

NATIONAL FILM PRESERVATION FOUNDATION

FINANCIAL STATEMENTS

For The Years Ended December 31, 2018 and 2017

with

INDEPENDENT AUDITOR'S REPORT

**NATIONAL FILM PRESERVATION FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11

NATIONAL FILM PRESERVATION FOUNDATION
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,057,204	\$ 971,649
Investments	356,378	374,589
Accounts receivable	3,637	204,677
Inventory	42,548	42,548
Prepaid expenses	6,873	7,588
Total current assets	1,466,640	1,601,050
Other assets		
Equipment, furniture, and software, net of accumulated depreciation	-	-
Deposits, rent, and equipment	500	500
	500	500
Total assets	\$ 1,467,140	\$ 1,601,550
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 6,434	\$ 10,557
Accrued expenses	607	-
Accrued compensation	9,546	6,656
Grants payable	458,697	494,822
Total liabilities	475,284	512,035
Net assets		
Without donor restrictions	246,960	335,570
With donor restrictions	744,896	753,945
Total net assets	991,856	1,089,515
Total liabilities and net assets	\$ 1,467,140	\$ 1,601,550

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

NATIONAL FILM PRESERVATION FOUNDATION
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>			<u>2017</u>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Grants and contributions	\$ 110,667	\$ 546,020	\$ 656,687	\$ 201,510	\$ 731,980	\$ 933,490
Federal contract income	8,221	838	9,059	21,197	-	21,197
Grant savings from under-budget projects	-	-	-	34,420	-	34,420
Investment income	13,258	-	13,258	12,407	-	12,407
Licensing and other fees	1,258	-	1,258	3,026	-	3,026
Unrealized gains (loss) on investments	(24,642)	-	(24,642)	14,823	-	14,823
Realized loss on investments	3,922	-	3,922	1,577	-	1,577
Net assets released from restriction	555,907	(555,907)	-	851,358	(851,358)	-
Total support and revenue	<u>668,591</u>	<u>(9,049)</u>	<u>659,542</u>	<u>1,140,319</u>	<u>(119,378)</u>	<u>1,020,941</u>
Expenses						
Programs	684,617	-	684,617	975,572	-	975,572
Management and general	67,596	-	67,596	69,961	-	69,961
Fundraising	4,988	-	4,988	5,095	-	5,095
Total expenses	<u>757,201</u>	<u>-</u>	<u>757,201</u>	<u>1,050,628</u>	<u>-</u>	<u>1,050,628</u>
Change in net assets	<u>(88,610)</u>	<u>(9,049)</u>	<u>(97,659)</u>	<u>89,691</u>	<u>(119,378)</u>	<u>(29,687)</u>
Net assets-beginning	<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>
Net assets-ending	<u>\$ 246,959</u>	<u>\$ 744,896</u>	<u>\$ 991,856</u>	<u>\$ 335,569</u>	<u>\$ 753,945</u>	<u>\$ 1,089,515</u>

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

NATIONAL FILM PRESERVATION FOUNDATION
Statement of Functional Expenses
December 31, 2018

	<u>Programs</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Program grants				
Library of Congress	\$ 338,110	\$ -	\$ -	\$ 338,110
Avant-Garde Masters	54,930	-	-	54,930
Repatriation projects	6,129	-	-	6,129
DVD production and inventory depletion	5,184	-	-	5,184
Salaries	187,473	25,017	2,085	214,575
Payroll taxes	13,386	1,846	154	15,386
Pension plan contributions	3,683	508	43	4,234
Other employee benefits	26,725	3,686	308	30,719
Accounting services	-	12,938	-	12,938
Audit and information returns	-	13,900	-	13,900
Rent and utilities	12,692	1,751	146	14,589
Travel and conferences	6,191	4,141	-	10,332
Insurance	3,520	486	40	4,046
Legal and other consulting	10,975	1,514	126	12,615
Office expenses	2,584	282	1,119	3,985
Telephone and communications	2,722	375	32	3,129
Website design, maintenance, and hosting	3,107	217	857	4,181
Postage and delivery	1,540	184	15	1,739
Copying and printing	3,633	471	39	4,143
Equipment rental and maintenance	2,033	280	24	2,337
Total expenses	<u>\$ 684,617</u>	<u>\$ 67,596</u>	<u>\$ 4,988</u>	<u>\$ 757,201</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 & 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 and utilities	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
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (97,659)	\$ (29,687)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	-	289
Unrealized (gains) losses on investments	24,642	(14,823)
Decrease (increase) in accounts receivable	201,340	69,545
Decrease (increase) in prepaid expenses	415	438
Increase (decrease) in accounts payable	(3,516)	(1,032)
Increase (decrease) in accrued compensation	2,890	565
Increase (decrease) in grants payable	(36,125)	79,915
Net cash provided (used) by operating activities	91,987	105,211
Cash flows from investing activities		
Purchase of investments	(6,431)	(10,765)
Purchase of equipment and software	-	-
Net cash provided (used) by investing activities	(6,431)	(10,765)
Net increase in cash and cash equivalents	85,556	94,446
Cash and cash equivalents - beginning of year	971,648	877,203
Cash and cash equivalents - end of year	\$ 1,057,204	\$ 971,649

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) 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 296 organizations across all 50 states, Puerto Rico, and D.C. and helped save more than 2,404 films.

