NEXT GENERATION MEDIA CORP
Form 10QSB
November 19, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER: 000-28083

NEXT GENERATION MEDIA CORP.
(Exact name of Company as specified in its charter)

Nevada	88-0169543
(State or jurisdiction of incorporation organization)	(I.R.S. Employer or Identification No.)
7644 Dynatech Court, Springfield, Virginia	22153
(Address of principal executive offices)	(Zip Code)

Company's telephone number: (703) 644-0200

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.001 Par Value

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Company was required to file such reports), and (2) been subject to such filing requirements for the past 90 days. Yes X No___

As of November 5, 2002, the Company had 10,223,397 shares of common stock issued and outstanding.

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September 30, 2002
With Review Report of Independent
Certified Public Accountants

TURNER, JONES AND ASSOCIATES, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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REVIEW REPORT

To the Board of Directors and Stockholders of
Next Generation Media Corporation

We have reviewed the accompanying condensed consolidated statement of financial position of Next Generation Media Corporation (a Nevada Corporation) as of September 30, 2002 and 2001, and the related statements of earnings, stockholders' equity, and cash flows for the three-month and nine-month periods then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these condensed consolidated interim financial statements is the representation of the management of Next Generation Media Corporation.

A review of interim financial information consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles accepted in the United States.

Vienna, Virginia
November 14,2002

Next Generation Media Corporation
Condensed Consolidated Statement of Earnings (Unaudited)
For The Periods Ended

	For the Three Months Ended		For the Nine Month	
	Sept. 30, 2002	Sept. 30, 2001	Sept. 30, 2002	Se
REVENUES (Note 1):				
Coupon sales, net of discounts	$ 1,925,517	$ 1,677,938	$ 5,647,689	$
Franchise fees	54,600	-	84,300	
Commission income	-	12,946	-	
Total revenues	1,980,117	1,690,884	5,731,989	
COST OF GOODS SOLD:				
Materials	243,085	226,360	847,269	
Direct labor	507,837	450,823	1,391,008	
Equipment repairs	20,090	16,162	44,302	
Postage and delivery	588,214	490,566	1,772,239	
Payroll taxes from direct labor	38,850	34,459	106,412	
Total cost of goods sold	1,398,076	1,218,380	4,161,230	
Gross margin	582,041	419,506	1,570,759	
OPERATING EXPENSES:				
401(k) administrative expense	-	2,200	-	
401(k) matching	-	6,199	-	

Advertising (Note 1)	2,687	266	4,815
Amortization (Note 1)	33,921	33,921	101,764
Bad debt expense	7,500	7,500	22,500
Commissions and fees	13,436	9,741	22,819
Credit card fees	-	2,895	5,371
Depreciation (Note 1)	41,340	57,212	124,308
Employee benefits	40,448	49,968	114,150
Insurance	8,067	12,049	38,526
Meals and entertainment	2,124	524	2,703
Office expense	5,196	22,090	23,679
Officers compensation	68,288	45,965	234,010
Other expenses	2,836	50,549	7,721
Payroll	31,211	38,836	107,321
Payroll taxes	4,927	12,034	18,444
Postage and delivery	1,200	1,684	3,981
Professional fees	49,288	105,841	213,654
Property taxes	7,800	-	11,700
Rent and pass thru expenses	43,716	145,543	95,537
Repairs and maintenance	6,650	3,847	21,441
Telephone	11,392	11,279	34,179
Travel and conferences	-	8,372	3,500
Utilities	27,531	18,736	49,293
Total operating expenses	409,558	638,851	1,211,416
Gain/(Loss) from operations	172,483	(166,347)	359,343
OTHER INCOME AND EXPENSES:			
Interest income	-	3,404	-
Other income (expense)	-	615	-
Gain/(Loss) on lawsuit settlement	33,035	-	33,035
Gain/(Loss) on equipment disposal	-	-	2,230
Interest expense	(7,341)	1,323	(16,882)
Total other income (expense)	25,694	(1,466)	18,383
Net Income/(Loss)	198,177	(167,813)	377,726
Gain/(Loss) applicable to common shareholders	198,177	(167,813)	377,726
Basic gain/(loss) per common share (Note 1)	0.02	(0.03)	0.04
Weighted average common shares outstanding	10,223,397	6,262,071	9,021,016
Diluted gain per common share (Note 1)	0.02	NA	0.03
Fully diluted common shares outstanding	12,498,564	7,767,021	10,906,214

See accompanying notes and accountant's review report

Next Generation Media Corporation
Consolidated Balance Sheets
For the Periods Ended

ASSETS

	(Unaudited) September 30, 2002	(Audited) December 31, 2001

CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 299,192	$ 199,305
Accounts receivable, net of uncollectible accounts (Note 1)	606,307	228,478
Notes receivable (Note 6)	333,608	333,608
Inventories (Note 1)	72,420	49,978
Deferred compensation	-	73,921
Employee loans and advances	-	827
Prepaid expenses	33,311	8,105
Total current assets	1,344,838	894,222
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3):		
Computer equipment and software	511,684	497,339
Furniture and fixtures	2,133,642	2,116,511
Leasehold improvements	167,675	88,754
Total property, plant and equipment	2,813,001	2,702,604
Less accumulated depreciation	(2,372,755)	(2,251,598)
Net property, plant and equipment	440,246	451,006
Intangibles, net of accumulated amortization (Note 1)	856,119	957,883
TOTAL ASSETS	2,641,203	2,303,111

