

CALIFORNIA FILM INSTITUTE

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

CALIFORNIA FILM INSTITUTE

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
California Film Institute:

We have audited the accompanying consolidated financial statements of California Film Institute (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Perotti & Carrade | Certified Public Accountants

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of California Film Institute and subsidiary as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 11, 2020

Perotti & Carrade

CALIFORNIA FILM INSTITUTE

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

Current Assets:

Cash	\$ 1,477,164
Grants and contributions receivable	179,325
Other receivables	53,681
Prepaid expenses	36,475
	<hr/>
Total current assets	1,746,645

Property and Equipment:

Land, building and improvements	8,937,151
Equipment	1,039,724
Furnishings	184,705
Less: accumulated depreciation	(4,662,823)
	<hr/>
Net property and equipment	5,498,757

Other Assets:

Office lease deposit	11,850
Grants and contributions receivable	93,500
Goodwill	345,585
	<hr/>
Total other assets	450,935

Total Assets \$ 7,696,337

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 351,255
Line of credit borrowings	132,452
Current portion of notes payable	51,612
	<hr/>
Total current liabilities	535,319

Long-term Debt: Notes payable 1,471,204

Net Assets:

Undesignated	4,586,238
Noncontrolling interest	409,171
	<hr/>
Without donor restrictions	4,995,409
With donor restrictions	694,405
	<hr/>
Total net assets	5,689,814

Total Liabilities and Net Assets \$ 7,696,337

See accompanying notes to consolidated financial statements.

CALIFORNIA FILM INSTITUTE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
Revenues from Operations:			
Ticket sales:			
Film festivals	\$ 665,667		\$ 665,667
Smith Rafael Film Center	1,071,344		1,071,344
Memberships	560,227		560,227
Rental income	265,909		265,909
Concession and other income	338,778		338,778
	<hr/>		<hr/>
Total revenues from operations	2,901,925		2,901,925
	<hr/>		<hr/>
Development Revenues:			
Donations and grants	3,129,466	\$ 443,905	3,573,371
In-kind donations	955,772		955,772
	<hr/>	<hr/>	<hr/>
Subtotal	4,085,238	443,905	4,529,143
Net assets released from restrictions	206,964	(206,964)	
	<hr/>	<hr/>	<hr/>
Total development revenues	4,292,202	236,941	4,529,143
	<hr/>	<hr/>	<hr/>
Total revenues	7,194,127	236,941	7,431,068
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services:			
Film festivals	3,629,685		3,629,685
Theaters	1,950,665		1,950,665
Education and outreach	463,041		463,041
	<hr/>		<hr/>
Total program services	6,043,391		6,043,391
	<hr/>		<hr/>
Support services:			
General and administrative	370,991		370,991
Development	877,549		877,549
	<hr/>		<hr/>
Total support services	1,248,540		1,248,540
	<hr/>		<hr/>
Total expenses	7,291,931		7,291,931
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(97,804)	236,941	139,137
Net Assets at Beginning of Year	4,695,518	457,464	5,152,982
Consolidating of Sequoia	469,924		469,924
Additional Interest Acquired in Sequoia	(72,229)		(72,229)
	<hr/>	<hr/>	<hr/>
Net Assets at End of Year	\$ 4,995,409	\$ 694,405	\$ 5,689,814
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See accompanying notes to consolidated financial statements.

