

# ***NATIONAL FILM PRESERVATION FOUNDATION***

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## *FINANCIAL STATEMENTS*

*For The Years Ended December 31, 2015 and 2014*

*with*

*INDEPENDENT AUDITOR'S REPORT*

**NATIONAL FILM PRESERVATION FOUNDATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015 and 2014**

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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, 2015 and 2014 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, 2014 and 2013, 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 31, 2016

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,057,183	\$ 1,070,503
Investments	324,794	334,494
Accounts & pledges receivable	255,496	217,369
Inventory	44,423	45,365
Prepaid expenses	10,198	8,489
Total current assets	1,692,094	1,676,220
Other assets		
Equipment, furniture, and software, net of accumulated depreciation	1,453	3,085
Deposits, rent and equipment	2,222	2,222
	3,675	5,307
Total assets	\$ 1,695,769	\$ 1,681,527
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 84,891	\$ 14,013
Grants payable	474,775	493,295
Accrued compensation	7,298	9,992
Total liabilities	566,964	517,300
Net assets		
Unrestricted	428,102	547,527
Temporarily restricted	700,703	616,700
Total net assets	1,128,805	1,164,227
Total liabilities and net assets	\$ 1,695,769	\$ 1,681,527

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statements of Activities**  
**For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>			<b>2014</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Grants and contributions	\$ 118,976	\$ 595,080	\$ 714,056	\$ 171,388	\$ 624,724	\$ 796,112
Federal contract income	83,042	-	83,042	63,248	-	63,248
DVD sales	5,240	-	5,240	9,619	-	9,619
Grant savings from under-budget projects	898	-	898	49,158	-	49,158
Investment income	11,766	-	11,766	7,438	-	7,438
Licensing and other fees	4,919	-	4,919	8,278	-	8,278
Unrealized gains (loss) on investments	(9,072)	-	(9,072)	3,466	-	3,466
Realized loss on investments	(5,130)	-	(5,130)	-	-	-
Net assets released from restriction	511,077	(511,077)	-	713,461	(713,461)	-
Total support and revenue	<u>721,716</u>	<u>84,003</u>	<u>805,719</u>	<u>1,026,056</u>	<u>(88,737)</u>	<u>937,319</u>
Expenses						
Programs	773,469	-	773,469	991,802	-	991,802
Management and general	59,732	-	59,732	66,241	-	66,241
Fundraising	7,940	-	7,940	8,772	-	8,772
Total expenses	<u>841,141</u>	<u>-</u>	<u>841,141</u>	<u>1,066,815</u>	<u>-</u>	<u>1,066,815</u>
Change in net assets	<u>(119,425)</u>	<u>84,003</u>	<u>(35,422)</u>	<u>(40,759)</u>	<u>(88,737)</u>	<u>(129,496)</u>
Net assets-beginning	<u>547,527</u>	<u>616,700</u>	<u>1,164,227</u>	<u>588,286</u>	<u>705,437</u>	<u>1,293,723</u>
Net assets-ending	<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>

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	2,407	-	-	2,407
DVD licensing	1,200	-	-	1,200
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>	<b><u>\$ 773,469</u></b>	<b><u>\$ 59,732</u></b>	<b><u>\$ 7,940</u></b>	<b><u>\$ 841,141</u></b>

