

FINANCIAL STATEMENTS



UNITY PRODUCTIONS FOUNDATION

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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 1, 2019

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UNITY PRODUCTIONS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,801,022	\$ 3,206,251
Pledges receivable, net	346,323	195,309
Other receivables	21,485	63,505
Inventory	20,889	10,543
Prepaid expenses and deposits	15,425	16,993
Property and equipment, net	<u>10,693</u>	<u>8,936</u>
TOTAL ASSETS	\$ <u>3,215,837</u>	\$ <u>3,501,537</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ <u>170,102</u>	\$ <u>126,239</u>
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NET ASSETS

Without donor restrictions:		
Undesignated	(2,060)	499,514
Board designated	<u>2,500,000</u>	<u>2,500,000</u>
Total without donor restrictions	2,497,940	2,999,514
With donor restrictions	<u>547,795</u>	<u>375,784</u>
Total net assets	<u>3,045,735</u>	<u>3,375,298</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,215,837</u>	\$ <u>3,501,537</u>

UNITY PRODUCTIONS FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Grants and contributions	\$ 1,538,280	\$ 1,238,795	\$ 2,777,075	\$ 2,167,628	\$ 731,499	\$ 2,899,127
Interest income	22,064	-	22,064	18,482	-	18,482
License fees	19,376	-	19,376	79,101	-	79,101
Sales	20,213	-	20,213	61,464	-	61,464
Special events	-	-	-	17,829	-	17,829
Other revenue	1,623	-	1,623	-	-	-
Net assets released from donor restrictions	<u>1,066,784</u>	<u>(1,066,784)</u>	<u>-</u>	<u>1,447,149</u>	<u>(1,447,149)</u>	<u>-</u>
Total support and revenue	<u>2,668,340</u>	<u>172,011</u>	<u>2,840,351</u>	<u>3,791,653</u>	<u>(715,650)</u>	<u>3,076,003</u>
EXPENSES						
Program Services:						
Film Production	1,450,383	-	1,450,383	1,340,199	-	1,340,199
Education and Outreach	<u>967,423</u>	<u>-</u>	<u>967,423</u>	<u>960,363</u>	<u>-</u>	<u>960,363</u>
Total program services	<u>2,417,806</u>	<u>-</u>	<u>2,417,806</u>	<u>2,300,562</u>	<u>-</u>	<u>2,300,562</u>
Supporting Services:						
General and Administrative	369,044	-	369,044	322,965	-	322,965
Foundation Building	<u>383,064</u>	<u>-</u>	<u>383,064</u>	<u>254,577</u>	<u>-</u>	<u>254,577</u>
Total supporting services	<u>752,108</u>	<u>-</u>	<u>752,108</u>	<u>577,542</u>	<u>-</u>	<u>577,542</u>
Total expenses	<u>3,169,914</u>	<u>-</u>	<u>3,169,914</u>	<u>2,878,104</u>	<u>-</u>	<u>2,878,104</u>
Changes in net assets	(501,574)	172,011	(329,563)	913,549	(715,650)	197,899
Net assets at beginning of year	<u>2,999,514</u>	<u>375,784</u>	<u>3,375,298</u>	<u>2,085,965</u>	<u>1,091,434</u>	<u>3,177,399</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,497,940</u>	<u>\$ 547,795</u>	<u>\$ 3,045,735</u>	<u>\$ 2,999,514</u>	<u>\$ 375,784</u>	<u>\$ 3,375,298</u>

See accompanying notes to financial statements.

