SOURCES OF FUNDING FOR DOCUMENTARY FILM
by Dan Cogan, Executive Director, Impact Partners

There are five major types of funding for documentary film. Each has its own pros and cons, some of which are very much in the eye of the beholder. Conditions that would be unacceptable to one filmmaker may be desirable to another. Of course, you may not be in a position to choose freely among them – some may be available to you, and others may not. The key is to understand what each type of financing has to offer, what its upsides and downsides are, and how you can combine different forms of financing to work together.

GRANTS

Pros: non-recoupable – you don't have to pay them back
Cons: slow decision-making, applications
Can go either way: ongoing strategic guidance, art vs. activism, beginner-friendly

Non-recoupable grants – gifts of money that do not have to be paid back – have been one of the major sources of documentary funding for a long time. Increasingly, they are becoming part of the independent fiction film world as well. Grants come from many sources: established institutions that support documentary filmmakers (Sundance Documentary Fund, Ford Foundation); government bodies that support the arts (City and State councils on the arts; Federal arts grants from bodies like the NEH); non-profits that support a film because it explores an issue they want to address (e.g. Casey Family Foundation supporting a film on the foster care system); wealthy individuals who care about a filmmaker or an issue (e.g. Netscape founder Jim Clark funding director Louie Psihoyos' THE COVE).

The biggest pro about grants is that you don't have to pay them back. If you make your film wholly on grants, your company can keep any revenues that result from commercial exploitation.

The downsides to grants come mostly with institutional and government grants. Often, a granting body will make grants just once or twice a year, so if you miss an application deadline, you may have to wait 6-12 months for the next one. They may also take many months to make their decision. Then there are the applications themselves, which some filmmakers feel can require excessive work to complete.

Because of the wide range of different kinds of granting bodies, many other pros and cons depend on the particular type of granting organization. Film-specific granting bodies can be great allies for a filmmaker -- they can provide both funding and ongoing strategic advice regarding production, post, festival strategy, outreach, sales, etc. Non-film grantors may not provide any help outside of funding – which is fine for more experienced filmmakers, but not so helpful to those still learning to navigate the documentary world. Some grantors – especially foundations devoted to particular social issues and wealthy individuals new to the filmmaking process – may want to play an active role in the creative process. In some cases, they may want a film to be more of an activist piece than a work of art that happens to be about a particular issue. Ideally, these issues of creative control would be explored, and clear boundaries established, before a filmmaker and a funder decide to work together. While some foundations may shy away from working with first-time filmmakers, many are willing, even excited, to work with neophytes. Chicken & Egg Pictures is a good example.

All things being equal, the fact that grants don't have to be paid back makes them an extremely appealing source of funding.

CROWD-FUNDING

Pros: non-recoupable, crowd-funding campaign allow you to raise money and build audience at the same time
Cons: successful crowd-funding campaigns are labor-intensive

In the last few years, Kickstarter has gone from a small start-up to a household name. It has virtually become synonymous with crowd-funding itself – people ask if you are doing a "kickstarter campaign" for your film in reference to crowd-funding in the same way people used to talk about making a "Xerox" when photocopying or still talk about using a "Kleenex" instead of a tissue.

And for good reason – crowd-funding is a great way to raise no-strings-attached money for your film, while simultaneously building your audience as well as broader public awareness. Last year, I learned about a film when a festival programmer I trust tweeted about its Kickstarter campaign, and I later came on board as an Executive Producer. Numerous films that we have been involved with at Impact Partners have raised $100,000+ from Kickstarter campaigns, and even more have raised smaller amounts that were just as valuable when they were needed for time-sensitive expenses. It has gotten to the point that one foundation we work with regularly considers it a strike against a film if they are *not* planning a Kickstarter campaign – they feel it shows the filmmakers are not trying hard enough to raise other funding or build their audience early.

All this said, be aware that a successful Kickstarter campaign is a lot of work. You need to think through all the materials for your campaign very carefully, you need to structure great rewards at differing amounts, and you need to devote yourselves and/or your team to constant outreach to your community of potential donors. Running a good Kickstarter campaign takes strategic thinking, some degree of resources, and cheerful persistence. You also may want to time it so that there is a pressing reason you need the money right now, which can help you get attention and loosen purse strings.

