

THE FILM FOUNDATION, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017



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**THE FILM FOUNDATION, INC.
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
The Film Foundation, Inc.
Los Angeles, California

We have reviewed the accompanying financial statements of the Film Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles in the United States of America.

Board of Directors
The Film Foundation, Inc.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, the entity changed accounting policies related to presentation of its financial statements in 2018 as required by the provisions of FASB Accounting Standards Update 2016-14: Presentation of Financial Statements of Not-for-Profit Entities. Our conclusion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pasadena, California
October 8, 2019

THE FILM FOUNDATION, INC
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash	\$ 2,140,351	\$ 2,359,448
Investments	572,945	602,114
Investments restricted for Artists Rights	177,494	175,636
Property and equipment		
Office equipment	67,009	67,009
Accumulated depreciation	<u>(58,286)</u>	<u>(51,524)</u>
Total property and equipment	<u>8,723</u>	<u>15,485</u>
Total assets	<u><u>\$ 2,899,513</u></u>	<u><u>\$ 3,152,683</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 163,864	\$ 78,117
Due to agency recipients	<u>193,051</u>	<u>908,657</u>
Total liabilities	356,915	986,774
NET ASSETS		
Without donor restrictions	2,365,104	1,990,273
With donor restrictions	<u>177,494</u>	<u>175,636</u>
Total net assets	<u><u>2,542,598</u></u>	<u><u>2,165,909</u></u>
Total liabilities and net assets	<u><u>\$ 2,899,513</u></u>	<u><u>\$ 3,152,683</u></u>

See Accompanying Notes and Independent Accountant's Review Report

THE FILM FOUNDATION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 2,037,444	\$ -	\$ 2,037,444
Investment income (loss)	(29,168)	1,858	(27,310)
Total revenue	<u>2,008,276</u>	<u>1,858</u>	<u>2,010,134</u>
EXPENSES			
Program expenses	1,290,592	-	1,290,592
Management and general expenses	246,349	-	246,349
Fundraising expenses	96,504	-	96,504
Total expenses	<u>1,633,445</u>	<u>-</u>	<u>1,633,445</u>
CHANGE IN NET ASSETS	<u>374,831</u>	<u>1,858</u>	<u>376,689</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,990,273</u>	<u>175,636</u>	<u>2,165,909</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,365,104</u></u>	<u><u>\$ 177,494</u></u>	<u><u>\$ 2,542,598</u></u>

See Accompanying Notes and Independent Accountant's Review Report

THE FILM FOUNDATION, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 2,030,478	\$ -	\$ 2,030,478
Investment income	49,384	103	49,487
	<u>2,079,862</u>	<u>103</u>	<u>2,079,965</u>
Total revenue			
EXPENSES			
Program expenses	1,695,344	-	1,695,344
Management and general expenses	157,626	-	157,626
Fundraising expenses	112,423	-	112,423
	<u>1,965,393</u>	<u>-</u>	<u>1,965,393</u>
Total expenses			
CHANGE IN NET ASSETS	<u>114,469</u>	<u>103</u>	<u>114,572</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,875,804</u>	<u>175,533</u>	<u>1,815,436</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,990,273</u></u>	<u><u>\$ 175,636</u></u>	<u><u>\$ 2,165,909</u></u>

See Accompanying Notes and Independent Accountant's Review Report

THE FILM FOUNDATION, INC
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Archival Restoration/Preservation Projects	\$ 354,043	\$ 1,044,478
Educational Programs: The Story Of Movies	464,379	247,173
World Cinema Project	122,829	155,157
Educational Programs:		
Preservation Screening Program/Nitrate Retrofit Project	128,625	79,360
Educational Mailings, Outreach and Program Developments	115,329	80,924
Educational Programs: Communication	80,145	63,952
Artists Rights Legal Defense Activities	25,243	24,300
	<u>1,290,592</u>	<u>1,695,344</u>
Total program costs		
Salaries	117,477	66,785
Accounting and bookkeeping services	42,468	44,787
Rent and parking	35,374	7,836
Payroll taxes	11,266	3,598
Insurance - workers compensation and general	8,372	9,911
Depreciation	6,762	8,142
Storage	4,980	2,340
Temp Personnel and Fees	4,545	1,543
Payroll service	4,357	3,848
Insurance - Health	4,087	3,827
Messenger	4,032	3,191
Equipment maintenance	1,238	1,236
Printing	487	-
Office supplies	335	210
Telephone	284	-
Taxes and Licenses	235	160
Postage expense	48	-
Bank Charges	2	-
Business development	-	201
Travel	-	11
	<u>246,349</u>	<u>157,626</u>
Total management and general expenses		
Salaries	64,884	39,216
Fundraising expenses	31,620	73,207
	<u>96,504</u>	<u>112,423</u>
Total fundraising expenses		
Total Expenses	<u><u>\$ 1,633,445</u></u>	<u><u>\$ 1,965,393</u></u>