Grants. In 2018, the NFPF awarded \$393,040 in film preservation grants to 26 institutions. Among the 46 titles slated for preservation are *Street Corner Stories* (1977), Warrington Hudlin's documentary about the storytelling vernacular of New Haven's African American community; *Inquiring Nuns* (1968), Gordon Quinn's cinema-verité documentary about happiness; *Won by a Sweet* (1929), a sponsored film from the National Confectioners' Association; *The Spider and the Fly* (1938), one of the earliest surviving American home movies with synchronous sound; *Jane's Declaration of Independence* (1915), a rediscovered silent two-reeler filmed in the Presidio of San Francisco; *The Big Lever: Party Politics in Leslie County, Kentucky* (1982), a documentary about rural straight-party-ticket voting; the *Charles Longstreet Weltner Collection* (1950s–60s), campaign films from the pro–Civil Rights Georgia Congressman; experimental films by Stephanie Beroes, Al Wong, Robert Abel, and Chris Kraus; educational films on 19th-century photography processes by James Card, George Eastman Museum's founding curator of motion pictures; archaeological footage of the 1930s Rainbow Bridge–Monument Valley Expedition; and home movies of Europe during World War II by Jewish American soldier Murray Goldblatt.

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. Preserved films added to the NFPF website accompanied by new music and program notes include *Uncommon Clay* (1925), a survey of America's art pottery heritage from Acoma Pueblo to Rookwood Pottery, and *The Last Word in Chickens*, a demonstration of modern egg production and poultry raising techniques on a large Long Island farm. This year, \$6,129 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. 24 additional films were added to the NFPF website's online component of *The Field Guide to Sponsored Films* (2006), for a total of 159 films from 12 organizations. Highlights include *Once Upon a Time* (1934), a Technicolor driver safety cartoon sponsored by the Metropolitan Life Insurance Co.,

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

and *Pete-Roleum and His Cousins* (1939), a promotional short sponsored by the petroleum industry, directed by Joseph Losey and featuring stop-motion animation by the silent film pioneer Charley Bowers.

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, foundations and government funding. In 2018, 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, 2018, 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.

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

The NFPF has an Investment Advisory Account with Morgan Stanley. The quoted market value of all funds was \$356,378 at the end of 2018 and \$374,589 at the end of 2017.

- (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 2018.
- (g) *Federal Contract Revenue.* Reported here are project funds from federal entities. Funds were received through the National Endowment for the Humanities in 2018 and 2017. In 2018, the NFPF received \$9,059 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 \$21,197 in 2017.
- (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 2018, \$338,110 was awarded as preservation grants and \$191,890 was temporarily restricted for the preservation of films repatriated from abroad. In 2017, \$500,000 was awarded as grants and \$30,000 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).
- (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) *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

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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, \$126,200. 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	\$1,057,204
Grants and contracts receivable	3,637
Promises to give	<u>0</u>
Financial assets, at year ended December 31, 2018	1,060,841

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	(744,896)

Financial assets available to meet cash needs for general expenditures within one year	<u>\$315,945</u>
--	------------------

Note 3: Accounts and Pledges Receivable

Current accounts receivable as of December 31, 2018, is \$3,637. In 2017, \$2,375 in DVD sales were credited from Accounts Receivable and expensed to a Bad Debt account.

Note 4: Net Assets with Donor Restrictions

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

Support for 2019, net of allowances	
Andy Warhol Foundation for the Visual Arts, <i>Treasures 6</i>	30,480
CLIR, music and notes for EYE fiction films	12,365
Federal funds, repatriation projects	699,252
Network for Good	<u>2,799</u>
	<u>\$744,896</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. The current percentage is 2%.

NATIONAL FILM PRESERVATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 6: Related Party Transactions

Contributions from organizations to which board members are related were \$50,000 in 2018 and \$360,000 in 2017.

Note 7: Commitments, Contingencies and Concentrations

The office lease expired in March 2017. Month-to-month payments throughout 2017-18 were \$1,042.50. The total annual payments were \$12,510 for 2017 and 2018. A new office lease was signed in March 2019 for a three year term at \$1,073.78 per month. Lease annual payments are \$10,737 to \$12,885. 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 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 21, 2019, have been determined to have no material impact on the presentation of these financial statements.