

FILMAID INTERNATIONAL, INC.

**AUDITED FINANCIAL STATEMENTS AND REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133**

FOR THE YEAR ENDED JUNE 30, 2013



Rich and Bander, LLP

FILMAID INTERNATIONAL, INC.
TABLE OF CONTENTS
JUNE 30, 2013 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2012

	Page No.
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
ADDITIONAL INFORMATION:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i>	19-20
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133	21-22
Summary Schedule of Prior Year Audit Findings	23
Schedule of Findings and Questioned Costs	24-26

RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of FilmAid International, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related 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 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.

Auditors' Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

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, 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of FilmAid International Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FilmAid International Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited FilmAid International Inc.'s 2012 financial statements, and our report dated March 18, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
March 28, 2014

FILMAID INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

ASSETS	2013	2012
Current assets		
Cash and cash equivalents	\$ 643,322	\$ 448,516
Accounts receivable	7,641	5,697
Grants receivable	13,867	20,000
Loans receivable - related party	4,628	-
Prepaid expenses	87,576	40,599
Total current assets	757,034	514,812
Property and equipment, net of accumulated depreciation	191,690	96,023
Other assets		
Security deposit	2,500	2,500
Total other assets	2,500	2,500
TOTAL ASSETS	\$ 951,224	\$ 613,335
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 98,787	\$ 114,205
Due to BPRM - NICRA close-out	243,179	-
Interest payable	1,189	6,750
Program advances	-	239,138
Loans payable - related party	-	77,500
Total current liabilities	343,155	437,593
Commitments and contingencies	-	-
Net assets		
Unrestricted	586,069	170,742
Temporarily restricted	22,000	5,000
Total net assets	608,069	175,742
TOTAL LIABILITIES AND NET ASSETS	\$ 951,224	\$ 613,335

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

FILMAID INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Revenue and support				
Grants and contributions				
Government - US Dept of State	\$ 1,538,758	\$ -	\$ 1,538,758	\$ 553,176
Government - UN Agencies	316,880	-	316,880	405,975
Related organizations	255,951	-	255,951	111,096
Other organizations	160,332	-	160,332	39,530
Foundations	82,670	17,000	99,670	191,500
Individuals	91,015	-	91,015	50,828
Board members	54,592	-	54,592	113,000
In-kind contributions	46,544	-	46,544	26,229
Corporate	13,727	5,000	18,727	27,039
Inter-governmental organizations	-	-	-	60,624
	<u>2,560,469</u>	<u>22,000</u>	<u>2,582,469</u>	<u>1,578,997</u>
Special events				
Direct benefits to donors	23,249	-	23,249	14,293
<i>Less: Costs of direct benefits to donors</i>	(23,249)	-	(23,249)	(14,293)
Contributions:				
Excess ticket sales revenue	107,876	-	107,876	151,106
Individuals and other	43,265	-	43,265	32,171
	<u>151,141</u>	<u>-</u>	<u>151,141</u>	<u>183,277</u>
Total grants and contributions	2,711,610	22,000	2,733,610	1,762,274
Other income				
Interest income	155	-	155	24
Miscellaneous income	15,812	-	15,812	16,495
Total other income	<u>15,967</u>	<u>-</u>	<u>15,967</u>	<u>16,519</u>
Net assets released from restrictions	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
	<u>2,732,577</u>	<u>17,000</u>	<u>2,749,577</u>	<u>1,778,793</u>
Expenses				
Program services	1,891,987	-	1,891,987	1,587,910
Supporting services				
Management and general	145,830	-	145,830	135,837
Fundraising	36,254	-	36,254	20,661
	<u>2,074,071</u>	<u>-</u>	<u>2,074,071</u>	<u>1,744,408</u>
Increase in net assets before other item	658,506	17,000	675,506	34,385
NICRA close-out charges	(243,179)	-	(243,179)	-
Increase in net assets	415,327	17,000	432,327	34,385
Net assets - beginning of year	170,742	5,000	175,742	141,357
Net assets - end of year	<u>\$ 586,069</u>	<u>\$ 22,000</u>	<u>\$ 608,069</u>	<u>\$ 175,742</u>