CALIFORNIA FILM INSTITUTE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program						
	<u>Film Festivals</u>	<u>Theaters</u>	<u>Education and Outreach</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and wages	\$ 1,100,989	\$ 565,319	\$ 218,181	\$ 1,884,489	\$ 262,580	\$ 546,871	\$ 2,693,940
Payroll taxes and benefits	137,865	75,708	26,596	240,169	33,747	80,376	354,292
Contractors	258,119	93,009	58,422	409,550	2,425	12,337	424,312
Total compensation costs	1,496,973	734,036	303,199	2,534,208	298,752	639,584	3,472,544
Advertising and promotion	620,125	35,362	11,336	666,823	1,231	16,142	684,196
Facilities expense	351,716	200,546	27,699	579,961	23,919	54,823	658,703
Film and programming expense	184,528	365,047	3,382	552,957	-	-	552,957
Travel and guest services	262,217	22,751	83,811	368,779	5,479	19,107	393,365
Food and beverages	284,713	66,828	4,699	356,240	171	12,241	368,652
Production costs	183,180	60,987	10,717	254,884	329	1,613	256,826
Office and operation supplies	60,116	72,056	8,195	140,367	7,862	34,210	182,439
Printing and postage	64,109	16,257	1,317	81,683	860	81,923	164,466
Equipment rental expense	99,272	7,029	4,184	110,485	1,474	6,597	118,556
Interest	-	83,849	-	83,849	-	-	83,849
Insurance	18,152	22,746	3,594	44,492	13,765	9,029	67,286
Repairs and maintenance	2,741	47,888	543	51,172	667	1,363	53,202
Accounting and legal	-	1,525	-	1,525	16,034	-	17,559
Total expenses before depreciation	3,627,842	1,736,907	462,676	5,827,425	370,543	876,632	7,074,600
Depreciation	1,843	213,758	365	215,966	448	917	217,331
Total	\$ 3,629,685	\$ 1,950,665	\$ 463,041	\$ 6,043,391	\$ 370,991	\$ 877,549	\$ 7,291,931

See accompanying notes to consolidated financial statements.

CALIFORNIA FILM INSTITUTE

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Operating Activities:

Change in net assets	\$ 139,137
Adjustments to reconcile change in net assets to net cash provided by operations:	
Depreciation	217,331
Changes in assets and liabilities:	
Increase in receivables	(87,568)
Decrease in prepaid expenses	29,629
Decrease in accounts payable	<u>(201,785)</u>
Cash provided by operations	<u>96,744</u>

Investing Activities:

Additions to property and equipment	(29,849)
Cash received with business combination	124,033
Acquisition of interest in LLC	<u>(260,856)</u>
Cash used for investing activities	<u>(166,672)</u>

Financing Activities:

Borrowings related to line of credit	132,452
Repayments of notes payable	<u>(47,028)</u>
Cash provided by financing activities	<u>85,424</u>

Increase in Cash 15,496

Cash - Beginning of Year 1,461,668

Cash - End of Year \$ 1,477,164

Supplemental Information:

Interest paid \$ 83,849

See accompanying notes to consolidated financial statements.

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

The California Film Institute (CFI), formed in 1978, is a 501(c)(3) nonprofit organization, located in Northern California. CFI fulfills its mission to celebrate and promote film as art and education through five programs:

- The Christopher B. Smith Rafael Film Center, a nonprofit art house theater that serves 125,000 constituents yearly;
- The internationally recognized 11-day Mill Valley Film Festival (MVFF), which features more than 200 film screenings representing countries worldwide, two-dozen official premieres, and over 70,000 tickets issued.
- The DocLands documentary film festival, which features 40 film screenings and over 6,000 tickets issued.
- CFI Education programs that reach more than 8,000 students and teachers annually.
- CFI Releasing, a non-profit film distribution initiative giving nationwide audiences access to quality independent films.

CFI's revenues are primarily derived from the sale of tickets to the annual MVFF and DocLands Documentary Film Festival, ticket sales at the Christopher B. Smith Rafael Film Center (SRFC), and individual and corporate donations, memberships and grants.

CFI is an investor in a limited liability company, Friends of the CFI-Sequoia Theatre, LLC (Sequoia), that owns real estate leased principally to a commercial movie theater. As of December 31, 2018, CFI owned 49.99% interest of Sequoia. In February and December 2019 CFI acquired an additional 6.68% and 6.66% interest, respectively, in Sequoia. The total amount paid for the interest acquired during 2019 was \$260,856, of which \$132,452 was to acquire the interest of one of CFI's board member's interest in the Sequoia.