See Accompanying Notes and Independent Accountant's Review Report

THE FILM FOUNDATION, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 376,689	\$ 114,572
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,762	8,142
Net realized and unrealized loss (gain)	41,483	(39,506)
Accounts payable and accrued expenses	85,747	(57,095)
Due to agency recipients	(715,606)	255,724
	<u>(204,925)</u>	<u>281,837</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(14,172)	(91,572)
CHANGE IN CASH	<u>(219,097)</u>	<u>190,265</u>
CASH - BEGINNING OF YEAR	<u>2,359,448</u>	<u>2,169,183</u>
CASH - END OF YEAR	<u><u>\$ 2,140,351</u></u>	<u><u>\$ 2,359,448</u></u>

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 NATURE OF ORGANIZATION

The Film Foundation (the Foundation) is dedicated to protecting motion pictures and the rights of the artists who create them, educating the public about the importance of film preservation, raising the funds needed to save our cinematic heritage, and providing public access to these restorations.

For nearly 30 years, the Foundation has collaborated with film archives and studios to save over 825 endangered films. Led by the filmmakers on its board of directors, the Foundation has identified, managed and funded the preservation and restoration of works from every genre and every era – from studio releases to independent films, newsreels, and documentary, silent and experimental films. The Foundation established the World Cinema Project (WCP), to preserve, restore and share neglected works by filmmakers from regions all across the globe, including Central and Southeast Asia, Central America, South America, Africa, Eastern Europe, and the Middle East. The Foundation also educates new generations about classic cinema and the need for film preservation. Through its innovative *Story of Movies* program, students learn to understand the language of film and to appreciate its artistic, social and historical significance.

Further, the Foundation is a champion of artists' rights, working to ensure that films are protected from censorship, distortion and alteration of any kind.

The Foundation is committed to the art of cinema – past, present, and future.

The Foundation was created by Martin Scorsese and a group of filmmakers – Woody Allen, Robert Altman, Francis Ford Coppola, Clint Eastwood, Stanley Kubrick, George Lucas, Sydney Pollack, Robert Redford, and Steven Spielberg. The Foundation's board of directors also includes Paul Thomas Anderson, Wes Anderson, Peter Jackson, Ang Lee, Christopher Nolan, and Alexander Payne. The Foundation is aligned with the Directors Guild of America, whose President and Secretary-Treasurer serve on the Foundation's board.

To achieve its goals in the area of film preservation, the Foundation partners with major film archives – the Academy Film Archive (Los Angeles, CA), Anthology Film Archives (New York, NY), George Eastman Museum (Rochester, NY), Library of Congress (Washington, D.C.), Museum of Modern Art (New York, NY), and UCLA Film & Television Archive (Los Angeles, CA), as well as the BFI National Archive (London, UK) and Cineteca di Bologna (Bologna, Italy). In addition, the Foundation supports the National Film Preservation Foundation, which awards grants to regional archives, libraries and historical societies in support of "orphan" films.

Specifically, the Foundation works with these archives to:

- Identify titles in need of preservation and restoration;
- Locate and secure picture and sound elements from public, private and studio archives;
- Negotiate preservation contracts involving the studios/copyright holders, the archives, and the Foundation and its funders;
- Increase public access to restored films;
- Advise on "best practices" for the preservation of current film production;
- Facilitate corporate and philanthropic partnerships in support of the work of the archives.