FILMAID INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Program personnel	\$ 560,858	\$ -	\$ -	\$ 560,858	\$ 386,127
Program supplies	478,717	-	-	478,717	479,787
Wages and salaries	149,290	22,393	14,929	186,612	150,387
Operational costs	133,891	-	-	133,891	114,019
Video production	123,584	-	-	123,584	157,955
Vehicle operation	84,553	-	-	84,553	86,559
Travel and lodging	74,952	4,164	4,164	83,280	63,423
Consultants	4,870	73,047	3,247	81,164	71,314
Depreciation	60,421	-	-	60,421	21,161
Professional fees	57,022	-	-	57,022	17,842
Equipment maintenance and rental	39,225	2,064	-	41,289	26,256
Telephone	28,278	5,302	1,767	35,347	33,237
Office space rental	23,980	2,997	2,997	29,974	19,012
Monitoring and evaluation	27,745	-	-	27,745	21,977
Program development	22,709	-	-	22,709	18,434
Insurance	-	14,066	-	14,066	13,019
Payroll taxes	10,320	1,548	1,032	12,900	11,831
Employee benefits	6,676	1,001	668	8,345	3,969
Printing and photocopying	-	5,993	666	6,659	3,051
Fundraising expense	-	-	5,938	5,938	1,001
Website design and maintenance	4,770	203	102	5,075	22,341
Bank and credit card fees	-	4,513	-	4,513	5,750
Office supplies	-	3,775	-	3,775	4,334
Interest expense	-	1,803	-	1,803	3,205
Postage and shipping	126	629	503	1,258	678
Payroll processing fees	-	543	-	543	1,572
Marketing and promotion	-	104	241	345	1,536
Miscellaneous	-	1,685	-	1,685	4,631
	<u>\$ 1,891,987</u>	<u>\$ 145,830</u>	<u>\$ 36,254</u>	<u>\$ 2,074,071</u>	<u>\$ 1,744,408</u>

FILMAID INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 432,327	\$ 34,385
<i>Adjustments to reconcile change in net assets to net cash flows provided by operating activities:</i>		
Depreciation	60,421	21,161
Donation of office equipment	(10,334)	(26,546)
Accrued interest converted to board contributions	(7,364)	-
Loans payable converted to board contributions	(32,500)	(32,500)
(Increase) decrease in operating assets:		
Accounts receivable	(1,944)	10,670
Grants receivable	6,133	22,994
Prepaid expenses	(46,977)	(12,829)
Security deposit	-	(2,500)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(15,418)	31,666
Due to BPRM - NICRA close-out	243,179	-
Program advances	(239,138)	188,567
Interest payable	1,803	1,987
Total adjustments	<u>(42,139)</u>	<u>202,670</u>
Net cash provided by operating activities	<u>390,188</u>	<u>237,055</u>
Cash flows from investing activities:		
Loan advances to related party - Country Director (Kenya)	(5,658)	-
Loan repayments from related party - Country Director (Kenya)	1,030	-
Acquisition of property and equipment	(145,754)	(35,069)
Net cash used in investing activities	<u>(150,382)</u>	<u>(35,069)</u>
Cash flows from financing activities:		
Principal repayments of loans payable - related party	(45,000)	(45,000)
Net cash used in financing activities	<u>(45,000)</u>	<u>(45,000)</u>
Net increase in cash and cash equivalents	194,806	156,986
Cash and cash equivalents, beginning of year	448,516	291,530
Cash and cash equivalents, end of year	<u>\$ 643,322</u>	<u>\$ 448,516</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ 1,218
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
Conversion of loan payable - related party to board contributions	\$ 32,500	\$ 32,500
Donation of office equipment	\$ 10,334	\$ 26,546

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

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 to promote health, strengthen communities, and enrich the lives of the world’s vulnerable and uprooted. Through the strategic use of film and video, the Organization communicates life-saving information on issues such as HIV/AIDS and non-violent conflict resolution. Conveying educational messages in an entertaining format, the Organization also engages the mind and sparks the imagination of those who have suffered the effects of war and poverty, stimulating physical well-being and alleviating mental trauma. The Organization’s programs are as follows:

Film-based Informational Workshops – partners with other aid agencies in the refugee camps to use video as a complement to their daytime educational, health care and skills training programs.