UNITY PRODUCTIONS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ 432,216	\$ 388,157	\$ 820,373	\$ 72,022	\$ 42,791	\$ 114,813	\$ 935,186
Payroll tax expense	27,732	25,550	53,282	5,207	2,674	7,881	61,163
Employee benefits	106,151	83,457	189,608	17,813	7,183	24,996	214,604
Total salaries and related expenses	566,099	497,164	1,063,263	95,042	52,648	147,690	1,210,953
Accounting and auditing	-	-	-	19,950	-	19,950	19,950
Advertising	2,595	11,730	14,325	450	-	450	14,775
Bad debt	-	-	-	123,000	-	123,000	123,000
Bank charges	2,808	1,997	4,805	623	1,270	1,893	6,698
Books, videos, films and photos	2,192	1,379	3,571	270	76	346	3,917
Depreciation	815	3,898	4,713	1,838	1,705	3,543	8,256
Dues and subscriptions	468	3,945	4,413	1,227	1,504	2,731	7,144
Events	21,004	101,535	122,539	848	14,078	14,926	137,465
Film sales	8,634	26,398	35,032	399	1,411	1,810	36,842
Gifts	33	1,871	1,904	-	1,779	1,779	3,683
Grants	6,500	-	6,500	-	-	-	6,500
Insurance	6,628	3,956	10,584	1,235	1,607	2,842	13,426
Internet and software	11,338	17,655	28,993	841	10,672	11,513	40,506
Internship program	6,998	6,999	13,997	-	7,061	7,061	21,058
Meetings	2,451	394	2,845	154	1,149	1,303	4,148
Merchant fees	71	-	71	855	18,522	19,377	19,448
Occupancy	38,419	39,186	77,605	2,536	10,363	12,899	90,504
Office	2,851	4,472	7,323	5,675	4,234	9,909	17,232
Payroll services	2,550	1,814	4,364	565	737	1,302	5,666
Postage and delivery	750	25,473	26,223	268	4,507	4,775	30,998
Printing and reproduction	596	25,380	25,976	-	6,168	6,168	32,144
Production	431,054	-	431,054	-	-	-	431,054
Professional development	6,993	8,672	15,665	4,828	-	4,828	20,493
Professional services	126,299	161,889	288,188	5,318	9,773	15,091	303,279
Repairs and maintenance	57	-	57	42	-	42	99
Royalties	610	-	610	-	-	-	610
Subcontractors	164,780	168,623	333,403	97,570	9,072	106,642	440,045
State filings and fees	-	-	-	3,290	1,885	5,175	5,175
Telephone	1,912	5,837	7,749	1,863	6,425	8,288	16,037
Travel and transportation	34,878	55,168	90,046	357	8,406	8,763	98,809
TOTAL	\$ 1,450,383	\$ 1,175,435	\$ 2,625,818	\$ 369,044	\$ 175,052	\$ 544,096	\$ 3,169,914

See accompanying notes to financial statements.

UNITY PRODUCTIONS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	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	\$ 382,038	\$ 362,347	\$ 744,385	\$ 64,411	\$ 69,706	\$ 134,117	\$ 878,502
Payroll tax expense	24,694	25,623	50,317	4,737	5,111	9,848	60,165
Employee benefits	104,792	86,926	191,718	13,429	13,925	27,354	219,072
Total salaries and related expenses	511,524	474,896	986,420	82,577	88,742	171,319	1,157,739
Accounting and auditing	-	-	-	46,505	-	46,505	46,505
Advertising	65,959	29,009	94,968	150	150	300	95,268
Bad debts	-	-	-	85,000	-	85,000	85,000
Bank charges	3,512	2,795	6,307	692	1,284	1,976	8,283
Books, videos, films and photos	3,945	1,163	5,108	343	266	609	5,717
Depreciation	4,211	3,887	8,098	1,605	1,007	2,612	10,710
Dues and subscriptions	445	3,618	4,063	424	2,947	3,371	7,434
Events	71,032	28,668	99,700	-	12,501	12,501	112,201
Film sales	12,958	78,535	91,493	99	-	99	91,592
Gifts	576	-	576	-	13,794	13,794	14,370
Grants	25,000	-	25,000	-	-	-	25,000
Insurance	3,800	-	3,800	12,122	-	12,122	15,922
Internet and software	5,322	12,650	17,972	5,923	6,198	12,121	30,093
Internship program	4,914	21,129	26,043	-	6,758	6,758	32,801
Meetings	3,397	656	4,053	709	1,088	1,797	5,850
Merchant fees	110	-	110	832	18,763	19,595	19,705
Miscellaneous	32	-	32	-	-	-	32
Occupancy	24,845	35,186	60,031	20,200	8,768	28,968	88,999
Office	4,059	3,157	7,216	1,621	6,900	8,521	15,737
Payroll services	2,546	1,974	4,520	502	509	1,011	5,531
Postage and delivery	2,163	1,582	3,745	87	9,677	9,764	13,509
Printing and reproduction	3,530	7,281	10,811	-	15,554	15,554	26,365
Production	188,552	16,450	205,002	-	801	801	205,803
Professional development	8,000	8,000	16,000	4,678	-	4,678	20,678
Professional services	282,395	135,350	417,745	7,725	17,794	25,519	443,264
Repairs and maintenance	62	32	94	-	75	75	169
Royalties	1,928	-	1,928	-	-	-	1,928
Subcontractors	4,814	77,794	82,608	48,464	24,400	72,864	155,472
State filings and fees	-	11	11	1,307	2,915	4,222	4,233
Telephone	2,743	4,605	7,348	1,298	5,231	6,529	13,877
Travel and transportation	97,825	11,935	109,760	102	8,455	8,557	118,317
TOTAL	\$ 1,340,199	\$ 960,363	\$ 2,300,562	\$ 322,965	\$ 254,577	\$ 577,542	\$ 2,878,104

See accompanying notes to financial statements.

