

# ***NATIONAL FILM PRESERVATION FOUNDATION***

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*FINANCIAL STATEMENTS*

*For The Years Ended December 31, 2017 and 2016*

*with*

*INDEPENDENT AUDITOR'S REPORT*

**NATIONAL FILM PRESERVATION FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017 and 2016**

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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 financial statements of financial position of National Film Preservation Foundation (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2017 and 2016 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 audits. I have conducted my audits 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 the audit evidence I have obtained is sufficient and appropriate to provide a 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, 2017 and 2016, 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

June 22, 2018

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 971,649	\$ 877,203
Investments	374,589	349,001
Accounts receivable	204,677	273,812
Inventory	42,548	42,548
Prepaid expenses	7,588	8,436
Total current assets	1,601,050	1,551,000
Other assets		
Equipment, furniture, and software, net of accumulated depreciation	-	290
Deposits	500	500
	500	790
Total assets	\$ 1,601,550	\$ 1,551,790
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 10,557	\$ 11,590
Grants payable	494,822	414,907
Accrued compensation	6,656	6,091
Total liabilities	512,035	432,588
Net assets		
Without donor restrictions	335,570	245,879
With donor restrictions	753,945	873,323
Total net assets	1,089,515	1,119,202
Total liabilities and net assets	\$ 1,601,550	\$ 1,551,790

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2017 and 2016**

	<b>2017</b>			<b>2016</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Grants and contributions	\$ 201,510	\$ 731,980	\$ 933,490	\$ 61,088	\$ 685,500	\$ 746,588
Federal contract income	21,197	-	21,197	38,943	-	38,943
DVD sales	-	-	-	8,110	-	8,110
Grant savings from under-budget projects	34,420	-	34,420	53,246	-	53,246
Investment income	12,407	-	12,407	10,282	-	10,282
Licensing and other fees	3,026	-	3,026	4,836	-	4,836
Unrealized gains (loss) on investments	14,823	-	14,823	15,639	-	15,639
Realized loss on investments	1,577	-	1,577	(8,134)	-	(8,134)
Net assets released from restriction	851,358	(851,358)	-	512,880	(512,880)	-
Total support and revenue	<u>1,140,319</u>	<u>(119,378)</u>	<u>1,020,941</u>	<u>696,889</u>	<u>172,620</u>	<u>869,509</u>
Expenses						
Programs	975,572	-	975,572	809,395	-	809,395
Management and general	69,961	-	69,961	65,416	-	65,416
Fundraising	5,095	-	5,095	4,302	-	4,302
Total expenses	<u>1,050,628</u>	<u>-</u>	<u>1,050,628</u>	<u>879,113</u>	<u>-</u>	<u>879,113</u>
Change in net assets	<u>89,691</u>	<u>(119,378)</u>	<u>(29,687)</u>	<u>(182,224)</u>	<u>172,620</u>	<u>(9,604)</u>
Net assets-beginning	<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>
Net assets-ending	<u>\$ 335,569</u>	<u>\$ 753,945</u>	<u>\$ 1,089,515</u>	<u>\$ 245,878</u>	<u>\$ 873,323</u>	<u>\$ 1,119,202</u>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statement of Functional Expenses**  
**December 31, 2017**

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Program grants				
Library of Congress	\$ 502,669	\$ -	\$ -	\$ 502,669
Avant-Garde Masters	58,080	-	-	58,080
Repatriation projects	107,666	-	-	107,666
DVD production and inventory depletion	5,184	-	-	5,184
Salaries	208,197	25,272	2,297	235,766
Payroll taxes	15,207	1,901	173	17,281
Pension plan contributions	4,138	517	47	4,702
Other employee benefits	25,209	3,151	286	28,646
Accounting services	-	20,700	-	20,700
Audit and information returns	-	13,500	-	13,500
Rent	12,831	1,604	146	14,581
Travel and conferences	6,554	305	28	6,887
Insurance	3,308	414	38	3,760
Legal and other consulting	6,869	858	78	7,805
Office expenses	3,342	366	1,158	4,866
Telephone and communications	3,259	257	23	3,539
Website design, maintenance, and hosting	4,429	103	729	5,261
Postage and delivery	1,523	175	16	1,714
Copying and printing	2,466	258	23	2,747
Equipment rental and maintenance	2,296	287	26	2,609
Depreciation	255	32	3	290
Bad debt	2,090	261	24	2,375
Total expenses	<u>\$ 975,572</u>	<u>\$ 69,961</u>	<u>\$ 5,095</u>	<u>\$ 1,050,628</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>	<b><u>\$ 809,395</u></b>	<b><u>\$ 65,416</u></b>	<b><u>\$ 4,302</u></b>	<b><u>\$ 879,113</u></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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities		
Change in net assets	\$ (29,687)	\$ (9,604)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	289	1,164
Unrealized (gains) losses on investments	(14,823)	(15,638)
Decrease (increase) in accounts receivable	69,545	(18,936)
Decrease (increase) in inventory	-	1,875
Decrease (increase) in prepaid expenses	438	2,382
Increase (decrease) in accounts payable	(1,032)	(73,301)
Increase (decrease) in grants payable	79,915	(59,869)
Increase (decrease) in accrued compensation	565	(1,207)
Net cash provided (used) by operating activities	105,211	(173,133)
Cash flows from investing activities		
Purchase of investments	(10,765)	(6,847)
Purchase of equipment and software	-	-
Net cash provided (used) by investing activities	(10,765)	(6,847)
Net increase in cash and cash equivalents	94,446	(179,980)
Cash and cash equivalents - beginning of year	877,203	1,057,183
Cash and cash equivalents - end of year	\$ 971,649	\$ 877,203

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 293 organizations across all 50 states, Puerto Rico, and D.C. and helped save more than 2,358 films.