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 NATURE OF ORGANIZATION (CONTINUED)

Preservation and restoration projects undertaken by the Foundation include (partial listing, organized chronologically): THE GREAT TRAIN ROBBERY (1903, d. Edwin S. Porter), TRAMP STRATEGY (1911, d. Alice Guy Blaché), THE COUNT (1916, d. Charlie Chaplin), ROSITA (1923, d. Ernst Lubitsch), THE LODGER (1926, d. Alfred Hitchcock), HELL'S HEROES (1929, d. William Wyler), HER MAN (1930, d. Tay Garnett), THE BRAT (1931, d. John Ford), THE FRONT PAGE (1931, d. Lewis Milestone), TROUBLE IN PARADISE (1932, d. Ernst Lubitsch), L'ATALANTE (1934, d. Jean Vigo), ONE MORE SPRING (1935, d. Henry King), THE ROAD BACK (1937, d. James Whale), MY LITTLE CHICKADEE (1940, d. Edward Cline), SUSPICION (1941, d. Alfred Hitchcock), DETOUR (1945, d. Edgar G. Ulmer), THE CHASE (1946, d. Arthur D. Ripley), EARLY ABSTRACTIONS (1946-57, d. Harry Smith), HE WALKED BY NIGHT (1948, dirs. Alfred Werker and Anthony Mann), MACBETH (1948, d. Orson Welles), THE TALES OF HOFFMAN (1951, dirs. Michael Powell and Emeric Pressburger), two films by Kenji Mizoguchi, CHIKAMATSU MONOGATARI (1954) and SANSHO DAYU (1954), BEAT THE DEVIL (1953, d. John Huston), PATHER PANCHALI (1955, d. Satyajit Ray), RICHARD III (1955, d. Laurence Olivier), 23 PACES TO BAKER STREET (1956, d. Henry Hathaway), A FACE IN THE CROWD (1957, d. Elia Kazan), SHADOWS (1959, d. John Cassavetes), I WAS A TEENAGE RUMPOT (1960, d. George and Mike Kuchar), THE CONNECTION (1961, d. Shirley Clarke), ONE-EYED JACKS (1961, d. Marlon Brando), SALVATORE GIULIANO (1962, d. Francesco Rosi), SCORPIO RISING (1963, d. Kenneth Anger), SHOCK CORRIDOR (1963, d. Samuel Fuller), THE MASQUE OF THE RED DEATH (1964, d. Roger Corman), THE SECRET CINEMA (1966, d. Paul Bartel), TWO FOR THE ROAD (1967, d. Stanley Donen), Albert and David Maysles' seminal documentary SALESMAN (1968), UNCLE YANCO (1967, d. Agnes Varda), NIGHT OF THE LIVING DEAD (1968, d. George A. Romero), INVESTIGATION OF A CITIZEN ABOVE SUSPICION (1970, d. Elio Petri), WANDA (1970, d. Barbara Loden), REMINISCENCES OF A JOURNEY TO LITHUANIA (1971-72, d. Jonas Mekas), IL CASO MATTEI (1972, d. Francesco Rosi), THE MEMORY OF JUSTICE (1976, d. Marcel Ophuls), WE CAN'T GO HOME AGAIN (1976, d. Nicholas Ray), JABBERWOCKY (1977, d. Terry Gilliam), THE TREE OF WOODEN CLOGS (1978, d. Ermanno Olmi), ALL THAT JAZZ (1979, d. Bob Fosse), WATER RITUAL #1: AN URBAN RITE OF PASSAGE (1979, d. Barbara McCullough), BORN IN FLAMES (1983, d. Lizzie Borden), ONCE UPON A TIME IN AMERICA (1984, d. Sergio Leone), THE UNBEARABLE LIGHTNESS OF BEING (1988, d. Philip Kaufman), THE JUNIPER TREE (1990, d. Nietzchka Keene), and QUEEN OF DIAMONDS (1991, d. Nina Menkes) in addition to newsreels, shorts, home movies, and hundreds of other films whose titles may not be widely known, but are essential to our culture.

Films that were restored through the World Cinema Project – ENAMORADA (Mexico, 1946, d. Emilio Fernandez), PIXOTE (Brazil, 1980, d. Hector Babenco), PRISIONEROS DE LA TIERRA (Argentina, 1939, d. Mario Soffici), and CHRONIQUE DES ANNÉES DES BRAISE (CHRONICLE OF THE YEARS OF FIRE) (Algeria, 1975, d. Mohammed Lakhdar-Hamina). As part of the World Cinema Project, The Foundation created the African Film Heritage Project to locate, restore and preserve significant African titles in partnership with the Pan African Federation of Filmmakers and UNESCO. In addition, the World Cinema Project provides training for students and archivists through its Restoration Film School in underserved regions.

