

FILMAID INTERNATIONAL, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2009**

FILMAID INTERNATIONAL, INC.

FOR THE YEAR ENDED
JUNE 30, 2009

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Ketcham & Tupper, LLC
Certified Public Accountants
202 Mountain Ave.
P.O. Box 2610
Westfield, NJ 07091

Independent Auditor's Report

Board of Directors of
FilmAid International, Inc.

We have audited the accompanying statement of financial position of FilmAid International, Inc. (a non-profit entity) as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year then. 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. The prior year summarized comparative information has been derived from the financial statements of the FilmAid International, Inc. as of June 30, 2008 and, in our report dated December 15, 2008, we expressed an unqualified opinion on those financial statements.

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 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, 2009, 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.

As discussed in Note 1 to the financial statements, FilmAid International, Inc. has a fund deficit that raises doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ketcham & Tupper

April 20, 2010

FILMAID INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

with comparative amounts for 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>		
Cash and cash equivalents	44,087	41,052
Prepaid expenses	13,739	13,735
Total Current Assets	57,827	54,787
<u>Equipment (Note 4)</u>		
Cost	142,824	192,222
Accumulated depreciation	(67,568)	(53,077)
	75,256	139,145
<u>Other Assets</u>		
Security deposits (Note 6)		125,467
Total Assets	133,083	319,399

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable and accrued expenses	76,864	68,954
Total Current Liabilities	76,864	68,954
<u>Other Liabilities</u>		
Loan payable (Note 7)	162,263	65,000
Security deposits		1,050
Total Other Liabilities	162,263	66,050
<u>Net Assets</u>		
Unrestricted	(219,468)	132,536
Temporarily restricted	113,424	51,859
Total Net Assets	(106,044)	184,395
Total Liabilities and Net Assets	133,083	319,399

The accompanying notes are an integral part of these financial statements

FILMAID INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009
with comparative amounts for 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>2009</u>	<u>2008</u>
Support and Revenue				
Contributions:				
Individual	145,795		145,795	340,150
Foundation	52,000	122,204	174,204	234,561
Government support		295,169	295,169	175,431
Corporate	51,659		51,659	85,000
In-kind (Note 5)	3,650		3,650	49,551
Fundraising event, net (expense of \$16,000) (Note 8)				102,054
Other income	5,000		5,000	144,993
Rental income	9,800		9,800	9,550
Interest income	24		24	482
Total Support and Revenue	267,928	417,373	685,301	1,141,772
Net assets released from restrictions	355,808	(355,808)		
Total	623,736	61,565	685,301	1,141,772
 Expenses				
Program services	529,570		529,570	854,694
Management and general	129,956		129,956	267,917
Fundraising	142,620		142,620	168,294
Total Expense	802,146		802,146	1,290,905
 Change in Net Assets from Operations	(178,410)	61,565	(116,845)	(149,133)
Office surrender (Note 3)	(173,594)		(173,594)	
Change in Net Assets	(352,004)	61,565	(290,439)	(149,133)
 Net Assets, Beginning of year	132,536	51,859	184,395	333,528
 Net Assets, End of year	(219,468)	113,424	(106,044)	184,395

FILMAID INTERNATIONAL, INC.

STATEMENT OF CHANGES IN CASH

FOR THE YEAR ENDED JUNE 30, 2009

with comparative amounts for 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	(290,439)	(149,133)
Adjustments to reconcile change in net assets from operations to net cash provided (used) by operating activities		
(Increase) decrease in prepaid expenses	(4)	43,886
(Increase) decrease in security deposits	125,467	(1,345)
(Increase) decrease in contributions receivable		8,269
Depreciation	24,156	24,700
Increase (decrease) in accounts payable	7,910	(14,636)
Increase (decrease) in deferred revenue		(10,000)
Increase (decrease) in security deposits held for others	(1,050)	1,050
Net cash provided (used) by operating activities	<u>(133,960)</u>	<u>(97,209)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(9,738)	(46,690)
Disposal of equipment	49,470	—
Net cash provided (used) by investing activities	<u>39,732</u>	<u>(46,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings from loan from related party	97,263	65,000
NET CHANGE IN CASH	3,035	(78,899)
CASH, BEGINNING OF YEAR	<u>41,052</u>	<u>119,951</u>
CASH, END OF YEAR	<u><u>44,087</u></u>	<u><u>41,052</u></u>
Supplementary information:		
Interest	<u><u>7,263</u></u>	<u><u>—</u></u>

The accompanying notes are an integral part of these financial statements

FILMAID INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR THEN ENDED JUNE 30, 2009

with comparative amounts for 2008

	<u>Programs</u>	<u>Management & general</u>	<u>Fundraising</u>	<u>2009</u>	<u>2008</u>
Bank and credit card fees	377	3,691	74	4,142	5,683
Cleaning and maintenance	1,039	1,105	1,039	3,183	3,050
Depreciation	19,380	2,388	2,388	24,156	24,700
Dues and subscriptions	-	737	200	937	844
Electric/security	4,290	4,276	4,276	12,842	9,558
Equipment maintenance and rental	8,436	43	55	8,534	18,435
Insurance	1,976	889	1,976	4,841	18,395
Interest	-	7,262	-	7,262	-
Local transportation and parking	44	1,209	299	1,552	3,519
Marketing and promotion	-	500	101	601	13,553
Meetings/Cultivation/Workshops	11,511	3,290	1,571	16,372	18,129
Monitoring and evaluation	7,011	-	-	7,011	16,290
Moving	-	1,202	-	1,202	-
Office supplies and expense	99	4,485	141	4,725	6,362
Operational costs	61,745	-	-	61,745	56,027
Personnel services	290,229	67,881	98,725	456,835	773,158
Postage, messenger & shipping	25	1,177	297	1,499	3,042
Printing and photocopying	-	89	4,934	5,023	3,854
Professional fees	-	1,678	-	1,678	55,228
Program supplies	9,455	-	-	9,455	16,867
Space rental	14,700	14,930	14,700	44,330	69,783
Staff development and training	2,341	1,740	-	4,081	21,176
Telephone, fax and internet	10,450	5,995	3,181	19,626	29,417
Travel and lodging	33,731	3,478	8,663	45,872	65,313
Vehicle operation	32,482	-	-	32,482	37,379
Video production	20,249	-	-	20,249	18,413
Website and graphic design	-	1,911	-	1,911	2,730
	<u>529,570</u>	<u>129,956</u>	<u>142,620</u>	<u>802,146</u>	<u>1,290,905</u>

