

**CONSOLIDATED FINANCIAL STATEMENTS**



**AND AFFILIATE**

**FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

# UNITY PRODUCTIONS FOUNDATION AND AFFILIATE

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

We have audited the accompanying consolidated financial statements of the Unity Productions Foundation and Affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the consolidated 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.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

July 1, 2022

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,910,101	\$ 2,417,385
Pledges receivable, net	190,718	275,005
Other receivables	-	9,569
Prepaid expenses and deposits	28,893	12,031
Property and equipment, net	<u>5,285</u>	<u>12,315</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>6,134,997</u></b>	<b>\$ <u>2,726,305</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Paycheck Protection Program note payable	\$ -	\$ 137,900
Note payable	250,000	250,000
Accounts payable and accrued liabilities	<u>178,710</u>	<u>149,568</u>
Total liabilities	<u>428,710</u>	<u>537,468</u>

**NET ASSETS**

Without donor restrictions	5,411,223	1,446,654
With donor restrictions	<u>295,064</u>	<u>742,183</u>
Total net assets	<u>5,706,287</u>	<u>2,188,837</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>6,134,997</u></b>	<b>\$ <u>2,726,305</u></b>

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Grants and contributions	\$ 5,569,699	\$ 1,026,244	\$ 6,595,943	\$ 1,738,107	\$ 744,084	\$ 2,482,191
Interest income	3,411	-	3,411	2,331	-	2,331
License fees	15,014	-	15,014	7,091	-	7,091
Sales	6,851	-	6,851	21,548	-	21,548
Other revenue	-	-	-	228	-	228
Net assets released from donor restrictions	<u>1,473,363</u>	<u>(1,473,363)</u>	<u>-</u>	<u>628,333</u>	<u>(628,333)</u>	<u>-</u>
Total support and revenue	<u>7,068,338</u>	<u>(447,119)</u>	<u>6,621,219</u>	<u>2,397,638</u>	<u>115,751</u>	<u>2,513,389</u>
<b>EXPENSES</b>						
Program Services:						
Film Production	1,959,697	-	1,959,697	1,555,049	-	1,555,049
Education and Outreach	<u>840,741</u>	<u>-</u>	<u>840,741</u>	<u>667,672</u>	<u>-</u>	<u>667,672</u>
Total program services	<u>2,800,438</u>	<u>-</u>	<u>2,800,438</u>	<u>2,222,721</u>	<u>-</u>	<u>2,222,721</u>
Supporting Services:						
General and Administrative	199,622	-	199,622	229,950	-	229,950
Foundation Building	<u>417,109</u>	<u>-</u>	<u>417,109</u>	<u>343,040</u>	<u>-</u>	<u>343,040</u>
Total supporting services	<u>616,731</u>	<u>-</u>	<u>616,731</u>	<u>572,990</u>	<u>-</u>	<u>572,990</u>
Total expenses	<u>3,417,169</u>	<u>-</u>	<u>3,417,169</u>	<u>2,795,711</u>	<u>-</u>	<u>2,795,711</u>
Changes in net assets before other item	3,651,169	(447,119)	3,204,050	(398,073)	115,751	(282,322)
<b>OTHER ITEM</b>						
Extinguishment of debt	<u>313,400</u>	<u>-</u>	<u>313,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	3,964,569	(447,119)	3,517,450	(398,073)	115,751	(282,322)
Net assets at beginning of year	<u>1,446,654</u>	<u>742,183</u>	<u>2,188,837</u>	<u>1,844,727</u>	<u>626,432</u>	<u>2,471,159</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 5,411,223</u></b>	<b><u>\$ 295,064</u></b>	<b><u>\$ 5,706,287</u></b>	<b><u>\$ 1,446,654</u></b>	<b><u>\$ 742,183</u></b>	<b><u>\$ 2,188,837</u></b>

See accompanying notes to consolidated financial statements.