UNITY PRODUCTIONS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (329,563)	\$ 197,899
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	8,256	10,710
Change in discount on long-term receivables	8,500	(4,600)
Change in allowance for bad debt	26,850	(80,353)
(Increase) decrease in:		
Pledges receivable	(186,364)	405,551
Other receivables	42,020	(59,956)
Inventory	(10,346)	6,367
Prepaid expenses and deposits	1,568	3,313
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>43,863</u>	<u>(10,322)</u>
Net cash (used) provided by operating activities	<u>(395,216)</u>	<u>468,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(10,013)</u>	<u>-</u>
Net cash used by investing activities	<u>(10,013)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(405,229)	468,609
Cash and cash equivalents at beginning of year	<u>3,206,251</u>	<u>2,737,642</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,801,022</u>	<u>\$ 3,206,251</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	\$ <u>-</u>	\$ <u>35,950</u>

UNITY PRODUCTIONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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 are recorded at their net realizable value, which approximates 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.

UNITY PRODUCTIONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Income taxes -

UPF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. UPF is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2018 and 2017, 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. Inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes there in are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Grants and contributions -

Grants and contributions received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Grants and contributions with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

UNITY PRODUCTIONS FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Grants and contributions (continued) -

Such funds in excess of expenses incurred are shown as net assets with donor restriction 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, 2018 and 2017 totaled \$14,775 and \$95,268, 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. Expenses directly attributed to a specific functional area of UPF are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$2,999,514 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$375,784 are now classified as net assets with donor restrictions.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

UNITY PRODUCTIONS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

New accounting pronouncements (not yet adopted) (continued) -

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

UPF plans to adopt the new ASUs at the respective required implementation dates.

2. PLEDGES RECEIVABLE

As of December 31, 2018 and 2017, contributors to UPF have made written promises to give totaling \$486,181 and \$299,817, respectively. Pledges due in more than one year have been recorded at the present value of the estimated cash flows, using discount rates ranging from 3.75% to 5.5%.

Pledges are due as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 305,348	\$ 219,767
One to five years	<u>180,833</u>	<u>80,050</u>
Total	486,181	299,817
Less: Allowance to discount balance to present value	(12,600)	(4,100)
Less: Reserve for uncollectible grants	<u>(127,258)</u>	<u>(100,408)</u>
PLEDGES RECEIVABLE, NET	<u>\$ 346,323</u>	<u>\$ 195,309</u>

UNITY PRODUCTIONS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018 and 2017:

	2018	2017
Office equipment	\$ 82,391	\$ 76,688
Less: Accumulated depreciation	(71,698)	(67,752)
NET PROPERTY AND EQUIPMENT	\$ 10,693	\$ 8,936

4. BOARD DESIGNATED NET ASSETS

As of December 31, 2018 and 2017, 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:

	2018	2017
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. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	2018	2017
Film Production	\$ 61,613	\$ 75,967
Time Restricted	486,182	299,817
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 547,795	\$ 375,784

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

	2018	2017
Film Production	\$ 647,154	\$ 465,714
Education and Outreach	181,700	352,235
Foundation Building	100	700
Passage of Time	237,830	628,500
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 1,066,784	\$ 1,447,149

UNITY PRODUCTIONS FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

6. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position, comprise the following at December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents	\$ 2,801,022	\$ 3,206,251
Pledges receivable, current	305,348	219,767
Other receivables	21,485	63,505
Less: Donor restricted funds	(242,447)	(156,017)
Less: Board designated funds	(2,500,000)	(2,500,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 385,408	\$ 833,506

UPF has a policy to structure its financial assets to be available and liquid as its obligations become due. There is a fund established by the governing Board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

7. LEASE COMMITMENTS

UPF leases office space in Silver Spring, Maryland under an agreement that 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>		
2019	\$	57,310
2020		59,602
	\$	116,912

Occupancy expense, including related party expenses (see Note 9) for the years ended December 31, 2018 and 2017 totaled \$90,504 and \$88,999, respectively.

8. 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, 2018 and 2017 totaled \$28,190 and \$28,215, respectively. Such costs are reflected in employee benefits expense in the Statements of Functional Expenses.

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9. 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, 2018 and 2017. Such costs are reflected in occupancy expense in the Statements of Functional Expenses. Subsequent to December 31, 2018, these leases have been renewed under similar terms.

10. SUBSEQUENT EVENTS

In preparing these financial statements, UPF has evaluated events and transactions for potential recognition or disclosure through May 1, 2019, the date the financial statements were issued.