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
with comparative amounts for 2008

Note 1 - Nature of Activities

FilmAid International, Inc. (FilmAid) is a non-profit organization 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, FilmAid communicates life-saving information on issues such as HIV/AIDS and non-violent conflict resolution. Conveying educational messages in an entertaining format, FilmAid 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 accompanying financial statements have been prepared assuming FilmAid will continue as a going concern. FilmAid has payables in excess of its assets and has a fund deficit of \$106,044 as of June 30, 2009. There is substantial doubt about FilmAid's ability to continue as a going concern. Continuation of FilmAid's operations is dependent upon its ability to achieve substantial profitable operations. FilmAid has implemented measures that include but are not limited to receiving grant funding from new sources, reduction in staff and other related costs and a reduction in monthly rental expense.

For more about FilmAid, please visit www.filmaid.org.

Note 2 - Summary of Significant Accounting Policies

- a. Method of Accounting - The financial statements of FilmAid have been prepared on the accrual basis of accounting.
- b. Financial Statement Presentation - FilmAid reports information regarding its financial position and activities according to two classes of net assets: unrestricted and temporarily restricted. Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and nature of any donor restrictions.
- c. Cash and Cash Equivalents - FilmAid defines cash and cash equivalents as short-term, highly liquid investments with maturities of three months or less.
- d. Equipment - Equipment is stated at cost less allowance for depreciation. Provisions for depreciation commence in the year following purchase, are based upon the useful lives of the assets, and are calculated using the straight-line method of depreciation. Maintenance and repairs are charged to income, and renewals and betterments exceeding \$500 are capitalized. On normal retirement or replacement the cost is removed from the asset accounts and the related depreciation reserve is adjusted, with the difference being charged to income.

e. Contributions - All contributions are considered available for unrestricted use unless specifically restricted by the donor, and are reflected in the accompanying financial statements at their estimated market value at the date of receipt. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases this net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

f. Income Taxes - FilmAid is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a "private foundation" within the meaning of Section 590(a). All applicable tax returns and payment of taxes (including, but not limited to payroll taxes) have been filed.

g. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h. In-Kind Support - FilmAid records various types of in-kind support including contributed professional services, program supplies, and equipment. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by corresponding amounts reflected in expenses or fixed assets.

Additionally, FilmAid receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

i. Functional Allocation of Expense - The cost of providing FilmAid's various programs and other activities has been summarized on a functional basis in the statement of activities. Expenses charged to each program are based on direct expenditures incurred. Any program expenditures not chargeable and support costs (management and general) are allocated to a program based on personnel time allocations. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 3 – Operating Leases

On May 2, 2007, FilmAid entered into a seven year lease agreement for their office space. The lease expense for the year ended June 30, 2009 and 2008 is \$44,330 and \$69,783, respectively. On June 29, 2009 entered into an agreement to surrender the leased office space and under the agreement the existing security balance of \$124,122 as well as furniture and equipment amounting to \$49,472 was surrendered.

Note 4 – Property and equipment

	<u>2009</u>	<u>2008</u>
Equipment	73,921	90,209
Furniture	5,835	45,109
Vehicle	63,068	56,904
Less: accumulated depreciation	<u>(67,568)</u>	<u>(53,077)</u>
	<u>\$75,256</u>	<u>\$139,145</u>

Note 5 - In-kind Support

In-kind support consists primarily of legal services and other related support totaling \$3,650 and \$49,551 for June 30, 2009 and 2008.

Note 6 – Security Deposits

FilmAid, Inc. has deposits held in security in the amounts of \$124,122 with their landlord and \$1,345 with a utility vendor for a total of \$125,467 as of June 30, 2008. As of June 30, 2009 there were no security deposits held in security.

Note 7 – Loan Payable

During 2008 FilmAid has entered into an unsecured interest bearing loan with a related party. The loan bears interest at 4.5% with a term of 36 months with no principal and interest payments due during the first twelve months. Beginning with the thirteenth month of the loan the organization is required to make reasonable efforts to make periodic payments. The balance of the principal and the accrued interest will be due in full when the loan term expires. During 2009 an additional \$90,000 was borrowed from a related party. Accrued interest from inception is \$7,263 and to date there have been no payments made against the principal or the accrued interest.

Note 8 – Related Party Transactions

During the year FilmAid received a payment of \$16,000 from FilmAid International UK relating to benefit income from a special event that was conducted overseas. A corresponding payment of \$16,000 was made by FilmAid to reimburse FilmAid International UK for expenses incurred related to the benefit. Certain individuals serve as board of trustees for both organizations.

Note 9 – Subsequent Events

FilmAid has evaluated subsequent events through April 20, 2010, which is the date the financial statements were available to be issued.