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services			Supporting Services			Total Expenses
	Film Production	Education and Outreach	Total Program Services	General and Administrative	Foundation Building	Total Supporting Services	
Salaries and wages	\$ 468,193	\$ 410,764	\$ 878,957	\$ 45,654	\$ 80,805	\$ 126,459	\$ 1,005,416
Payroll tax expense	32,679	29,470	62,149	4,498	6,151	10,649	72,798
Employee benefits	120,351	98,138	218,489	14,908	13,673	28,581	247,070
Total salaries and related expenses	621,223	538,372	1,159,595	65,060	100,629	165,689	1,325,284
Accounting and auditing	-	-	-	20,685	-	20,685	20,685
Advertising	6,373	348	6,721	859	150	1,009	7,730
Bad debt	-	-	-	-	82,400	82,400	82,400
Bank charges	4,398	1,824	6,222	642	798	1,440	7,662
Books, videos, films and photos	1,307	235	1,542	126	85	211	1,753
Depreciation	2,745	1,491	4,236	1,568	1,226	2,794	7,030
Events	-	1,826	1,826	-	23,058	23,058	24,884
Film distribution and sales	645	-	645	-	-	-	645
Gifts	-	-	-	-	3,240	3,240	3,240
Insurance	17,620	8,486	26,106	2,576	3,180	5,756	31,862
Internet and software	3,729	9,300	13,029	13,018	14,980	27,998	41,027
Legal	6,204	-	6,204	97	-	97	6,301
Merchant fees	-	-	-	4	24,041	24,045	24,045
Occupancy	16,761	6,903	23,664	2,259	4,220	6,479	30,143
Office	743	2,187	2,930	5,134	2,809	7,943	10,873
Payroll services	3,824	1,588	5,412	559	690	1,249	6,661
Postage and delivery	1,087	173	1,260	257	6,440	6,697	7,957
Printing and reproduction	499	5,204	5,703	-	17,871	17,871	23,574
Production	982,742	82,275	1,065,017	-	-	-	1,065,017
Professional services	218,097	94,346	312,443	6,652	53,895	60,547	372,990
Subcontractors	62,721	77,805	140,526	77,321	46,800	124,121	264,647
Taxes and fees	865	-	865	1,912	6,297	8,209	9,074
Telephone	4,665	8,211	12,876	657	10,099	10,756	23,632
Travel and transportation	3,449	167	3,616	236	14,201	14,437	18,053
<b>TOTAL</b>	<b>\$ 1,959,697</b>	<b>\$ 840,741</b>	<b>\$ 2,800,438</b>	<b>\$ 199,622</b>	<b>\$ 417,109</b>	<b>\$ 616,731</b>	<b>\$ 3,417,169</b>

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Services			Total Expenses
	Film Production	Education and Outreach	Total Program Services	General and Administrative	Foundation Building	Total Supporting Services	
Salaries and wages	\$ 522,399	\$ 345,903	\$ 868,302	\$ 53,507	\$ 77,146	\$ 130,653	\$ 998,955
Payroll tax expense	35,417	24,658	60,075	3,793	5,505	9,298	69,373
Employee benefits	128,725	75,434	204,159	16,206	12,540	28,746	232,905
Total salaries and related expenses	686,541	445,995	1,132,536	73,506	95,191	168,697	1,301,233
Accounting and auditing	-	-	-	23,706	-	23,706	23,706
Advertising	-	872	872	150	-	150	1,022
Bad debt	-	-	-	-	62,000	62,000	62,000
Bank charges	5,442	2,284	7,726	878	957	1,835	9,561
Books, videos, films and photos	662	978	1,640	203	56	259	1,899
Depreciation	1,850	1,180	3,030	1,917	1,988	3,905	6,935
Events	-	-	-	-	44,129	44,129	44,129
Film distribution and sales	118	1,355	1,473	100	-	100	1,573
Gifts	188	92	280	100	2,260	2,360	2,640
Insurance	7,097	4,218	11,315	1,171	1,276	2,447	13,762
Internet and software	1,279	12,273	13,552	15,720	10,193	25,913	39,465
Legal	5,213	-	5,213	-	-	-	5,213
Merchant fees	-	-	-	-	27,928	27,928	27,928
Occupancy	29,523	28,181	57,704	14,896	14,984	29,880	87,584
Office	578	1,072	1,650	1,532	2,123	3,655	5,305
Payroll services	3,562	1,529	5,091	588	641	1,229	6,320
Postage and delivery	186	394	580	348	3,942	4,290	4,870
Printing and reproduction	6,970	6,970	13,940	-	4,338	4,338	18,278
Production	515,235	-	515,235	60	-	60	515,295
Professional services	183,531	75,010	258,541	11,371	36,058	47,429	305,970
Subcontractors	100,347	75,209	175,556	79,570	13,738	93,308	268,864
Taxes and fees	631	-	631	1,977	1,200	3,177	3,808
Telephone	5,780	8,760	14,540	1,409	5,344	6,753	21,293
Travel and transportation	316	1,300	1,616	748	14,694	15,442	17,058
<b>TOTAL</b>	<b>\$ 1,555,049</b>	<b>\$ 667,672</b>	<b>\$ 2,222,721</b>	<b>\$ 229,950</b>	<b>\$ 343,040</b>	<b>\$ 572,990</b>	<b>\$ 2,795,711</b>



