	3,800	432	86	4,318
Other employee benefits	25,254	2,870	574	28,698
Accounting services	-	15,648	-	15,648
Audit and information returns	-	13,175	-	13,175
Rent	22,844	2,596	519	25,959
Travel and conferences	8,965	243	48	9,256
Insurance	3,052	347	70	3,469
Legal and other consulting	3,860	402	81	4,343
Office expenses	2,451	266	47	2,764
Telephone and communications	5,027	236	47	5,310
Website design, maintenance and hosting	6,669	102	1,502	8,273
Postage and delivery	1,562	72	14	1,648
Copying and printing	3,358	58	295	3,711
Equipment rental and maintenance	1,842	206	41	2,089
Depreciation	1,436	163	33	1,632
<b>Total expenses</b>	<u><u>\$ 773,469</u></u>	<u><u>\$ 59,732</u></u>	<u><u>\$ 7,940</u></u>	<u><u>\$ 841,141</u></u>

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, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Change in net assets	\$ (9,604)	\$ (35,422)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,164	1,632
Unrealized (gains) losses on investments	(15,638)	9,072
Decrease (increase) in accounts and pledges receivable	(18,936)	(38,127)
Decrease in inventory	1,875	942
(Increase) decrease in prepaid expenses	2,382	(1,708)
Increase (decrease) in accounts payable	(73,301)	70,877
Increase (decrease) in grants payable	(59,869)	(18,520)
Increase (decrease) in accrued compensation	(1,207)	(2,694)
Net cash provided (used) by operating activities	(173,133)	(13,948)
Cash flows from investing activities:		
Purchase of investments	(6,847)	628
Purchase of equipment and software	-	-
Net cash provided (used) by investing activities	(6,847)	628
Net increase in cash and cash equivalents	(179,980)	(13,320)
Cash and cash equivalents - beginning of year	1,057,183	1,070,503
Cash and cash equivalents - end of year	\$ 877,203	\$ 1,057,183

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) develops, secures funding for, and manages collaborative projects that promote the preservation and public availability of American film. Since starting operations in 1997, the NFPF has provided preservation support to 284 organizations across all 50 states, Puerto Rico, and D.C. and helped save more than 2,287 films.

**Grants.** In 2016, the NFPF awarded \$453,940 in film preservation grants to 40 institutions. Among the 64 titles slated for preservation are *The Streets of Greenwood* (1963), a documentary about civil rights activists registering African American voters in Mississippi; James Blue's *The Olive Trees of Justice* (1962), which won a critics' prize at the Cannes Film Festival; Howard Alk and Mike Gray's documentary *The Murder of Fred Hampton* (1971); Les Goldman and Paul Julian's animated short *Hangman* (1964); Holly Fisher's *Watermen* (1968), about the "skipjack" fleets that harvested oysters in the Chesapeake Bay; footage of the young Ruby Bridges at William Frantz Elementary School, filmed by her teacher shortly after the six-year-old became the school's first African American student; early computer animation by Ken Knowlton and Stan VanDerBeek; amateur footage from the 1930s taken at a Trappist monastery near Louisville, Kentucky; and rare 28mm prints of educational and industrial films from 1913–19, including *The Mysteries of a Machine Gun* (ca. 1918) and *The Latest Kinks in Canning* (ca. 1917).

**Repatriation.** Continued working on the partnership with the EYE Filmmuseum Netherlands to preserve and make available more than 50 American films that have been unseen for decades. Twelve of the 26 films brought to the states in 2014 have been preserved. An additional 29 titles were shipped to the US in early 2016, including the feature-length documentary *Alaskan Adventures* (1922), chronicling a year-long trip across Alaska; *Almost a Widow* (1917), an early role for Betty Compson; the industrial *Glimpse of the Remington Factory* (ca. 1926), following the construction of a typewriter; and *The Reckless Age* (1924), a flapper yarn starring Reginald Denny. This year, \$37,474 was expended on the effort.

**Publications.** The foundation produces DVD sets in the *Treasures from American Film Archives* series and books that advance national film preservation efforts. With support from the Andy Warhol Foundation for the Visual Arts and the National Endowment for the Arts, the NFPF continues production on *Treasures 6: Next Wave Avant-Garde Film*, a 5-hour DVD box set surveying 28 experimental filmmakers—from Abigail Child to Phil Solomon—who rose to prominence after 1965. The set's release is planned for 2017.

**Online Access.** Three preserved films from the EYE project were made available for online streaming with newly commissioned scores and program notes thanks to support from the NFPF through a Council on Library and Information Resources grant to commission music and scholarly essays for the online presentation of fiction films from the EYE Project. In addition, 48 films were made available for online

NATIONAL FILM PRESERVATION FOUNDATION  
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streaming from our first out-of-print DVD set *Treasures from American Film Archives, 50 Preserved Films*, along with the original program notes.

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

The foundation generates revenues largely through contributions from individuals, corporations, and foundations; government funding; licensing fees; and wholesale DVD sales. In 2016, the NFPF received \$530,000 in federal funds authorized through *The Library of Congress Sound Recording and Film Preservation Programs Reauthorization Act of 2016* (Public Law No: 114-217) and secured through the Library of Congress for use in national preservation programs.