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 NATURE OF ORGANIZATION (CONTINUED)

Crucial to the Foundation's mission is providing access to all the titles it helps to preserve and restore. In 2018, there were more than 500 screenings of TFF-funded restorations at festivals, museums, archives and other venues around the globe. In keeping with the Foundation's commitment to projecting film, it partnered with the Association of Moving Image Archivists (AMIA) and Boston Light & Sound to host Film Projection Workshops in Boston, Massachusetts and Chicago, Illinois. In addition, the Foundation's nitrate projection booth at the Egyptian Theater in Hollywood continued to program nitrate films all year round.

The Foundation maintains a conservation collection for films restored with its funding. 215 titles are in The Film Foundation Conservation Collection held at the Academy Film Archive. Archival 35mm prints, as well as DCPs, on all projects are added to the collection when restoration work is completed.

The Story of Movies is an educational program created by the Foundation. This unique interdisciplinary curriculum is designed to teach middle and high school students to comprehend the visual language of film, to view films in a cultural context, and to have an appreciation of cinematic art. The Foundation has made the *Story of Movies* program materials available free of charge on its newly designed website (storyofmovies.org). To date, the curriculum has been distributed to over 100,000 educators at public, private, and parochial schools across the country. Four units continue to be distributed: TO KILL A MOCKINGBIRD (1962, d. Robert Mulligan), MR. SMITH GOES TO WASHINGTON (1939, d. Frank Capra), THE DAY THE EARTH STOOD STILL (1951, d. Robert Wise); and The AMERICAN WEST AND THE WESTERN FILM GENRE, which incorporates a wide cross-section of Western films, from the earliest silents to revisionist works of the 1960s. In addition, the Foundation announced its newest unit titled PORTRAITS OF AMERICA: DEMOCRACY ON FILM at a press conference at the Directors Guild of America in New York, at the conference of the American Federation of Teachers (AFT), and at the National Council for the Social Studies (NCSS) annual meeting. Professional development workshops were held Cleveland, Detroit, and Philadelphia.

Protecting the work of film artists from censorship and alteration is another primary objective for the Foundation. The Artists Rights Advisory Council was formed to advocate for the protection and expansion of the rights of filmmakers.

The Directors Guild of America (Directors Guild) is the sole corporate member of the Foundation and lends its considerable support and resources. Through in-kind financial and administrative support, its involvement has been critical to the Foundation's success.

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Net assets, revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein have been classified and are reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations, including donor-restricted contributions whose restrictions are met in the same reporting period, and net assets designated by the board of directors or management for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or by the expiration of stipulated time and net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Foundation. Generally, the donors of these assets permit the Foundations to use all or part of the income earned on related investments for general or specific purposes.

Investments

Investments are recorded at fair value. Fair values of equities are based on quoted market prices. The fair value of bonds are estimated using recently executed transactions, market price quotations and pricing models. Net realized and unrealized gains and losses on investments are recorded in the statement of activities.

Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 – Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Property and Depreciation

Property and equipment is stated at cost. Depreciation is computed using the straight-line method based on useful life of 5-7 years.

Due to Agency Recipients

The Foundation receives and distributes assets under certain agency and intermediary arrangements. FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust That Raises or Holds Contributions for Others* stipulates that a nonprofit is not a donee but an agent if the nonprofit accepts assets from a donor and agrees to transfer those assets to a specified beneficiary. Accordingly, the Foundation accounts for the transfer of such assets as a liability rather than as contribution income.

In-Kind Donations

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received. Donated rent is recorded as contribution revenue at fair value at the date of donation.

Concentration of Credit Risk

The Foundation places its cash with a recognized financial institution. At times, such cash may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Federal Deposit Insurance Corporation (FDIC) insures accounts held in banks up to statutory limits. The Foundation has not experienced any losses in such accounts.

The Foundation also maintains all of its investments with one stock brokerage firm, which is insured by the Securities Investor Protection Corporation.