**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 3,517,450	\$ (282,322)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	7,030	6,935
Change in discount on long-term receivables	(3,200)	(3,700)
Change in allowance for bad debt	(518)	(40,660)
Receipt of contributed securities	(27,522)	(33,809)
Proceeds from sale of contributed securities	27,522	33,809
Extinguishment of debt	(313,400)	-
Decrease (increase) in:		
Pledges receivable	88,005	181,750
Other receivables	9,569	(8,131)
Inventory	-	66
Prepaid expenses and deposits	(16,862)	10,510
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>29,142</u>	<u>(21,379)</u>
Net cash provided (used) by operating activities	<u>3,317,216</u>	<u>(156,931)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>-</u>	<u>(9,564)</u>
Net cash used by investing activities	<u>-</u>	<u>(9,564)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	-	250,000
Proceeds from Paycheck Protection Program note payable	<u>175,500</u>	<u>137,900</u>
Net cash provided by financing activities	<u>175,500</u>	<u>387,900</u>
Net increase in cash and cash equivalents	3,492,716	221,405
Cash and cash equivalents at beginning of year	<u>2,417,385</u>	<u>2,195,980</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 5,910,101</u></b>	<b><u>\$ 2,417,385</u></b>

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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.

During 2018, UPF established Lamya's Poem LLC, a single-member LLC entirely owned by UPF, which is disregarded for tax purposes. The main purpose of Lamya's Poem LLC is to produce UPF's latest animated film project titled Lamya's Poem. Forming LLCs for film productions is a common practice in motion picture industry as they may provide legal and financial protection for the owner and/or investors under certain circumstances. Lamya's Poem, LLC had no financial activity until January 2020, when it entered into a note payable agreement in the amount of \$250,000 (see Note 5).

Principles of consolidation -

The accounts of UPF have been consolidated with the accounts of Lamya's Poem LLC (collectively, the Organization) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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 Consolidated 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 without donor restrictions when the assets are placed in service.

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

Cash and cash equivalents -

The Organization 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, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

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

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 contributions 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. Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$7,030 and \$6,935, respectively.

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 consolidated financial statements. UPF is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2021 and 2020, the Organization 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 consolidated financial statements.

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

Support and revenue -

The Organization receives grants and contributions, including unconditional promises to give, from foundations, individuals and other entities. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual grants or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional that have 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. The Organization did not have any unrecognized conditional awards as of December 31, 2021.

License fees and sales revenue follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price for license fees and sales is based on the agreed fee or sales price, respectively. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Use of estimates -

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Organization expenses advertising and promotional costs as incurred. Advertising expenses incurred for the years ended December 31, 2021 and 2020 totaled \$7,730 and \$1,022, respectively.

Functional allocation of expenses -

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

**UNITY PRODUCTIONS FOUNDATION AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area of the Organization 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.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organization plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying consolidated financial statements.