As CFI gained controlling interest in Sequoia in February 2019, Sequoia was consolidated with CFI at the fair market value as of February 15, 2019. As of December 31, 2019, one of CFI's current board members is also an investor in the limited liability company. The combined interest of CFI and current board member is 80.00% as of December 31, 2019. CFI has the intent to acquire the remaining additional interest in Sequoia in the next few years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements include the accounts of California Film Institute and its partially owned subsidiary, Friends of the CFI – Sequoia Theatre, LLC. All inter-company accounts have been eliminated. The results of operations of this subsidiary are included in the consolidated financial statements. The consolidated financial statements have been prepared using the accrual method of accounting. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers.

Financial Statement Presentation – CFI reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash - Cash include all cash balances on deposit with financial institutions.

Contributions – Contributions are recognized when the donor makes a promise to give to CFI that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the net assets without donor restrictions if the restrictions are satisfied in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a contribution has been previously restricted, and the restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Membership – CFI provides various types of passes to its members when membership dues are received. A designated portion of the membership dues can be treated as a donation by the member. Membership dues are recognized as revenue when received as CFI as determined on an average basis the benefit received from membership dues is de minimus. Payment is received at the point of membership sale.

Ticket Sales and Concessions – CFI earns revenue from ticket and concession sales. Revenue and payment are due at the time of the sale. CFI recognizes revenue at the time the performance obligation occurs, which is generally on the day of the performance.

Rental Income –CFI receives rental income from third parties for use of its space generally for a one-time event. Rental income is recognized as income in the month the rent is earned. Payment is generally due on the day of the event. Sequoia principal revenue is generated from rental income of its space. Rental income is recognized as income in the month the rent is earned. Payment is generally due within five days of the first of each month or within five days.

Allowance for Doubtful Accounts - An allowance for doubtful accounts reflects management's best estimate of probable losses inherent in grants and accounts receivable balances. Management primarily determines the allowance based on the aging of accounts receivable balances. No allowance was deemed necessary at December 31, 2019.

Donated Materials and Services – In-kind donations represent contributed goods and services. CFI recognizes in-kind donations received at estimated fair value if such goods or services are measurable, would otherwise be purchased and (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

Property and Equipment – Property, which consists of building, improvements, equipment, and furnishings is recorded at cost at the date of purchase or, if donated, at the fair market value on the date received. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, with lives that range from 3-40 years (building: 5-40 years; equipment: 3-10 years; and furnishings: 2-12 years).

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CFI capitalizes property and equipment acquisitions when their cost exceeds \$3,000. CFI reviews long-lived assets for impairment in accordance with FASB ASC 360-10, Property, Plant and Equipment. There were no impairments of CFI's property during the year ended December 31, 2019.

Goodwill – Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (i.e. the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is reviewed for impairment at least annually or more frequently where there is an indication that goodwill may be impaired.

Tax-Exempt Status – CFI is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. In addition, CFI has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Organization's informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed. As Sequoia is a limited liability company, an income tax provision has not been included in the consolidated financial statements since the members' share of income or loss is required to be reported by the members on their respective income tax returns.

Use of Estimates – Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses – The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis based upon management's analysis of employee time spent on the programs and supporting services or space utilized by the programs and supportive services that is consistently applied. The expenses that are allocated include salary and benefits, facilities, and property taxes.

Implementation of Standard Updates – During the year ended December 31, 2019 the Museum implemented the following Financial Accounting Standard Board (FASB) updates retrospectively with no practical expedient. The implementation did not require any restatement to the beginning net assets.

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2014-09 – Revenue from Contracts with Customers and the related subsequent updates.

2018-08 - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

3. LIQUIDITY AND AVAILABILITY

California Film Institute strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of December 31, 2019, that are available to meet general expenditures within one year of the statement of financial position date. Amounts available to meet general expenditures within one year include most net assets with donor restrictions as the purposes are expected to be fulfilled within the next year. If necessary, the Organization also has available a line of credit which can provide capital to cover general expenditures.

Cash	\$ 1,477,164
Grants and contributions receivable	179,325
Other receivables	53,681
Subtotal	<u>1,710,170</u>
Less: net assets with donor restrictions with restrictions not related to general and program purposes for the next year	(322,905)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,387,265</u>

4. GRANTS AND CONTRIBUTIONS RECEIVABLE

CFI received pledges which will be paid over the course of the next two years. Contributions which are payable over a period of more than one year generally require a discount to present value. Management determined the amount of discount that would be required to be recorded as de minimus to the Organization.

