

FINANCIAL STATEMENTS

UNITY PRODUCTIONS FOUNDATION

**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

UNITY PRODUCTIONS FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Unity Productions Foundation
Silver Spring, Maryland

We have audited the accompanying financial statements of the Unity Productions Foundation (UPF), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 UPF as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

May 27, 2016

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UNITY PRODUCTIONS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 3,911,652	\$ 3,576,654
Pledges receivable, net	672,432	756,156
Other receivables	5,878	615
Inventory	22,980	17,570
Prepaid expenses and deposits	18,951	7,139
Property and equipment, net	<u>18,201</u>	<u>24,930</u>
TOTAL ASSETS	<u>\$ 4,650,094</u>	<u>\$ 4,383,064</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ <u>105,444</u>	\$ <u>100,485</u>
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NET ASSETS

Unrestricted:		
Undesignated	890,261	707,204
Board designated	<u>2,500,000</u>	<u>2,500,000</u>
Total unrestricted	3,390,261	3,207,204
Temporarily restricted	<u>1,154,389</u>	<u>1,075,375</u>
Total net assets	<u>4,544,650</u>	<u>4,282,579</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,650,094</u>	<u>\$ 4,383,064</u>

UNITY PRODUCTIONS FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Grants and contributions	\$ 956,772	\$ 1,704,140	\$ 2,660,912	\$ 1,872,456	\$ 1,344,867	\$ 3,217,323
Investment income	2,825	-	2,825	2,306	-	2,306
License fees	46,539	-	46,539	4,448	-	4,448
Sales	75,039	-	75,039	99,767	-	99,767
Special events	-	-	-	4,286	-	4,286
Other revenue	52,685	-	52,685	33,067	-	33,067
Net assets released from donor restrictions	1,625,126	(1,625,126)	-	650,446	(650,446)	-
Total revenue	2,758,986	79,014	2,838,000	2,666,776	694,421	3,361,197
EXPENSES						
Program Services:						
Film Production	1,100,863	-	1,100,863	1,127,055	-	1,127,055
Education and Outreach	637,205	-	637,205	730,639	-	730,639
Total program services	1,738,068	-	1,738,068	1,857,694	-	1,857,694
Supporting Services:						
General and Administrative	390,974	-	390,974	396,572	-	396,572
Foundation Building	446,887	-	446,887	339,935	-	339,935
Total supporting services	837,861	-	837,861	736,507	-	736,507
Total expenses	2,575,929	-	2,575,929	2,594,201	-	2,594,201
Changes in net assets	183,057	79,014	262,071	72,575	694,421	766,996
Net assets at beginning of year	3,207,204	1,075,375	4,282,579	3,134,629	380,954	3,515,583
NET ASSETS AT END OF YEAR	\$ 3,390,261	\$ 1,154,389	\$ 4,544,650	\$ 3,207,204	\$ 1,075,375	\$ 4,282,579

See accompanying notes to financial statements.

UNITY PRODUCTIONS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services			Supporting Services			Total Expenses
	Film Production	Education and Outreach	Total Program Services	General and Administration	Foundation Building	Total Supporting Services	
Salaries and wages	\$ 449,619	\$ 281,282	\$ 730,901	\$ 23,938	\$ 73,051	\$ 96,989	\$ 827,890
Payroll tax expense	28,879	19,206	48,085	2,130	5,413	7,543	55,628
Employee benefits	97,222	61,977	159,199	8,944	13,865	22,809	182,008
Total salaries and related expenses	575,720	362,465	938,185	35,012	92,329	127,341	1,065,526
Accounting and auditing	-	-	-	54,599	-	54,599	54,599
Advertising	32,100	12,199	44,299	260	500	760	45,059
Bad debts	-	-	-	200,000	-	200,000	200,000
Bank charges	3,301	1,874	5,175	860	1,737	2,597	7,772
Books, videos, films and photos	2,705	1,518	4,223	97	-	97	4,320
Depreciation	8,373	3,064	11,437	1,477	1,102	2,579	14,016
Dues and subscriptions	384	2,919	3,303	99	195	294	3,597
Events	13,105	1,816	14,921	38	121,223	121,261	136,182
Film sales	34,910	26,920	61,830	-	246	246	62,076
Gifts	6,759	1,999	8,758	48	7,286	7,334	16,092
Grants	-	-	-	-	6,000	6,000	6,000
Insurance	7,495	2,950	10,445	1,353	2,734	4,087	14,532
Internet and software	1,936	9,766	11,702	6,447	6,256	12,703	24,405
Internship program	-	-	-	-	1,050	1,050	1,050
Legal	-	-	-	6,451	-	6,451	6,451
Meetings	3,062	620	3,682	94	452	546	4,228
Merchant fees	-	-	-	-	21,045	21,045	21,045
Miscellaneous	940	563	1,503	2,136	554	2,690	4,193
Occupancy	2,012	22,136	24,148	24,133	15,476	39,609	63,757
Office	1,509	5,014	6,523	2,601	3,060	5,661	12,184
Payroll services	1,183	693	1,876	318	642	960	2,836
Postage and delivery	3,632	1,835	5,467	232	37,988	38,220	43,687
Printing and reproduction	4,417	3,399	7,816	-	9,686	9,686	17,502
Production	253,853	20,800	274,653	-	4,000	4,000	278,653
Professional development	-	799	799	199	-	199	998
Professional services	107,319	99,571	206,890	3,650	46,078	49,728	256,618
Repairs and maintenance	1,873	676	2,549	1,690	149	1,839	4,388
Royalties	10,221	-	10,221	-	-	-	10,221
Subcontractors	4,988	42,976	47,964	43,687	-	43,687	91,651
Taxes and fees	-	-	-	415	3,901	4,316	4,316
Telephone	1,707	6,233	7,940	572	4,409	4,981	12,921
Travel and transportation	17,359	4,400	21,759	4,506	58,789	63,295	85,054
TOTAL	\$ 1,100,863	\$ 637,205	\$ 1,738,068	\$ 390,974	\$ 446,887	\$ 837,861	\$ 2,575,929

