

FILMAID INTERNATIONAL, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
FilmAid International, Inc.
New York, NY

We have audited the accompanying statement of financial position of FilmAid International, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FilmAid International, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rich and Bander, LLP

New York, NY
May 15, 2012

FILMAID INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current assets

Cash and cash equivalents	\$ 291,530
Accounts receivable	16,367
Grants receivable	42,994
Prepaid expenses	27,770
Total current assets	<u>378,661</u>

Property and equipment, net of accumulated depreciation **55,569**

TOTAL ASSETS **\$ 434,230**

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 82,539
Program advances	50,571
Interest payable	4,763
Loans payable - related party	155,000
Total current liabilities	<u>292,873</u>

Contingencies -

Net assets

Unrestricted	26,357
Temporarily restricted	115,000
Total net assets	<u>141,357</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 434,230**

FILMAID INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Grants and contributions			
Government - US Dept of State	\$ 474,481	\$ -	\$ 474,481
Government - UN Agencies	311,307	-	311,307
Grants under vendor service contracts	131,469	-	131,469
Related organization	40,173	90,000	130,173
Corporate	128,015	-	128,015
Foundations	72,430	25,000	97,430
Board members	63,550	-	63,550
Other organizations	31,317	-	31,317
Individuals	28,702	-	28,702
In-kind contribution	12,000	-	12,000
Total grants and contributions	<u>1,293,444</u>	<u>115,000</u>	<u>1,408,444</u>
Other income			
Gain on foreign currency transactions	757	-	757
Interest income	2	-	2
Miscellaneous income	1,330	-	1,330
Total other income	<u>2,089</u>	<u>-</u>	<u>2,089</u>
Net assets released from restrictions	<u>338,614</u>	<u>(338,614)</u>	<u>-</u>
	<u>1,634,147</u>	<u>(223,614)</u>	<u>1,410,533</u>
Expenses			
Program services	1,325,693	-	1,325,693
Supporting services			
Management and general	87,966	-	87,966
Fundraising	20,135	-	20,135
	<u>1,433,794</u>	<u>-</u>	<u>1,433,794</u>
Increase (decrease) in net assets	200,353	(223,614)	(23,261)
Net assets - beginning of year, as reported	(189,330)	338,614	149,284
Prior period adjustment	15,334	-	15,334
Net assets - beginning of year, restated	(173,996)	338,614	164,618
Net assets - end of year	<u>\$ 26,357</u>	<u>\$ 115,000</u>	<u>\$ 141,357</u>

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

FILMAID INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Program supplies	\$ 291,173	\$ -	\$ -	\$ 291,173
Program personnel	288,847	-	-	288,847
Video production	120,198	-	-	120,198
Travel and lodging	94,006	5,223	5,222	104,451
Vehicle operation	99,003	-	-	99,003
Salaries	80,681	9,492	4,746	94,919
Operational costs	84,923	-	-	84,923
Consultants	48,084	29,453	-	77,537
Loss on disposal of property and equipment	67,152	-	-	67,152
Equipment maintenance and rental	45,574	-	-	45,574
Employee benefits	21,505	2,530	1,265	25,300
Telephone	16,581	3,209	1,604	21,394
Office space rental	14,921	1,865	1,865	18,651
Monitoring and evaluation	15,650	-	-	15,650
Professional fees	14,250	-	-	14,250
Office supplies	-	13,969	-	13,969
Program development	13,770	-	-	13,770
Postage and shipping	-	4,750	4,750	9,500
Payroll taxes	6,350	747	373	7,470
Insurance	-	5,738	-	5,738
Bank and credit card fees	-	3,696	-	3,696
Interest expense	-	3,182	-	3,182
Depreciation	2,480	310	310	3,100
Payroll processing fees	-	2,085	-	2,085
Meetings	385	-	-	385
Printing and photocopying	-	314	-	314
Marketing and promotion	160	-	-	160
Miscellaneous	-	1,403	-	1,403
	<u>\$ 1,325,693</u>	<u>\$ 87,966</u>	<u>\$ 20,135</u>	<u>\$ 1,433,794</u>