TELEVISION: PRE-SALES, FOREIGN CO-PRODUCTIONS

Pros: significant funding, distribution guaranteed
Cons: co-production requirements, multiple versions, air dates, limitations on theatrical, first-timers need not apply
Can go either way: editorial input

Many established filmmakers raise money by pitching projects at the development or early production stage to the major U.S. and foreign broadcasters. These companies include, among others, HBO, A&E Theatrical, and ITVS in the U.S.; BBC and Channel 4 in the U.K; and Arte and ZDF in France and Germany. The broadcaster will pay you up front for film that you'll deliver when it's completed. These deals are known as "pre-sales," which involve smaller license fees and less creative input by the broadcaster, or “co-productions”, which involved larger license fees and consequently more creative input from the broadcasters. With many though not all co-productions, you will also have to satisfy a point system that rewards you for doing a certain amount of work in the country or with crew who are citizens of that country whose broadcaster is funding you. Pre-sales, and particularly co-productions, can bring in considerably more revenue than a regular sale once the film is completed.

The value of pre-sales and co-productions ranges from broadcaster to broadcaster and project to project. In the case of HBO, they will often finance the entire budget of a film if they want it – this is really not even a pre-sale; instead they are the sole financiers and owners of the film. In most cases, pre-sales will be in the range of $10,000 to $100,000; co-productions can reach up to $300,000. In many cases, one or two pre-sales and co-pros may cover a significant portion of your budget.

The best things about pre-sales and co-pros are that they pay for a significant chunk of your film, and they also basically guarantee TV distribution in that market. For some filmmakers, pre-sales and co-pros may be all they need, even with very significant budgets. A good example is Eugene Jarecki – his last two films funded by more than a dozen different pre-sales/co-pros each. These are all satisfied customers who have financed or bought his films in the past, and want to continue to be in business with him.

The cons of pre-sales tend to pale in comparison to the pros, but they’re still there. For one thing, commissioning editors (the TV execs who buy your films and work with you during production and post) don’t like to take risks on first-time filmmakers. Also, they may want to have final cut on the film, or at least the right to change your version for broadcast in their territory. Depending on the broadcaster, they may have airdates in mind that may limit your festival runs, or make Academy qualification impossible. Co-productions require that a production company based in the same country as your broadcaster be an official partner, and your co-production money will flow through them, and they’ll take a cut. If you have a variety of pre-sales, you may have to deliver different versions of your film – a one-hour for France, a feature for the U.S. etc. Creating different versions adds costs. And there are many other considerations, large and small, to explore – using foreign crew you don’t know and whose language you may not speak; editing or finishing in another country, which adds housing and other expenses; etc. Before you decide to pursue the big bucks from a foreign co-production, make sure you understand very clearly all the tradeoffs and costs involved. Having a partner on board who has done this before is a good idea.

Some of these issues can be good in some situations and bad in others. Take the editorial control a broadcaster may have over the version shown in their territory. Sheila Nevins, who runs the documentary division of HBO, is a brilliant exec who consistently makes films better. It is a plus to work with her, and to take her notes, not a negative. But this is not always true. With some commissioning editors, you may get notes that you feel make your film worse. Even if the notes you get are good, they may push the film in a different direction than you want it to go. This kind of collaboration is part of the process when you take money from broadcasters. Good filmmakers know how to turn this to their advantage.

EQUITY

Pros: significant funding, fast decision-making
Cons: you have to pay it back with a premium, control of business decisions
Can go either way: ongoing strategic guidance, editorial input

Equity investors are relatively new to documentary filmmaking. 15 years ago, they were virtually non-existent. Jeff Skoll's Participant Productions, and in particular their financing of AN INCONVENIENT TRUTH, put equity investors on the map. My partner and I were able to start our own fund, Impact Partners, because of what Skoll showed was possible. Today, there are a wide variety of equity investors with widely divergent visions of what they do and why they do it. Some focus on documentary film; others now include documentary in what used to be solely a fiction-oriented business. Some are neophytes, who are just beginning to understand how the business works; others are very sophisticated about finance in general and film finance in particular. Some like to function on their own, with just informal advisors to help find them projects; others like to join forces to finance films together, as we do at Impact Partners. What tends to unite all equity investors is a combination of passion about film, a business-influenced approach to the world, and a dual-bottom line perspective – they want their money back, but they want something else too. For some, that something else is social engagement – using film to address pressing social issues. For others, it's the fun of being involved in the independent film world – going to festivals and premiers and parties, etc.

One of the advantages of working with equity investors is that they can make decisions very quickly. You can send them a project any time, and they can give you an answer within weeks or even days. And most equity investors don't need anyone else's approval; they're their own bosses.

Since equity investors are by definition individuals who have the means to risk capital on film, they are often willing to commit the resources to support a significant part of your budget, sometimes even all of it.