See accompanying notes to financial statements.

UNITY PRODUCTIONS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services			Supporting Services			Total Expenses
	Film Production	Education and Outreach	Total Program Services	General and Administration	Foundation Building	Total Supporting Services	
Salaries and wages	\$ 358,864	\$ 385,617	\$ 744,481	\$ 28,341	\$ 76,792	\$ 105,133	\$ 849,614
Payroll tax expense	21,096	26,096	47,192	2,260	5,615	7,875	55,067
Employee benefits	83,941	70,107	154,048	11,172	14,543	25,715	179,763
Total salaries and related expenses	463,901	481,820	945,721	41,773	96,950	138,723	1,084,444
Accounting and auditing	-	-	-	52,213	-	52,213	52,213
Advertising	27,892	12,349	40,241	-	11,100	11,100	51,341
Bad debts	-	-	-	201,030	-	201,030	201,030
Bank charges	2,716	2,138	4,854	1,008	1,430	2,438	7,292
Books, videos, films and photos	5,177	982	6,159	164	675	839	6,998
Depreciation	4,524	3,506	8,030	1,018	1,491	2,509	10,539
Dues and subscriptions	712	2,418	3,130	386	75	461	3,591
Events	141,635	3,095	144,730	228	52,306	52,534	197,264
Film sales	3,145	32,817	35,962	-	-	-	35,962
Gifts	-	-	-	-	10,879	10,879	10,879
Insurance	2,121	-	2,121	12,455	-	12,455	14,576
Internet and software	3,976	9,909	13,885	5,144	8,803	13,947	27,832
Internship program	-	1,750	1,750	-	-	-	1,750
Legal	1,830	-	1,830	250	-	250	2,080
Meetings	2,602	1,569	4,171	739	1,855	2,594	6,765
Merchant fees	4,618	-	4,618	1,065	15,909	16,974	21,592
Miscellaneous	-	-	-	150	117	267	267
Occupancy	2,271	21,455	23,726	20,955	15,486	36,441	60,167
Office	2,233	4,248	6,481	2,449	8,610	11,059	17,540
Payroll services	980	771	1,751	363	513	876	2,627
Postage and delivery	5,833	1,645	7,478	37	22,783	22,820	30,298
Printing and reproduction	20,911	6,541	27,452	-	7,855	7,855	35,307
Production	99,830	3,657	103,487	38	850	888	104,375
Professional development	-	595	595	3,100	-	3,100	3,695
Professional services	264,897	74,344	339,241	7,802	52,447	60,249	399,490
Repairs and maintenance	630	296	926	325	-	325	1,251
Royalties	3,268	-	3,268	-	-	-	3,268
Subcontractors	4,885	45,770	50,655	40,886	942	41,828	92,483
Taxes and fees	-	-	-	-	3,682	3,682	3,682
Telephone	3,350	6,201	9,551	1,671	3,566	5,237	14,788
Travel and transportation	53,118	12,763	65,881	1,323	21,611	22,934	88,815
TOTAL	\$ 1,127,055	\$ 730,639	\$ 1,857,694	\$ 396,572	\$ 339,935	\$ 736,507	\$ 2,594,201

See accompanying notes to financial statements.