Payments are expected to be made as follows: \$179,325 during the year ending December 31, 2020 and \$75,000 during the year ending December 31, 2021.

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2019:

	<u>Theatres</u>	<u>Administrative Office (leased)</u>	<u>Total</u>
Land, building and improvements	\$ 8,904,588	\$ 32,563	\$ 8,937,151
Equipment	798,870	240,854	1,039,724
Furnishings	137,343	47,362	184,705
Total	9,840,801	320,779	10,161,580
Accumulated depreciation	4,359,686	303,137	4,662,823
Net	<u>\$ 5,481,115</u>	<u>\$ 17,642</u>	<u>\$ 5,498,757</u>

In 1999, CFI completed the redevelopment of the Christopher B. Smith Rafael Film Center (SRFC). CFI acquired the SRFC property on October 4, 1995 for \$1 on the condition that CFI operates the facility as a movie theater for 25 years. Due to the renovations required and restrictions placed on the property, CFI assigned no value to the land and building received. In addition, the now dissolved Redevelopment Agency of San Rafael contributed \$560,000 toward the renovation of the building and provided \$290,000 of in-kind donated services (primarily permits) in 1996. If operations of the theatre cease before conclusion of the 25-year period, CFI has agreed to repay the City of San Rafael, the successor agency to the Redevelopment Agency of San Rafael, a proportionate amount of the Redevelopment Agency of San Rafael's contribution for the cost of the building.

6. BUSINESS COMBINATION

The excess of the purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition was allocated to goodwill. The acquisition has been accounted for using the acquisition method of accounting which requires, among other things, that the assets acquired, and liabilities assumed be recognized at their fair value.

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. BUSINESS COMBINATION (continued)

The purchase price for the controlling interest in Sequoia was allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at acquisition date, February 15, 2019, with the excess being allocated to goodwill, as follows:

Cumulative purchase price consideration	\$ <u>899,961</u>
Cash	\$ 124,033
Prepaid expenses	800
Building and land	2,000,000
Note payable	(1,033,489)
Accounts payable and accrued expenses	<u>(6,821)</u>
Fair market value of Sequoia	1,084,523
Noncontrolling share (43.33%) at acquisition	(469,924)
Goodwill	<u>285,362</u>
Equity, CFI interest	\$ <u>899,961</u>

The value of CFI's interest in excess of its equity interest has been recognized as goodwill on the statement of financial position. The following table summarizes the change in goodwill during the year ended December 31, 2019:

Carrying value of investment at time of consolidation	\$ 899,961
Fair market value of CFI's interest at acquisition	<u>(614,599)</u>
Goodwill in Sequoia at time of consolidation	285,362
Additional goodwill acquired after consolidation	<u>60,223</u>
Goodwill, at year-end	\$ <u>345,585</u>

The following table summarizes the change in the noncontrolling interest during the year ended December 31, 2019:

Equity, noncontrolling interest at consolidation	\$ 469,924
Interest acquired by CFI subsequent to consolidation	(72,229)
Noncontrolling interest in current year activities	<u>11,476</u>
Equity, noncontrolling interest at year-end	\$ <u>409,171</u>

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. LINE OF CREDIT

CFI has a \$500,000 line of credit with a bank that expires in June 2023. Borrowings bear interest at the higher of the bank's prime rate plus 0.5% or 5.25% (5.25% at December 31, 2019). Interest only payments are due monthly. The line is secured by the Christopher B. Smith Rafael Film Center building. Interest paid and incurred on borrowings during 2019 totaled \$483. As of December 31, 2019 the outstanding balance was \$132,452.

8. NOTES PAYABLE

CFI borrowed \$356,594 to finance a portion of the improvements made to the Christopher B. Smith Rafael Film Center building. In December 2013, CFI renegotiated its bank loan and increased its borrowing to \$600,000. The loan is repayable in monthly installments of \$3,347 including interest at a fixed rate of 4.25% with the remaining principal balance of \$444,608 due in December 2023. The loan is secured by the Christopher B. Smith Rafael Film Center building. Interest paid in connection with the above loan during 2019 and 2018 was \$22,764.

