

FILMAID INTERNATIONAL, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2012

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED JUNE 30, 2011

FILMAID INTERNATIONAL, INC.
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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

We have audited the accompanying statement of financial position of FilmAid International, Inc. (a nonprofit organization) as of June 30, 2012, 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. The prior year summarized comparative information has been derived from FilmAid International, Inc.'s 2011 financial statements and, in our report dated May 15, 2012, 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 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, 2012, 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
March 18, 2013

FILMAID INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

ASSETS	2012	2011
Current assets		
Cash and cash equivalents	\$ 448,516	\$ 291,530
Accounts receivable	5,697	16,367
Grants receivable	20,000	42,994
Prepaid expenses	40,599	27,770
Total current assets	514,812	378,661
Property and equipment, net of accumulated depreciation	96,023	55,569
Other assets		
Security deposit	2,500	-
Total other assets	2,500	-
TOTAL ASSETS	\$ 613,335	\$ 434,230
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 114,205	\$ 82,539
Program advances	239,138	50,571
Interest payable	6,750	4,763
Loans payable - related party	77,500	155,000
Total current liabilities	437,593	292,873
Commitments and contingencies	-	
Net assets		
Unrestricted	170,742	26,357
Temporarily restricted	5,000	115,000
Total net assets	175,742	141,357
TOTAL LIABILITIES AND NET ASSETS	\$ 613,335	\$ 434,230

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

FILMAID INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenue and support				
Grants and contributions				
Government - US Dept of State	\$ 553,176	\$ -	\$ 553,176	\$ 474,481
Government - UN Agencies	405,975	-	405,975	311,307
Foundations	186,500	5,000	191,500	97,430
Board members	113,000	-	113,000	63,550
Related organizations	111,096	-	111,096	130,173
Inter-governmental organizations	60,624	-	60,624	22,859
Individuals	50,828	-	50,828	28,702
Other organizations	39,530	-	39,530	123,039
Corporate	27,039	-	27,039	13,434
In-kind contributions	26,229	-	26,229	12,000
Grants under vendor service contracts	-	-	-	131,469
	<u>1,573,997</u>	<u>5,000</u>	<u>1,578,997</u>	<u>1,408,444</u>
Special events				
Direct benefits to donors	14,293	-	14,293	-
<i>Less: Costs of direct benefits to donors</i>	(14,293)	-	(14,293)	-
Contributions:				
Excess ticket sales revenue	151,106	-	151,106	-
Individuals and other	32,171	-	32,171	-
	<u>183,277</u>	<u>-</u>	<u>183,277</u>	<u>-</u>
Total grants and contributions	1,757,274	5,000	1,762,274	1,408,444
Other income				
Gain on foreign currency transactions	-	-	-	757
Interest income	24	-	24	2
Miscellaneous income	16,495	-	16,495	1,330
Total other income	16,519	-	16,519	2,089
Net assets released from restrictions	115,000	(115,000)	-	-
	<u>1,888,793</u>	<u>(110,000)</u>	<u>1,778,793</u>	<u>1,410,533</u>
Expenses				
Program services	1,587,910	-	1,587,910	1,325,693
Supporting services				
Management and general	135,837	-	135,837	87,966
Fundraising	20,661	-	20,661	20,135
	<u>1,744,408</u>	<u>-</u>	<u>1,744,408</u>	<u>1,433,794</u>
Increase (decrease) in net assets	144,385	(110,000)	34,385	(23,261)
Net assets - beginning of year	26,357	115,000	141,357	164,618
Net assets - end of year	<u>\$ 170,742</u>	<u>\$ 5,000</u>	<u>\$ 175,742</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, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2012 Total</u>	<u>2011 Total</u>
Program supplies	\$ 479,787	\$ -	\$ -	\$ 479,787	\$ 291,173
Program personnel	398,505	-	-	398,505	288,847
Video production	157,955	-	-	157,955	120,198
Wages and salaries	127,829	15,039	7,519	150,387	94,919
Operational costs	114,019	-	-	114,019	84,923
Vehicle operation	86,559	-	-	86,559	99,003
Consultants	3,200	68,114	-	71,314	77,537
Travel and lodging	57,081	3,171	3,171	63,423	104,451
Telephone	25,758	4,986	2,493	33,237	21,394
Equipment maintenance and rental	25,116	1,140	-	26,256	45,574
Website design and maintenance	20,656	1,372	313	22,341	-
Depreciation	16,930	2,116	2,115	21,161	3,100
Office space rental	15,210	1,901	1,901	19,012	18,651
Program development	18,434	-	-	18,434	13,770
Professional fees	17,842	-	-	17,842	14,250
Insurance	-	13,019	-	13,019	5,738
Payroll taxes	10,056	1,183	592	11,831	7,470
Monitoring and evaluation	9,599	-	-	9,599	15,650
Bank and credit card fees	-	5,750	-	5,750	3,696
Office supplies	-	4,334	-	4,334	13,969
Employee benefits	3,374	397	198	3,969	25,300
Interest expense	-	3,205	-	3,205	3,182
Printing and photocopying	-	3,051	-	3,051	314
Payroll processing fees	-	1,572	-	1,572	2,085
Marketing and promotion	-	517	1,019	1,536	160
Fundraising expense	-	-	1,001	1,001	-
Postage and shipping	-	339	339	678	9,500
Miscellaneous	-	4,631	-	4,631	1,788
Loss on disposal of property and equipmen	-	-	-	-	67,152
	<u>\$ 1,587,910</u>	<u>\$ 135,837</u>	<u>\$ 20,661</u>	<u>\$ 1,744,408</u>	<u>\$ 1,433,794</u>