UNITY PRODUCTIONS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 262,071	\$ 766,996
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	14,016	10,539
Change in discount on long-term receivables	(6,200)	19,000
Change in allowance for bad debt	(44,157)	(34,755)
Loss on disposal of property and equipment	1,089	-
(Increase) decrease in:		
Pledges receivable	134,081	(161,678)
Other receivables	(5,263)	563
Inventory	(5,410)	(10,903)
Prepaid expenses and deposits	(11,812)	12,019
Increase in:		
Accounts payable and accrued liabilities	<u>4,959</u>	<u>11,322</u>
Net cash provided by operating activities	<u>343,374</u>	<u>613,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(8,376)</u>	<u>(18,862)</u>
Net cash used by investing activities	<u>(8,376)</u>	<u>(18,862)</u>
Net increase in cash and cash equivalents	334,998	594,241
Cash and cash equivalents at beginning of year	<u>3,576,654</u>	<u>2,982,413</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,911,652</u>	<u>\$ 3,576,654</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 60,351</u>	<u>\$ 2,479</u>

UNITY PRODUCTIONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Unity Productions Foundation (UPF) is a non-profit organization, incorporated in the State of California in August 1999, with operational offices in the Washington, D.C. area. UPF's mission, as an educational organization, is to create peace through the media. UPF produces documentary films for television broadcast, online viewing, and theatrical release. UPF also implements long-term educational campaigns aimed at increasing understanding among people of different faiths and cultures, especially among Muslims and other faiths. UPF is convinced of the power of media to empower citizens with greater understanding and to nourish pluralism in America and around the world. UPF is supported primarily by grants and individual donations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

UPF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, UPF maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Pledges and other receivables -

Pledges and other receivables approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

UPF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. UPF is not a private foundation.

UNITY PRODUCTIONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, UPF has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of DVD's and other program materials held for sale, which are recorded at the lower of cost or market value using the first-in, first-out method of inventory.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of UPF and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of UPF and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Investments acquired by gift are recorded at their fair value at the date of the gift. UPF's policy is to liquidate all gifts of investments as soon as possible after the gift.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

UPF expenses advertising and promotional costs as incurred. Advertising expenses incurred for the years ended December 31, 2015 and 2014 totaled \$45,059 and \$51,341, respectively.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

UNITY PRODUCTIONS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. PLEDGES RECEIVABLE

As of December 31, 2015 and 2014, contributors to UPF have made written promises to give totaling \$902,020 and \$1,036,101, respectively. Pledges due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.5%.

Pledges are due as follows at December 31, 2015 and 2014:

	2015	2014
Less than one year	\$ 572,018	\$ 551,254
One to five years	330,002	484,847
Total	902,020	1,036,101
Less: Allowance to discount balance to present value	(13,500)	(19,700)
Less: Reserve for uncollectible grants	(216,088)	(260,245)
PLEDGES RECEIVABLE, NET	\$ 672,432	\$ 756,156

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2015 and 2014:

	2015	2014
Office equipment	\$ 64,494	\$ 58,499
Less: Accumulated depreciation	(46,293)	(33,569)
NET PROPERTY AND EQUIPMENT	\$ 18,201	\$ 24,930

4. BOARD DESIGNATED NET ASSETS

As of December 31, 2015 and 2014, net assets have been designated by the Board of Directors for the following purposes and are included in cash and cash equivalents in the Statements of Financial Position:

	2015	2014
Future endowment fund	\$ 1,500,000	\$ 1,500,000
Strategic opportunities fund	1,000,000	1,000,000
TOTAL BOARD DESIGNATED NET ASSETS	\$ 2,500,000	\$ 2,500,000

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	2015	2014
Film Production	\$ 115,107	\$ 58,374
Education and Outreach	142,262	-
Time Restricted	897,020	1,017,001
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 1,154,389	\$ 1,075,375

UNITY PRODUCTIONS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2015</u>	<u>2014</u>
Film Production	\$ 677,726	\$ 367,003
Education and Outreach	327,813	75,000
Foundation Building	1,000	75,000
Passage of time	<u>618,587</u>	<u>133,443</u>
	<u>\$ 1,625,126</u>	<u>\$ 650,446</u>

6. LEASE COMMITMENTS

UPF leased office space under various non-cancelable lease agreements maturing at various times during 2015.

In November 2015, UPF entered into a new lease agreement for new office space in Silver Spring, Maryland. The new agreement commenced on December 15, 2015 and extends through December 31, 2020. Base rent is \$50,948 per year, plus a proportionate share of expenses, increasing by a factor of 4% per year.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2016	\$ 84,533
2017	52,986
2018	55,105
2019	57,310
2020	<u>59,602</u>
	<u>\$ 309,536</u>

Rent expense for the years ended December 31, 2015 and 2014 totaled \$63,757 and \$60,167, respectively.

7. RETIREMENT PLAN

UPF provides retirement benefits to its employees through a defined contribution plan covering all eligible employees. UPF contributes 3% of gross wages. Contributions to the plan during the years ended December 31, 2015 and 2014 totaled \$26,845 and \$27,090, respectively.

8. RELATED PARTY

UPF leases office space from two officers of the organization, under annual leases, at monthly rates of \$500 for each office. Rental expense under these related party leasing arrangements amounted to \$12,000 for each of the years ended December 31, 2015 and 2014. Such costs are reflected in occupancy expense in the Statements of Functional Expenses. Subsequent to December 31, 2015, these leases have been renewed under similar terms.

UNITY PRODUCTIONS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

9. SUBSEQUENT EVENTS

In preparing these financial statements, UPF has evaluated events and transactions for potential recognition or disclosure through May 27, 2016, the date the financial statements were issued.