**Note 2: Summary of Significant Accounting Policies and Practices**

(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 unconditional promises are made to the NFPF. Receivables are recognized net of allowance for uncollectible amounts 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:

1. Unrestricted net assets. Net assets that are not subject to donor-imposed stipulations.
2. 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 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.
3. Conditional funds. Conditional funds are recognized as revenue when the conditions stipulated by the funder are fulfilled. The NFPF received no conditional funds in 2016 or 2015.

(c) *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.

(d) *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, 2016, cash and cash equivalents were primarily in checking and money market accounts at the Bank of America and Wells Fargo Bank. These are insured up to the limit guaranteed by the FDIC. Additionally, funds are held at Morgan Stanley Bank, N.A.

(e) *Investments.* The purpose of the NFPF investment policy is to provide a reliable source of funds for current and future use. Investments are recorded at fair market value. The value of marketable

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

securities is determined using quoted prices in active markets for identical assets (defined as "Level 1" under current accounting standards). Unrealized gains and losses are reported in unrestricted net assets.

The NFPF has an Investment Advisory Account with Morgan Stanley. The quoted market value of all funds was \$349,001 at the end of 2016 and \$324,794 at the end of 2015.

- (f) *Inventory.* The NFPF's inventory consists of assembled DVD sets in the *Treasures from American Film Archives* series. The inventory value of the DVD sets is based on the lesser of manufacturing cost or net realizable value. No new sets were manufactured in 2016.
- (g) *Federal Contract Revenue.* Reported here are project funds from federal entities. Funds were received through the National Endowment for the Humanities in 2016 and 2015. The NFPF received \$38,943 through a \$260,000 NEH grant supporting the preservation and presentation of 26 nonfiction American silent films from the EYE Filmmuseum Netherlands. The NFPF received \$83,042 in 2015.
- (h) *Licensing and Other Fees.* Funds received through Internet transactions and licensing fees. In 2016, licensing fees were primarily revenues paid by Turner Entertainment Network to broadcast *The Autobiography of a Jeep* (1943). In 2015, these fees consisted largely of revenues paid by Turner Entertainment Network to broadcast *Toll of the Sea* (1922). Both films are from the *Treasures from American Film Archives* DVD set.
- (i) *Program Grants.* Resources awarded through the foundation's grants to other nonprofit and public institutions. Of the \$530,000 in federal monies received by contract from the Library of Congress for use in 2016, \$399,890 was awarded as preservation grants and \$130,110 was temporarily restricted for the preservation of films repatriated from abroad. In 2015, \$341,670 was awarded as grants and \$188,330 was temporarily restricted for repatriation efforts.
- (j) *Equipment, Furniture, and Software.* Equipment, furniture, and software are stated at cost if purchased and at 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, 2016, equipment, furniture, and software had a net book value of \$290 (basis of \$21,115, less accumulated depreciation of \$20,826). As of December 31, 2015, equipment, furniture, and software had a net book value of \$1,453 (basis of \$23,341, less accumulated depreciation of \$21,888).
- (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

NATIONAL FILM PRESERVATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS

provision of income taxes is included in these financial statements. Generally, the annual information returns are subject to examination for three years after they are filed.

**Note 3: Accounts and Pledges Receivable**

Current accounts receivable as of December 31, 2016, is \$273,812. There are no long-term pledges receivable as of December 31, 2016.

**Note 4: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Support for 2017, net of allowances	
Andy Warhol Foundation for the Visual Arts, <i>Treasures 6</i>	30,480
CLIR, music and notes for EYE fiction films	14,530
Film Foundation, 2016-7 grant management	200,000
Film Foundation, 2017 Avant-Garde Masters grants	50,160
Federal funds, repatriation projects	<u>578,153</u>
	<u>\$873,323</u>

**Note 5: Retirement Plan**

The NFPF participates in a SEP IRA plan for employees (1) that are paid \$450 or more during the year, (2) are at least 21 years old, and (3) have worked at the NFPF for at least 12 months. Employer contributions are based on a percentage of employee salary approved annually by the Board. In both 2016 and 2015, the percentage was 2%.

**Note 6: Related Party Transactions**

Contributions from organizations to which board members are related were \$150,000 in 2016 and \$150,000 in 2015. No payments were made for services provided by related parties in either year.

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

The office lease was signed in April 2016 for a one year term. Under this lease, the monthly payments from April 2016 through March 2017 are \$1,042.50. The rent deposit is \$500.

The foundation has a \$160 security deposit on a multifunction copy machine.

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.

NATIONAL FILM PRESERVATION FOUNDATION  
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In 2016, the NFPF received federal funds authorized through *The Library of Congress Sound Recording and Film Preservation Programs Reauthorization Act of 2016* (Public Law 114-217) 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 Act, signed into law on July 29, 2016, renewed the NFPF’s authorization through federal fiscal year 2026.

Subsequent events evaluated through May 5, 2017, have been determined to have no material impact on the presentation of these financial statements.