The Foundation had three and five contributors that accounted for 80% and 89% of total revenue during the years ended December 31, 2018 and 2017, respectively.

Income Taxes

The Foundation is a non-profit corporation defined in Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxation under section 501(a) of the Code. In addition, the Foundation is a Section 509(a)(2) organization as defined in the Code and is, therefore, not a private Foundation and qualifies for the maximum charitable contribution deduction for donors. The Foundation is also exempt from state income taxation under 23701(d) of the California Revenue and Taxation Code.

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity

Assets are presented according to their proximity to cash and liabilities are presented according to their nearness of payment or use of cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 8, 2019, the date the financial statements were available to be issued.

Functional Expense Allocation Methodology

Management's estimate of the functional allocation of expenses shared between program, management and general, and fundraising on a reasonable and consistent basis using factors, such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

New Accounting Pronouncement Adopted During the Year

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods (except liquidity and reserves discussed in note 3 which is as of and for the year ended December 31, 2018) presented which resulted in no change to the previously reported net assets.

New Accounting Pronouncements Effective in Future Accounting Period

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). For public business entities, certain not-for-profit entities, and certain employee benefit plans, the effective date was for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The effective date for all other entities was for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Since then, the Board issued proposed Accounting Standards Update, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendments in this Update defer the effective date of Update 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Management will be evaluating the effects of this new standard.

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 LIQUIDITY AND RESERVES

Investments at December 31, 2018, the Foundation has the following financial assets to meet cash needs for general expenditures within one year.

Cash	\$ 2,140,351
Investments	<u>572,945</u>
Total	<u><u>\$ 2,713,296</u></u>

The Foundation has the ability to use all of its net assets without donor restrictions to meet its cash needs. During the year ended December 31, 2018, the Foundation was able to meet its cash needs.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments at December 31, 2018 and 2017 comprised of the following:

	<u>2018</u>	<u>2017</u>
Investments	\$ 572,945	\$ 602,114
Investments restricted for Artists Rights	<u>177,494</u>	<u>175,636</u>
	<u><u>\$ 750,439</u></u>	<u><u>\$ 777,750</u></u>

Investment income for the years ended December 31, 2018 and 2017 is comprised of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 14,173	\$ 9,981
Realized and unrealized gain (loss), net	<u>(41,483)</u>	<u>39,506</u>
	<u><u>\$ (27,310)</u></u>	<u><u>\$ 49,487</u></u>

THE FILM FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following is the fair value measurement for investments measured on a recurring basis at December 31, 2018 and 2017:

2018	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 209,190	\$ -	\$ 209,190	\$ -
Certificates of deposit	196,702	-	-	-
Domestic equities	148,142	148,142	-	-
Money market fund	177,494	177,494	-	-
CNB Deposit Sweep	18,911	-	-	-
	<u>\$ 750,439</u>	<u>\$ 325,636</u>	<u>\$ 209,190</u>	<u>\$ -</u>
2017	Total	Level 1	Level 2	Level 3
Corporate bonds	\$ 215,207	\$ -	\$ 215,207	\$ -
Certificates of deposit	199,844	-	-	-
Domestic equities	180,467	180,467	-	-
Money market fund	175,636	175,636	-	-
CNB Deposit Sweep	6,596	-	-	-
	<u>\$ 777,750</u>	<u>\$ 356,103</u>	<u>\$ 215,207</u>	<u>\$ -</u>

NOTE 5 RELATED PARTY TRANSACTIONS

As organized under the Bylaws, the Board of Directors of the Foundation includes various "corporate trustees" who serve by virtue of their capacity as officers or employees of the Directors Guild.

During the years ended December 31, 2018 and 2017, the Foundation reimbursed the Directors Guild \$273,539 and \$243,458, respectively, for salaries, benefits, payroll taxes, postage, rent, parking and other expenses paid on the Foundation's behalf.

The Foundation occupied its office facility in the Directors Guild building, and it pays the Directors Guild rent and parking at \$6,530 on a month-to-month basis. The Foundation receives a corresponding monthly contribution from the Directors Guild for the purpose of fully offsetting the Foundation's rent and parking expenses.

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018 and 2017, \$177,494 and \$175,636 is donor restricted for Artists Rights, respectively. During the years ended December 31, 2018 and 2017, no donor restricted net assets were released from this fund.