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

**NATIONAL FILM PRESERVATION FOUNDATION**  
**Statement of Functional Expenses**  
**December 31, 2014**

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Program grants				
Library of Congress	\$ 426,476	\$ -	\$ -	\$ 426,476
Avant Garde Masters	52,620	-	-	52,620
Repatriation projects	130,009	-	-	130,009
DVD production and inventory depletion	31,274	-	-	31,274
Salaries	249,689	25,249	5,611	280,549
Payroll taxes	19,350	1,957	435	21,742
Pension plan contributions	5,160	522	116	5,798
Other employee benefits	26,396	2,669	593	29,658
Accounting services	-	18,716	-	18,716
Audit and information returns	-	13,175	-	13,175
Rent	21,275	2,151	478	23,904
Travel and conferences	6,404	216	48	6,668
Insurance	3,068	311	69	3,448
Legal and other consulting	1,683	122	27	1,832
Office expenses	2,986	286	64	3,336
Telephone and communications	3,773	59	174	4,006
Website design, maintenance and hosting	1,427	115	967	2,509
Postage and delivery	1,860	83	54	1,997
Copying and printing	2,701	44	10	2,755
Equipment rental and maintenance	2,040	201	45	2,286
Depreciation	3,611	365	81	4,057
<b>Total expenses</b>	<b><u>\$ 991,802</u></b>	<b><u>\$ 66,241</u></b>	<b><u>\$ 8,772</u></b>	<b><u>\$ 1,066,815</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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Change in net assets	\$ (35,422)	\$ (129,496)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,632	4,057
Unrealized (gains) losses on investments	9,072	(3,466)
Decrease (increase) in accounts and pledges receivable	(38,127)	49,172
Decrease in inventory	942	1,891
(Increase) decrease in prepaid expenses	(1,708)	924
Increase (decrease) in accounts payable	70,877	(562)
Increase (decrease) in grants payable	(18,520)	(21,542)
Increase (decrease) in accrued compensation	(2,694)	(9,338)
Net cash provided used by operating activities	(13,948)	(108,360)
Cash flows from investing activities:		
Purchase of investments	628	(504)
Purchase of equipment and software	-	3,490
Net cash provided (used) by investing activities	628	2,986
Net increase in cash and cash equivalents	(13,320)	(105,374)
Cash and cash equivalents - beginning of year	1,070,503	1,175,877
Cash and cash equivalents - end of year	\$ 1,057,183	\$ 1,070,503

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 279 organizations across all 50 states, Puerto Rico, and D.C. and helped save more than 2,230 films.

**Grants.** In 2015, the NFPF awarded \$387,460 in film preservation grants to 35 institutions. Among the 64 American titles slated for preservation through grants were *The Way of Peace* (1947), an animated plea for pacifism written and directed by Frank Tashlin for the American Lutheran Church that was named to the National Film Registry in 2014; *Twice as Nice* (1989), Jessie Maple's independent feature about basketball playing twin sisters; *Ambassadors in Levis* (ca. 1970) about the Tucson Arizona Boys Chorus; *Czechoslovakia: Portrait of a Tragedy* (1968), an American documentary shot during the Prague Spring featuring an interview with Vaclav Havel; corporate films of the Golden State Mutual Life Insurance Company, for many years the only African-American owned corporation in California; the first student works by experimental animator Frank Mouris, whose *Frank Film* won the Oscar for Best Animated Short Film in 1974 and was named to the Registry in 1996; and home movies of President Herbert Hoover and his family, the 1944 Republican National Convention, Winston Churchill in Cuba, and the Santa Fe Fiesta.

**Repatriation.** The NFPF continued working on the partnership announced in 2014 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. This year, \$90,620 was expended on the effort. An additional 30 titles will be shipped from EYE 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.

In 2015, \$19,570 was received 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.

**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 2016.

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**Online Access.** In 2015, the NFPF launched the blog “Access Alley” to spotlight new films on the NFPF website. Four films preserved through the NFPF grant program with notes were added to the site including *Catskill Honeymoon* (1950), a “Yiddish-American Musical Revue” featuring Borscht Belt stalwarts; two Technicolor shorts; and *A Regular Bouquet: Mississippi Summer* (1964), actor Richard Beymer’s documentary about activists and the Mississippi community. In addition, the first six silent films from the EYE Project were made available online complete with program notes and new music thanks to support from the NEH and the NFPB.

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; donated services; government funding; licensing fees; and wholesale DVD sales. In 2015 and 2014, the NFPF received \$530,000 annually 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 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 2015 or 2014.