The biggest downside to dealing with investors is that you have to pay them back. The more money they invest in your film, the more of the gross revenues you'll have to return. A standard premium is about 15-20%, meaning that you have to pay the investors back the amount they invested, plus 15-20% on top as profit. In addition, most equity deals give investors a share of the net profits of the film, which is usually a function of the size of their investment as a percentage of the overall budget.

If equity investors put in a substantial portion of your budget, they may require final say over business decisions. A hypothetical example to consider: Your film premieres at Sundance and you get two offers for U.S. distribution: 1) $300,000 sale to HBO for a two-year TV license; 2) $25,000 offer from an up-and-coming distributor for theatrical release and all other U.S. rights (TV, DVD, VOD, digital, etc.) for 15 years. HBO says they won't buy the film if they can't premiere it on TV first. The distributor needs it to be in the theaters first, and so will sell TV to someone else later on – likely for much less than HBO is offering. What would you choose? If you prefer the HBO deal, you'll likely be on the same page as your investors (I can make the case that the HBO deal is much better in every way for the film than the theatrical one, but that's another conversation for another time!). If you prefer the theatrical deal, you may find yourself overruled, and therefore unhappy.

Equity investors are all different, and each brings different pros and cons to the table. At Impact Partners, I like to think that our editorial input and strategic advice can be as valuable to a filmmaker as our financing, sometimes even more so. We make it a principle that our filmmakers get final cut, but we also see rough cuts and help the filmmaker make the film the best it can be. And we help our filmmakers raise additional money to close their budgets if we can't finance it all ourselves. We also work closely on festival and sales strategy, etc. Other equity investors may not have a great deal to add to the strategy behind bringing the film into the world. They may not help secure other funding. They may want significant creative control. Just like equity investors are evaluating you, you have to evaluate them, to see if they will be a good partner for you and your film.

SELF-FUNDING / DEFERMENTS

You may laugh at this. Self-funding? That is not a type of funding, that's a lack of it. And that's true. But it's also a way that films get paid for (or get made without being paid for), and it's worth considering the less obvious pros and cons here as well.

Pros: gets the film made, all commercial exploitation goes back to you
Cons: this is obvious
Can go either way: creative control, business control, strategic support

Some filmmakers will do whatever they have to do to make their film, especially their first film. Sometimes, especially for first-time filmmakers, doing it all yourself is the only way to do it.

Even some more established filmmakers prefer it this way. Some very well-established filmmakers, who could raise money elsewhere, work this way, at least on some projects. For example, Joe Berlinger, who is not generally lacking for sources of funding, paid for CRUDE almost entirely by himself before premiering it at Sundance and selling it.

Some filmmakers just don't want any interference, well-meaning or not. And they certainly don't want to *have* to listen to anyone else – commissioning editors, investors, anybody. And they make great films this way. This said, having worked with many first-time filmmakers, and also many filmmakers who have sharp memories of the experience of their first film, I can say that money aside, having full control of a film yourself and answering only to yourself is not necessarily everything it's made out to be. Many filmmakers can profit from someone to work with who has a stake in their project. This could be a grantor, a commissioning editor or an equity investor. But whoever it is, if they have made some kind of investment in the project, they will want to do everything they can to make sure the film is successful. For some filmmakers, this may mean interfering in the creative process. For others, it may mean providing valuable creative, logistical and strategic advice. It may also mean helping to raise any gaps in the budget the filmmakers weren't able to cover. If you have the right personality, you choose the right people to work with, and you're smart about it, you can make a better film – and potentially raise more money – by collaborating.

WORKING TOGETHER: COMBINING DIFFERENT TYPES OF FINANCING

It's rare for a film to be financed with just one form of funding. Usually, there is a combination of two or more. There is no single way to combine them; every film is different. This said, there are strategies that tend to work better than others.

Generally, pre-sales and equity are hard to bring in at the top of the process – both equity investors and commissioning editors tend to want to see at least a trailer before getting involved. Sometimes there are exceptions – the French broadcast giant Arte likes to come in very early in the process for their big co-productions. Still, for many broadcasters and investors, a trailer or rough cut helps bring them in. As a result, grants and self-funding/deferments are the most likely way to get a film started. If you don't have much of a track record, and you are serious about having your film made with someone else's money, it's best to do some shooting on your own and go to funders – even grant funders – with at minimum a trailer, treatment, budget, and outreach plan. Once the film is further along, you can then go to equity investors and commissioning editors to bring in the balance of what you need.

In general, all five forms of funding are compatible. Commissioning editors and equity investors love to see grant money in a film – it lightens their load. Grantors generally need others to provide the funding to get a film's full budget covered. While it may be complicated for you to have multiple partners, it can also be beneficial – the more sources of funding you have, the less dependent you are on any one of them.