Outdoor Evening Screenings – provide education and entertainment to thousands of individuals at a time. The majority of the films screened are locally produced African films that convey critical messages about social, health and environmental issues including HIV/AIDS and how individuals and communities elsewhere are coping with similar problems.

Community-based Film Production – works with other relief agencies and refugee community leaders to identify emerging issues and develop appropriate video messages to help educate and inform; engages with communities in need as well as refugee population to create these videos.

The Organization’s programs are supported primarily by government, foundation, corporate, 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 but not yet received that is expected to be collected within one year is recorded as accounts receivable at net realizable value. If amounts become uncollectible, they will be charged to operations when that determination is made.

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2013

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	5
Office equipment	7
Furniture and fixtures	7

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 and contracts 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, 2013

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 or assets.

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 and 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, 2013.

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.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2012, 2011 and 2010 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2013

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

Income Tax Status (Cont'd)

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2013, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Comparative Data

The amounts shown for the year ended June 30, 2012 in the accompanying financial statements are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management's Review

Management has evaluated subsequent events through March 28, 2014, 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, 2013, 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.

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2013

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) IN-KIND CONTRIBUTIONS

During the year ended June 30, 2013, the Organization received the following in-kind contributions that have been reflected at fair value in the financial statements:

Donated legal services	\$ 31,892
Donated computer equipment/software	13,212
Donated CRM services	<u>1,440</u>
Total	<u>\$ 46,544</u>

5) GRANTS RECEIVABLE

Grants receivable represents amounts expended under grant and cooperative agreements at June 30, 2013, but not collected as of the financial statement date and consists of the following:

United States Department of State Bureau of Population, Refugees, and Migration	<u>\$ 13,867</u>
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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, 2013.

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2013. Depreciation expense for the year then ended was \$60,421.

Program equipment	\$ 236,202
Computers and peripherals	49,673
Office equipment	13,427
Furniture and fixtures	<u>5,835</u>
	305,137
Less: accumulated depreciation	<u>113,447</u>
	<u>\$ 191,690</u>

7) NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended June 30, 2013 are for the following:

Refugee camp screening program	<u>\$ 5,000</u>
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FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2013

8) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 are available for the following:

Refugee camp screening program	\$ 17,000
Columbia project	<u>5,000</u>
Total	<u>\$ 22,000</u>

9) RELATED PARTY TRANSACTIONS

Loan receivable – Country Director (Kenya)

During the year ended June 30, 2013, the Organization loaned \$5,658 to its Country Director in Kenya, of which \$1,030 was repaid during the year. The loan is unsecured and non-interest bearing. At June 30, 2013, the amount still outstanding and due to the Organization totaled \$4,628. The remaining balance is scheduled to be repaid during fiscal year 2014 in monthly installments of approximately \$341.

Loans payable – related party

During the year ended June 30, 2013, the Organization made principal repayments of \$45,000 and \$32,500 in loans were converted as board contributions. In addition, accrued interest of \$7,364 was also forgiven and converted to board contributions. For the year ended June 30, 2013, interest expense on the loans amounted to \$1,803, all of which remained payable at year-end.

Affiliate Contributions

The Organization is currently affiliated with two separately incorporated organizations, FilmAid International – UK (“FAIUK”) and FilmAid International – Asia (“FAIA”). For the year ended June 30, 2013, contributions provided by FAIUK and FAIA were \$215,951 and \$10,000, respectively, and are included in total grants and contributions on the statement of activities.

10) LEASE COMMITMENTS

The Organization leases its office space under the terms of a non-cancelable desk license agreement which expires on December 31, 2013. Subsequent to year-end, the Organization renewed its desk license agreement for an additional 12 month period. Office space rental expense for the year ended June 30, 2013 was \$29,974.