**Grants.** In 2017, the NFPF awarded \$560,749 in film preservation grants to 37 institutions. Among the 70 titles slated for preservation are *Code Blue* (1972), a recruitment film aimed at bringing minorities into the medical field made by Henry Hampton, the Emmy-winning producer of *Eyes on the Prize*; *Broken Barriers* (1919), the first motion-picture adaptation of the Sholem Aleichem story that inspired *Fiddler on the Roof*; Ed Pincus's *Diaries* (1971–76) and Jim McBride's *My Girlfriend's Wedding* (1969); *The Flashettes* (1977), Bonnie Friedman's empowering documentary about an African American female track team from Brooklyn; *The Inner World of Aphasia* (1968), an innovative medical training film that was named to the National Film Registry; *Solo Olos* (1978), a newly discovered performance by the late Trisha Brown; dance analysis films using a method developed by Alan Lomax; medical films on the topic of degenerative heart disease from Johns Hopkins University; a sponsored film promoting tourism in Adirondack Park; and home movies of the sculptor Cornelia Chapin and the champion racehorse Man O' War.

**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. Titles preserved include the feature-length documentary *Alaskan Adventures* (1922), chronicling a year-long trip across Alaska; *Almost a Widow* (1917), an early role for Betty Compson; and the industrial *Glimpse of the Remington Factory* (ca. 1926), following the construction of a typewriter. *The Reckless Age* (1924), a flapper yarn starring Reginald Denny, discovered by the NFPF at EYE, was restored by Universal Studios and premiered at the Pordenone Silent Film Festival. The NFPF also provided a grant to the San Francisco Silent Film Festival to preserve *Soft Shoes* (1925), which was discovered at the National Film Archive of the Czech Republic. This year, \$107,666 was expended on repatriation efforts.

**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 2019.

**Online Access.** 135 films from 12 organizations were made available for online streaming from the NFPF publication *The Field Guide to Sponsored Films* (2006).

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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 2017, 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.* In accordance with U.S. Generally Accepted Accounting Principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:
- Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
- (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, 2017, 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 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 \$374,589 at the end of 2017 and \$349,001 at the end of 2016.

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- (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 2017.
- (g) *Federal Contract Revenue.* Reported here are project funds from federal entities. Funds were received through the National Endowment for the Humanities in 2017 and 2016. In 2017, the NFPF received \$21,197 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 \$38,943 in 2016.
- (h) *Licensing and Other Fees.* Funds received through Internet transactions, licensing fees, screenings and administrative reimbursements.
- (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 2017, \$500,000 was awarded as preservation grants and \$30,000 was temporarily restricted for the preservation of films repatriated from abroad. In 2016, \$399,890 was awarded as grants and \$130,110 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, 2017, equipment, furniture, and software had a net book value of \$0 (basis of \$17,053 less accumulated depreciation of \$17,053). 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).
- (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. Generally, the annual information returns are subject to examination for three years after they are filed.
- (m) *Recent Accounting Guidance.* During the year ended December 31, 2017, the Organization adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The Organization applied the change on a retrospective basis beginning in the year ended December 31, 2016. The main provisions of this Update require: presentation on the statement of financial position of amounts for two classes of net assets at the end of the period; presentation on the statement of activities of the amount of the change in each of the two classes of net assets; and enhanced disclosures about (1) the amounts and purposes of governing board designations,

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appropriations, and similar actions that result in self-imposed limits, (2) the composition of net assets with donor restrictions and how the restrictions affect the use of resources, (3) qualitative information that communicates how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date, (4) quantitative information that communicates the availability of the Organization's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the balance sheet date. The effect of this retrospective adoption of the Update was to reclassify previously stated temporarily restricted net assets of \$873,323 to net assets with donor restrictions (purpose restrictions). There was no change in total net assets as of December 31, 2016.

(n) *Liquidity and Availability.* The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments, CDs and money market funds.

The Organization has a goal to maintain cash and cash equivalents on hand to meet sixty days of normal operating expenses, which are, on average, \$175,105. Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$971,649
Grants and contracts receivable	4,676
Promises to give	<u>200,000</u>
Financial assets, at year ended December 31, 2017	1,176,325

Less those unavailable for general expenditures within one year due to:

Contractual or donor-imposed restrictions (see Note 4):	
Restricted by donor with time or purpose restrictions	(603,945)

Financial assets available to meet cash needs for general expenditures within one year	<u>\$572,380</u>
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**Note 3: Accounts and Pledges Receivable**

Current accounts receivable as of December 31, 2017, is \$204,677. There are no long-term pledges receivable as of December 31, 2017. In 2017, \$2,375 in DVD sales were credited from Accounts Receivable and expensed to a Bad Debt account.

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**Note 4: Net Assets with Donor Restrictions**

Net Assets with Donor Restrictions are available for the following purposes:

Support for 2018, net of allowances	
Andy Warhol Foundation for the Visual Arts, <i>Treasures 6</i>	30,480
CLIR, music and notes for EYE fiction films	12,890
CLIR, music and notes for 2 short films	1,980
Film Foundation, 2018 grant management	150,000
Film Foundation, 2018 Avant-Garde Masters grants	50,000
Federal funds, repatriation projects	<u>508,595</u>
	<u>\$753,945</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 2017 and 2016, the percentage was 2%.

**Note 6: Related Party Transactions**

Contributions from organizations to which board members are related were \$360,000 in 2017 and \$150,000 in 2016. 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 were \$1,042.50. In April 2017, the NFPF began paying month-to-month at \$1,042.50 per month. The total annual payments were \$12,510 for 2017. 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.

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

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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 June 22, 2018, have been determined to have no material impact on the presentation of these financial statements.