**2. PLEDGES RECEIVABLE**

As of December 31, 2021 and 2020, contributors to the Organization have made unconditional written promises to give, of which \$295,063 and \$383,068, respectively, remained due and outstanding. Pledges due beyond one year of the Consolidated Statements of Financial Position 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 210,703	\$ 256,184
One to five years	<u>84,360</u>	<u>126,884</u>
Total	295,063	383,068
Less: Allowance to discount balance to present value	(4,300)	(7,500)
Less: Reserve for uncollectable pledges	<u>(100,045)</u>	<u>(100,563)</u>
<b>PLEDGES RECEIVABLE, NET</b>	<b><u>\$ 190,718</u></b>	<b><u>\$ 275,005</u></b>

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**3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Office equipment	\$ 98,398	\$ 98,398
Less: Accumulated depreciation	(93,113)	(86,083)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>\$ 5,285</b>	<b>\$ 12,315</b>

**4. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE**

On April 30, 2020, UPF received loan proceeds in the amount of \$137,900 under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration (SBA) in whole or in part.

During January 2021, the Organization entered into a five-year promissory note agreement in the amount of \$175,500 with a 1% fixed interest rate, under the second round of funding from the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the SBA in whole or in part.

During the year ended December 31, 2021, the Organization used the proceeds of both loans for purposes consistent with the Paycheck Protection Program and received full forgiveness of the loans. Accordingly, the Organization has recorded revenue from extinguishment of debt in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

**5. NOTE PAYABLE**

In January 2020, UPF entered into a \$250,000 note payable agreement with an executive producer through its single-member LLC, Lamy's Poem, LLC. The proceeds will be used toward the production and distribution of Lamy's Poem, one of the Organization's educational film projects. The terms of the agreement are as follows:

- Lamy's Poem, LLC will repay the financing in full solely from net proceeds received by the Organization from the sale of the film.
- The executive producer is also entitled to an additional fee of \$25,000 from net proceeds.
- Following repayment of the note principal and the additional fee, the executive producer is entitled to 5.55% of the net proceeds until no net proceeds are received by the Organization.

The Organization has given no assurance of the repayment of the note payable or the additional fee. In the absence of any net proceeds from the sale of the film, the executive producer will forgive any outstanding balance. As of December 31, 2021, the outstanding principal of the note payable was \$250,000.

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**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Film Production	\$ -	\$ 359,114
Time Restricted	<u>295,064</u>	<u>383,069</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 295,064</u></b>	<b><u>\$ 742,183</u></b>

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:

	<u>2021</u>	<u>2020</u>
Film Production	\$ 717,669	\$ 143,185
Foundation Building	-	68,322
Passage of Time	<u>755,694</u>	<u>416,826</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 1,473,363</u></b>	<b><u>\$ 628,333</u></b>

**7. LIQUIDITY**

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position comprise the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,910,101	\$ 2,417,385
Pledges receivable, current	190,718	256,184
Other receivables	-	9,569
Less: Donor restricted funds	<u>(84,360)</u>	<u>(485,998)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 6,016,459</u></b>	<b><u>\$ 2,197,140</u></b>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

**8. LEASE COMMITMENTS**

During the year ended December 31, 2021, UPF leased office space in Lanham, Maryland under an agreement that commenced on November 1, 2020 and extended through October 31, 2021. Base rent was \$9,588 per year, plus a proportionate share of expenses. Upon expiry, the agreement continued on a month-to-month basis.

Occupancy expense for the years ended December 31, 2021 and 2020 totaled \$30,143 and \$87,584, respectively.

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**9. 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, 2021 and 2020, totaled \$31,377 and \$21,807, respectively. Such costs are reflected in employee benefits expense in the Consolidated Statements of Functional Expenses.

**10. RELATED PARTY**

During the year ended December 31, 2020, UPF leased office space from two officers of the Organization, under annual leases at monthly rates of \$500 for each office. The leases were terminated during April 2020.

**11. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 1, 2022, the date the consolidated financial statements were issued.