Future minimum payments under the non-cancelable lease are as follows:

June 30,	
2014	\$ 17,600
2015	2,000
Thereafter	<u>-</u>
Total	<u>\$ 19,600</u>

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2013

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) ALLOCATION OF JOINT COSTS

In 2013, 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. The costs of conducting those activities included a total of \$504,376 of joint costs, which are not specifically attributable to particular components of the activities.

These joint costs were allocated as follows:

Program services	\$ 351,597
Management and general	117,328
Fundraising	<u>35,451</u>
Total	<u>\$ 504,376</u>

13) CONCENTRATIONS OF RISK

The Company maintains its 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, 2013, total uninsured balances amounted to \$393,023.

Grants from the United States Department of State, Bureau of Population, Migration and Refugees ("BPRM") and the United Nations High Command on Refugees comprised approximately 56% and 11% of total grants and contributions, respectively.

14) 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.

Tax Exemption - Kenya

As of June 30, 2013, the Organization did not have formal tax exempt status for its Kenya operation. The Organization has not filed an application for tax exemption with the Kenya Revenue Authority. No provision has been made for any liabilities that may arise from failure to obtain tax exemption.

15) NICRA CLOSE-OUT CHARGES

Subsequent to the year ended June 30, 2013, the Organization negotiated final indirect cost rates for fiscal years 2009-2012 as well as a provisional indirect cost rate for fiscal years 2013 until further amended. The final indirect cost rates for fiscal years 2009-2012 were lower than the provisional rate being used to reimburse the Organization for indirect costs during those fiscal years. In addition, the negotiated provisional indirect cost rate is lower than the rate being used to reimburse the Organization during fiscal year 2013. Consequently, \$243,179 has been recognized as an other item on the statement of activities and represents the best estimate of the amount due to BPRM on the aforementioned NICRA close-out activities.

SUPPLEMENTARY INFORMATION

FILMAID INTERNATIONAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
United States Department of State Direct Programs			
Overseas Refugee Assistance Programs for Africa	19.517		
Projecting Hope and Enriching Lives: Dadaab - SPRMC011CA179 (Grant period: 9/1/11 - 8/31/12)			\$ 307,713
Projecting Hope and Enriching Lives: Kakuma - SPRMC011CA160 (Grant period: 8/1/11 - 7/31/12)			29,429
Projecting Hope and Enriching Lives: Dadaab and Kakuma - SPRMC012CA180 (Grant period: 9/1/12 - 8/31/13)			1,201,616
Total United States Department of State Direct Programs			<u><u>1,538,758</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 1,538,758</u></u>

FILMAID INTERNATIONAL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of FilmAid International, Inc. under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of FilmAid International, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited to as reimbursement.

3) SUBRECIPIENTS

There were no subrecipients for the year ended June 30, 2013.

ADDITIONAL INFORMATION

RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FilmAid International, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FilmAid International, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FilmAid International, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. Finding 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FilmAid International's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2013-2.

FilmAid International, Inc.'s Response to Findings

FilmAid International, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. FilmAid International, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rich and Bander, LLP

New York, NY
March 28, 2014

RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited FilmAid International, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of FilmAid International, Inc.'s major federal programs for the year ended June 30, 2013. FilmAid International, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of FilmAid International, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about FilmAid International, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of FilmAid International, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, FilmAid International, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of FilmAid International, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered FilmAid International, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of FilmAid International, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rich and Bander, LLP

New York, NY
March 28, 2014

FILMAID INTERNATIONAL, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013

Finding 2012-1 Program Advances

Condition: Advances of federal monies unexpended as of the financial statement date were not recorded as a liability.

Recommendation: The auditor recommended procedures be implemented requiring management personnel to review unexpended grant fund amounts at year-end and ensure they are properly recorded.

Current status: The discussion for Finding 2013-1 applies to this finding. Recommendations for procedures as discussed were not implemented in 2013 and are cited in the current year finding.

Finding 2012-2/3

Condition: During the year ended June 30, 2012, it was discovered that the Organization's procurement officer was engaging in fraudulent activity with respect to procurement documentation and vendor selection. 11 procurements were determined to have been made without proper vendor bidding procedures.