Sequoia borrowed \$1,200,000 to finance the acquisition of its building. The loan calls for monthly installments of \$7,066 including interest at a fixed rate of 5.00% from January 2013 through December 2017. In January 2018 the interest rate was adjusted to 5.86% which was based on the ten-year treasury constant maturity rate plus 3.50%. The monthly payment including principal and interest was increased to \$7,518. The remaining estimated principal balance of \$898,429 is due in December 2022. The loan is secured by the Sequoia building. Interest paid and incurred in connection with the above loan during 2019 was \$60,602.

Scheduled maturities on the notes payable balance outstanding at December 31, 2019 are as follows:

2020	\$	51,612
2021		54,349
2022		950,397
2023		466,458
Total	\$	<u>1,522,816</u>

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. IN-KIND DONATIONS

During the year ended December 31, 2019, CFI was provided with the following in-kind donations. All of the donations received were associated with the Mill Valley and DocLands Film Festivals and the related costs are reflected in Film Festivals program expenses.

Marketing and promotion	\$ 452,343
Food and beverages	170,268
Production costs	132,424
Facilities rental	98,091
Travel and housing	43,550
Film production	30,000
Equipment rental	29,096
	<hr/>
Total	\$ 955,772

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following programs/purposes as of December 31, 2019:

Mill Valley Film Festival - 2020, 2021, 2022	\$ 321,500
Support general operations	180,000
Capital campaign	172,905
Education and outreach	20,000
	<hr/>
Total net assets with donor restrictions	\$ 694,405

Net assets were released from donors' restrictions by the passage of time or incurring expenses satisfying the restricted purpose specified by the donors during the year ended December 31, 2019 as follows:

Mill Valley Film Festival	\$ 93,000
Support general operations	40,000
Education and outreach	40,000
Capital campaign	33,964
	<hr/>
Releases from restrictions	\$ 206,964

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. FUTURE INCOME COMMITMENTS

Sequoia executed three noncancelable operating leases for space. The leases expire in August 2023. The minimum future rental income is as follows for the years ending December 31:

2020	\$	104,315
2021		107,084
2022		109,937
2023		75,250
Total	\$	<u>396,586</u>

12. COMMITMENTS

CFI entered a noncancelable operating lease for office space that expires in May 2021. As of December 31, 2019 monthly rent was \$13,976, exclusive of CFI's share of operating and maintenance costs. A board member of CFI is a shareholder of the company which owns the office space leased by CFI. Rent paid during the year ended December 31, 2019 for the office space was \$178,906.

The minimum future rent payable is \$167,713 for the year ending December 31, 2020 and \$69,880 for the year ending December 31, 2021.

13. RETIREMENT PLAN

CFI has a 403(b) plan (Plan) to provide retirement benefits for its employees. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. CFI does not currently match employee contributions.

14. CONCENTRATION OF RISK

Financial instruments that potentially subjects CFI to credit risk include cash on deposit with a financial institution that at times is in excess of the \$250,000 insurance limitation of the United States Federal Deposit Insurance Corporation.

15. SUBSEQUENT EVENTS

For disclosure purposes, subsequent events have been evaluated through November 11, 2020, the date the consolidated financial statements were available to be issued. In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries, including that of CFI, has been impacted. The extent the pandemic will impact operations will depend on future developments, which are highly uncertain. However, the pandemic has resulted in a significant reduction of revenue to the Organization. The Organization's management has taken measures to address the reduction in working capital.

CALIFORNIA FILM INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. SUBSEQUENT EVENTS (continued)

The Organization received a federal payroll protection program (PPP) loan of \$534,923 during 2020 which allowed the Organization to maintain selected staff. The Organization expects a large percentage of this loan to be forgiven in accordance with the terms of the PPP program. The Organization also made other reductions in expenses, resulting in a reduction of costs of approximately 35%. The Organization also has access to its line of credit. The Organization move much of its 2020 festivals to a virtual format. The Organization believes these steps will permit the Organization to continue operations for the next twelve months.