FILMAID INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash flows from operating activities:	
Decrease in net assets	\$ (23,261)
<i>Adjustments to reconcile change in net assets to net cash flows provided by operating activities:</i>	
Loss on disposal of property and equipment	67,152
Depreciation	3,100
(Increase) decrease in operating assets:	
Accounts receivable	(15,680)
Grants receivable	44,259
Prepaid expenses	519
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(61,528)
Program advances	50,571
Interest payable	494
Total adjustments	<u>88,887</u>
Net cash provided by operating activities	<u>65,626</u>
Cash flows from investing activities:	
Donation of office equipment	1,400
Acquisition of property and equipment	<u>(12,351)</u>
Net cash used in investing activities	<u>(10,951)</u>
Net increase in cash and cash equivalents	54,675
Cash and cash equivalents, beginning of year	236,855
Cash and cash equivalents, end of year	<u>\$ 291,530</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	<u>\$ 2,687</u>
Income taxes	<u>\$ -</u>
Noncash investing and financing activities:	
Donation of office equipment	<u><u>\$ 1,400</u></u>

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

FilmAid International, Inc. (the “Organization”) was organized as a not-for-profit corporation on January 15, 2003 under the laws of the State of New York. The Organization is dedicated to using the power of film and media to transcend language and literacy, bringing life-saving information, psychological relief and much-needed hope to refugees and other communities in need around the globe. Founded in 1999, FilmAid has worked in partnership with the United Nations High Commissioner for Refugees (UNHCR) and other global aid organizations to help more than two million people in refugee camps, urban slums and displaced person camps in East Africa, Haiti, Thailand and elsewhere. FilmAid’s programs help communities in crisis achieve improvements in health, safety and access to services. The Organization’s programs are as follows:

Community Based Production – FilmAid works with communities to produce films, radio dramas, news and other media that address critical public health and safety issues.

Mobile Cinema – with giant screens attached to the side of trucks, or a television under a tree, FilmAid’s Mobile Cinemas bring the power of film to thousands at a time. Evening screenings provide education and entertainment to thousands of individuals at a time. The Organization also partners with other aid agencies in conducting "Video-based Workshops" that use films to complement educational and skills training programs. The majority of the films screened are those produced by FilmAid locally that convey critical messages about health and safety issues.

Teaching Skills – our media arts training program empowers young people to develop production skills and self-empowerment that will outlast displacement and gain a platform to tell their own stories, in their own voices.

The Organization’s programs are supported primarily by government, corporate, foundation and individual donor contributions.

Basis of Accounting

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Program revenue earned or expense reimbursements due but not yet received that are expected to be collected within one year are recorded as accounts receivable at net realizable value. If amounts become uncollectible, they will be charged to operations when that determination is made. -6-

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2011

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as grants receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair value at date of receipt. Depreciation and amortization for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Program equipment	10
Computers and peripherals	6
Office equipment	10
Furniture and fixtures	10

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Grants and Cooperative Agreements

Grants and cooperative agreements with federal, foreign, and local governments and other agencies are deemed to be exchange transactions, and accordingly, revenue is recognized when funds are utilized by the Organization to carry out the activity stipulated in the grant or cooperative agreement. Accordingly, amounts received but not recognized as revenue are classified in the statement of financial position as program advances, and amounts expended but not yet received are classified as grants receivable.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2011

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

In-kind contributions are reflected as contributions at their fair value at date of donation and are offset by like amounts included in expenses.

Contributed Services

A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. Directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Foreign Currency Transactions

Net foreign currency transaction gains or losses resulting from exchange rate fluctuations on transactions denominated in a foreign currency are reported on the statement of activities.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. There was no advertising expense for the year ended June 30, 2011.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Organization to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2011

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Date of Management's Review

Management has evaluated subsequent events through May 15, 2012, which is the date the financial statements were available to be issued.

2) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2011, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

3) ACCOUNTS RECEIVABLE

Accounts receivable represents program revenue earned and expense reimbursements due but not collected as of the financial statement date. These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

4) GRANTS RECEIVABLE

Grants receivable represents primarily grant commitments received at June 30, 2011, but not collected as of the financial statement date and consists of the following:

UN Stabilization Mission in Haiti	\$ 27,994
Frances Lear Foundation	10,000
Home Box Office	<u>5,000</u>
	<u>\$ 42,994</u>

These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year ended June 30, 2011.

5) IN-KIND CONTRIBUTION

During the year, the Organization received an in-kind donation in the form of office rental space from a company owned by the Board President. The donation has been recognized at the estimated fair market value of \$12,000 in the accompanying financial statements.

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2011

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2011. Depreciation expense for the year then ended was \$3,100.

Program equipment	\$ 55,378
Computers and peripherals	24,011
Office equipment	13,427
Furniture and fixtures	<u>5,835</u>
	98,651
Less: accumulated depreciation	<u>(43,082)</u>
	<u>\$ 55,569</u>

During the year ended June 30, 2011, property and equipment totaling \$132,378 no longer used was written off, resulting in a loss on disposal of \$67,152.

7) RELATED PARTY TRANSACTIONS

As of June 30, 2011, the Organization has several unsecured non-interest bearing loans totaling \$90,000 and unsecured interest-bearing loans totaling \$65,000 with various related parties. The non-interest bearing loans each had an initial term of 36 months with no principal payments due during the first twelve months. The interest-bearing loans bear interest at 4.5% per annum and each had an initial term of 36 months with no principal and interest payments due during the first twelve months. During the year, all loans maturing were informally extended for a non-specified term. There were no principal repayments during the year ended June 30, 2011. For the year ended June 30, 2011, interest expense amounted to \$3,182.

The Organization is currently affiliated with a separately incorporated foreign organization, FilmAid International – UK. Support provided by the affiliate was \$130,173 for the year ended June 30, 2011, \$90,000 of which is temporarily restricted to fiscal year 2012, and is included in total grants and contributions on the statement of activities.

8) NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended June 30, 2011 are for the following:

Satisfaction of purpose restrictions:	
General support – FY2011	\$ 227,370
MINUSTAH World Cup Project	66,883
FilmAid-IRC Video Series	<u>44,361</u>
Total	<u>\$ 338,614</u>

9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2011 are available for the following:

General support – FY2012	\$ 100,000
Refugee camp screening program	<u>15,000</u>
Total	<u>\$ 115,000</u>

10) ALLOCATION OF JOINT COSTS

In 2011, the Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities primarily included direct mail campaigns as well as program-related activities. The costs of conducting those activities included a total of \$275,285 of joint costs, which are not specifically attributable to particular components of the activities.

These joint costs were allocated as follows:

Program services	\$ 236,523
Management and general	23,376
Fundraising	<u>15,386</u>
Total	<u>\$ 275,285</u>

11) COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

12) CONCENTRATIONS OF RISK

The Company maintains its interest-bearing cash balances at several major financial institutions. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization also maintains several bank accounts in East Africa which are not insured. As of June 30, 2011, total uninsured balances amounted to \$104,877.

Grants from the United States Department of State, Bureau of Population, Refugees, and Migration comprised approximately 34% of total grants and contributions.

13) CONTINGENCIES

Government Grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be reasonably estimate.

Litigation Matters

The Organization is contingently liable under certain claims and lawsuits, many of which are covered in whole or part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the financial position or changes in net assets of the Organization.

14) PRIOR PERIOD ADJUSTMENT

Unrestricted net assets at the beginning of 2011 have been adjusted for accrued interest on related party loans recorded in error in prior years. The correction has no effect on the results of the current year's activities; however, the cumulative effect increases beginning net assets by \$15,334.