FILMAID INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 34,385	\$ (23,261)
<i>Adjustments to reconcile change in net assets to net cash flows provided by operating activities:</i>		
Depreciation	21,161	3,100
Loss on disposal of property and equipment	-	67,152
(Increase) decrease in operating assets:		
Accounts receivable	10,670	(15,680)
Grants receivable	22,994	44,259
Prepaid expenses	(12,829)	519
Security deposit	(2,500)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	31,666	(61,528)
Program advances	188,567	50,571
Interest payable	1,987	494
Total adjustments	<u>261,716</u>	<u>88,887</u>
Net cash provided by operating activities	<u>296,101</u>	<u>65,626</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(61,615)	(12,351)
Donation of office equipment	-	1,400
Net cash used in investing activities	<u>(61,615)</u>	<u>(10,951)</u>
Cash flows from financing activities:		
Principal repayments of loans payable - related party	(77,500)	-
Net cash used in financing activities	<u>(77,500)</u>	<u>-</u>
Net increase in cash and cash equivalents	156,986	54,675
Cash and cash equivalents, beginning of year	291,530	236,855
Cash and cash equivalents, end of year	<u>\$ 448,516</u>	<u>\$ 291,530</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 1,218	\$ 2,687
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
Conversion of loan payable - related party to board contributions	\$ 32,500	\$ -
Donation of office equipment	\$ -	\$ 1,400

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, 2012

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, 2012

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, 2012.

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, 2012

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

Comparative Data

The amounts shown for the year ended June 30, 2011 in the accompanying financial statements are included to provide a basis for comparison with 2012 and present summarized totals only. Accordingly, the 2011 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, 2011, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2011 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 18, 2013, 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, 2012, 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) IN-KIND CONTRIBUTIONS

During the year ended June 30, 2012, the Organization received the following in-kind contributions that have been reflected at fair value in the financial statements:

Donated software	\$ 25,891
Donated films	<u>338</u>
Total	<u>\$ 26,229</u>

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2012

5) GRANTS RECEIVABLE

Grants receivable represents primarily grant commitments received at June 30, 2012, but not collected as of the financial statement date and consists of the following:

Tribeca Film Institute	\$ 10,000
Beatrice Snyder Foundation	<u>10,000</u>
	<u>\$ 20,000</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, 2012.

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2012. Depreciation expense for the year then ended was \$21,163.

Program equipment	\$ 90,448
Computers and peripherals	39,670
Office equipment	13,427
Furniture and fixtures	<u>5,835</u>
	149,380
Less: accumulated depreciation	<u>(53,357)</u>
	<u>\$ 96,023</u>

During the year ended June 30, 2012, fully depreciated property and equipment totaling \$10,887 no longer used in operations was written off.

7) RELATED PARTY TRANSACTIONS

As of June 30, 2012, the Organization has several unsecured non-interest bearing loans totaling \$57,500 and an unsecured interest-bearing loan totaling \$20,000 with various related parties. The interest-bearing loan bears interest at 4.5% per annum. During the year ended June 30, 2012, the Organization made principal repayments of \$45,000 and \$32,500 in loans was converted as board contributions. For the year ended June 30, 2012, interest expense on the loan amounted to \$3,205.

The Organization is currently affiliated with a separately incorporated organization, FilmAid International – UK. Revenue provided by the affiliate was \$111,096 for the year ended June 30, 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, 2012 are for the following:

Satisfaction of purpose restrictions:	
General support – FY2012	\$ 90,000
Refugee camp screening program	<u>15,000</u>
Total	<u>\$ 115,000</u>

FILMAID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2012

9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2012 are available for the following:

Refugee camp screening program	\$ 5,000
Total	<u>\$ 5,000</u>

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. Office space rental expense for the year ended June 30, 2012 was \$19,012.

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

June 30,	
2013	\$ 30,600
2014	15,600
Thereafter	<u>-</u>
Total	<u>\$ 46,200</u>

11) ALLOCATION OF JOINT COSTS

In 2012, 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 \$303,022 of joint costs, which are not specifically attributable to particular components of the activities.

These joint costs were allocated as follows:

Program services	\$ 256,238
Management and general	28,793
Fundraising	<u>17,991</u>
Total	<u>\$ 303,022</u>

12) 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.

13) 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, 2012, total uninsured balances amounted to \$211,775.

Grants from the United States Department of State, Bureau of Population, Migration and Refugees and the United Nations High Command on Refugees comprised approximately 45% and 22% 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.