Recommendation: The auditor recommended that procedures be implemented requiring management personnel to ensure that the provisions of the policies and procedures as set forth in the Organization's procurement policy be strictly adhered to by the procurement officer(s). No purchases on procurement contracts should be made without final management authorization after management has performed a detailed review of the procurement documentation.

Current status: The recommendation was adopted in March 2013. Certain aspects of the recommendation were not implemented. The discussion for Finding 2013-2 applies to this finding.

FILMAID INTERNATIONAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified opinion	
Internal control over financial reporting		
▪ Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
▪ Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
▪ Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
▪ Significant deficiencies identified?	<u> X </u> Yes	<u> </u> None reported

Type of auditors' report issued on compliance for major programs:	Unmodified opinion	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No

Major programs:

- United States Department of State
- Bureau of Population, Refugees, and Migration
- Overseas Refugee Assistance Programs for Africa (CFDA 19.517)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000	
Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No

FILMAID INTERNATIONAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section II – Findings – Financial Statement Audit

Finding 2013-1 Grants Receivable (Program Advances)

Condition: Amounts expended but not yet collected under federal award grant agreements as of the financial statement were not recorded as grants receivable.

Criteria: Internal controls should be in place that provide reasonable assurance that amounts expended but not yet collected under federal award grant agreements are recorded as a receivable and that amounts unexpended are recorded as a liability.

Cause: There are no procedures in place requiring a comparison at year-end between federal award receipts and federal award expenditures.

Effect: Because of the failure of management to conduct a year-end comparison between federal award receipts and expenditures, federal award grant support, grants receivable, and program advances may occur and not be prevented or detected and corrected in a timely manner.

Recommendation: Procedures should be implemented requiring management personnel to conduct a year-end comparison between federal award receipts and expenditures to ensure any associated grant receivable or program advance is properly recorded.

Views of Responsible Officials and Planned Corrective Actions: Management will implement a formal closeout process of contract activity effective June 30, 2014. This process will include reconciliation between the Kenya program operations and the FAI headquarters. Once the close out is complete a reconciliation report will be produced by Kenya as a component of our annual audit. We anticipate that this will ensure we are correctly recording year end contract activity.

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

Finding 2013-2 Internal Control over Compliance – Procurements

Criteria and Condition: Procurements must comply with the Organization's procurement policies, as outlined in its 'Finance and Procurement Policies' manual. The Organization has not complied with its own policies with respect to procurement authorization.

Context: A sample of 23 procurements totaling approximately \$212,005 was selected for audit. Two procurements totaling \$63,577 were determined to have been made without proper authorization from the appropriate level of management. In addition, one of the two aforementioned procurement samples lacked signatures from employees/management personnel at various stages of the procurement process.

Cause: Procedures in place requiring proper management authorization were not followed.

Effect: It is possible that the lack of proper documentation of authorization of procurement expenditures could have resulted from a systemic flaw in the procurement control system that did not protect and prevent the transactions from occurring without proper authorizations. The effect of such a flaw could have resulted in unauthorized procurement transactions that were unallowed or questioned costs. We believe that this deficiency points to the need for further refinement of their procurement protocol.

Recommendation: The responsible official(s) should be reminded of the procedures in place to ensure proper authorization is obtained for all procurements prior to acquisition. A thorough review of procurement procedures with respect to management authorization should be initiated and any changes in procedures should be written and staff trained.

FILMAID INTERNATIONAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit (cont'd)

Finding 2013-2 Internal Control over Compliance – Procurements (cont'd)

Views of Responsible Officials and Planned Corrective Actions: The Organization has taken several additional steps to improve our compliance over procurement. The Kenya program operation has hired a new Director of Operations to ensure the compliance issues remain consistent and are observed appropriately. We will be instituting a Monthly Procurement Protocol Meeting with key senior Kenya management and headquarters to review the procurement activity for the month in terms of compliance. Twice a year we will conduct an internal audit of the procurement activity by sample testing procurement documentation and protocols.