(c) *Contributed Services.* Contributed services are recognized as support and revenue when pledged if such services require specialized skills and are provided by individuals or firms possessing those skills. These services would typically need to be purchased if not provided by donation. In-kind services, consisting of preservation services donated by laboratory and post-production facilities, are recognized as expenses when awarded to an archive or used by the foundation.

NATIONAL FILM PRESERVATION FOUNDATION  
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No contributed services were received or expensed in 2015. In 2014, the NFPF recognized contributed service revenue of \$5,000 and expensed contributed services valued at \$5,000.

- (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, 2015, 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.
- (f) *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.

In 2014, the NFPF opened an Investment Advisory Account with Morgan Stanley. The quoted market value of all funds was \$324,794 at the end of 2015 and \$334,494 at the end of 2014.

- (g) *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 2015.
- (h) *Federal Contract Revenue.* Reported here are project funds from federal entities. Funds were received through the National Endowment for the Humanities in 2015 and 2014. The NFPF requested and received \$83,402 through a \$260,000 NEH grant supporting the preservation and presentation of 26 nonfiction American silent films from the EYE Filmmuseum Netherlands. The NFPF requested and received \$63,248 in 2014.
- (i) *Licensing and Other Fees.* Funds received through Internet transactions and licensing fees. In 2015, licensing fees were primarily revenues paid by Turner Entertainment Network to broadcast *Toll of the Sea* (1922) from the *Treasures from American Film Archives* DVD set. In 2014, these fees consisted largely of revenues paid by Fandor to stream *Too Much Johnson* in HD to its subscribers.
- (j) *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 2015, \$341,670 was awarded as preservation grants and \$188,330 was temporarily restricted for the preservation of films repatriated from abroad. In 2014, \$426,476 was awarded as grants and \$103,524 was temporarily restricted for repatriation efforts.
- (k) *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

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depreciation method and is applied over the estimated useful lives of the assets. 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). As of December 31, 2014, equipment, furniture, and software had a net book value of \$3,085 (basis of \$24,198, less accumulated depreciation of \$21,113).

- (l) *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.
- (m) *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.

**Note 3: Pledges Receivable**

Current Pledges receivable as of December 31, 2015, are \$255,496. There are no long-term pledges receivable as of December 31, 2015.

**Note 4: Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

Support for 2016, net of allowances	
Academy Foundation, general support	\$50,000
Andy Warhol Foundation for the Visual Arts, <i>Treasures 6</i>	30,480
CLIR, music and notes for EYE fiction films	17,970
Film Foundation, 2016 grant management	100,000
Film Foundation, 2016 Avant-Garde Masters grants	54,210
Federal funds, repatriation projects	<u>448,043</u>
	<u>\$700,703</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 2015 and 2014, the percentage was 2%. The foundation also has a contributory 403(b) plan that is funded solely by voluntary participant salary deferrals.

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**Note 6: Related Party Transactions**

Contributions from organizations to which board members are related were \$150,000 in 2015 and \$150,000 in 2014. No payments were made for services provided by related parties in either year.

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

The office lease was renewed in December 2012 for three years. Under this lease, the monthly payments from December 2013 through November 2014 were \$1,992 and from December 2014 through November 2015 were \$2,062. In December 2015, the NFPF began paying month-to-month at \$3,207 per month. The total annual payments were \$23,904 for 2014 and \$25,959 for 2015. The rent deposit was \$2,062.

A lease was signed at a new location in April 2016 for a one year term. The monthly payment is \$1,042.50 with a rent deposit of \$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 2015 and 2014 the NFPF received federal funds authorized through *The Library of Congress Sound Recording and Film Preservation Programs Reauthorization Act of 2008* (Public Law 110-336) 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* renewed the NFPF's authorization through federal fiscal year 2016.

Subsequent events evaluated through May 31, 2016, have been determined to have no material impact on the presentation of these financial statements.