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Notes payable, current portion (Note 4)	192,928	296,479
Accounts payable	506,817	790,379
Accrued expenses	82,867	48,713
Severance payable	-	68,619
Pension payable	-	3,853
Sales tax payable	233,545	228,537
Deferred revenue	218,843	96,386
Total current liabilities	1,235,000	1,532,966
LONG TERM LIABILITIES:		
Notes payable (Note 4)	128,372	-
Total long term liabilities	128,372	-
Total liabilities	1,363,372	1,532,966
STOCKHOLDERS' EQUITY (Note 7):		
Common stock, $.01 par value, 50,000,000 shares authorized, 10,223,397 and 6,773,397 issued and outstanding, respectively	102,234	67,734
Additional paid in capital	7,371,744	7,186,284
Less treasury stock, at cost, 1,800,000 shares	(90,000)	-
Accumulated deficit	(6,483,873)	(6,483,873)
Net Income - Year to Date	377,726	-
Total stockholders' equity	1,277,831	770,145
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,641,203	2,303,111

See accompanying notes and accountant's review report

Next Generation Media Corporation
Consolidated Statements of Stockholders' Equity-Unaudited

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Accumulated Deficit	
Balance: January 31, 2001	6,206,897	62,069	7,135,409	(5,586,878)	$1,
Common stock issued in exchange for services	300,000	3,000	33,000	-	
Exercise of stock options	97,500	975	975	-	
Common stock issued in exchange for services	169,000	16,900	16,900	-	
Net loss	-	-	-	(896,995)	(
Balance: December 31, 2001	6,773,397	67,734	7,186,284	(6,483,873)	
Common stock issued in exchange for services	1,450,000	14,500	70,500	-	
Employee stock options	-	-	36,960	-	
Common stock issued in exchange for services	2,000,000	20,000	78,000	-	
Net Income - Year to Date	-	-	-	287,726	
Balance: September 30, 2002	10,223,397	102,234	7,371,744	(6,196,147)	1,

See accompanying notes and accountant's review report

Next Generation Media Corporation
Statement of Cash Flows - Unaudited
For The Three Months Ended

	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 198,177	$ (167,813)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	-	36,000
Depreciation and amortization	75,261	91,133
(Increase) decrease in assets		
Accounts receivable	(352,094)	(336,251)
Inventories	(17,612)	57,626

Deferred compensation	73,921	-
Prepaids and other current assets	33,908	273,752
Increase (decrease) in liabilities		
Accounts payable	(58,523)	284,003
Accrued expenses	50,473	(198,660)
Wages payable	(108,338)	-
Severance payable	(68,619)	(16,761)
Pensions payable	(2,271)	-
Deferred revenue	218,843	(34,281)
Net cash flows provided/(used) by operating activities	43,126	(11,252)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	3,193	-
Net cash provided by investing activities	3,193	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds form issuance of stock	-	1,950
Change in note payable	112,020	(32,186)
Net cash provided/(used) by financing activities	112,020	(30,236)
NET INCREASE/(DECREASE) IN CASH	158,339	(41,488)
CASH, BEGINNING OF PERIOD	140,853	119,776
CASH, END OF PERIOD	299,192	78,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	7,341	3,404

See accompanying notes and accountant's review report

Next Generation Media Corporation
Statement of Cash Flows - Unaudited
For The Nine Months Ended

	September 30, 2002	September 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 287,726	$ (235,179)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock issued for services	219,960	36,000
Depreciation and amortization	222,921	453,883
(Increase) decrease in assets		
Accounts receivable	(377,002)	98,621
Inventories	(22,442)	81,442
Deferred compensation	73,921	-
Prepaids and other current assets	(25,206)	280,522
Increase (decrease) in liabilities		
Accounts payable	(170,216)	322,729
Accrued expenses	34,154	(338,184)
Wages payable	(108,338)	(19,655)
Severance payable	(68,619)	-
Pensions payable	(3,853)	-

Deferred revenue	122,457	(126,600)
Net cash flows provided by operating activities	185,463	553,579
CASH FLOWS FROM INVESTING ACTIVITIES:		
Due to related parties	-	(112,288)
Purchase of property and equipment	(110,397)	(1,740)
Net cash provided by investing activities	(110,397)	(114,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds form issuance of stock options	-	1,950
Removal of note payable due to Big Hub settlement (Note 5)	-	(500,000)
Change in note payable	24,821	-
Net cash provided/(used) by financing activities	24,821	(498,050)
NET INCREASE/(DECREASE) IN CASH	99,887	(58,499)
CASH, BEGINNING OF PERIOD	199,305	136,787
CASH, END OF PERIOD	299,192	78,288
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE YEAR FOR:		
Interest	16,882	27,341

See accompanying notes and accountant's review report

Next Generation Media Corporation
Notes to Financial Statements-Unaudited
September 30, 2002

UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated accounts of Next Generation Media Corporation and its subsidiary (collectively, the Company). In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. The preparation of the financial statements includes estimates that are used when accounting for revenues, allowance for uncollectible receivables, telecommunications expense, depreciation and amortization and certain accruals. Actual results could differ from those estimates. The results of operations for the three and nine month periods ended September 30, 2002, are not necessarily indicative of the results to be expected for the full year. Some information and footnote disclosures normally included in financial statements or notes thereto prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. The Company believes, however, that its disclosures are adequate to make the information provided not misleading. You should read these interim consolidated financial statements in conjunction with the consolidated financial statements and notes thereto included in the Company's 2001 Annual Report on Form 10-KSB40.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business:

Next Generation Media Corporation was incorporated in the State of Nevada in November of 1980 as Micro Tech Industries Inc., with an official name change to Next Generation Media Corporation in April of 1997. The Company, through its wholly owned subsidiary, United Marketing Solutions, Inc., provides direct marketing products, which involves the designing, printing, packaging, and mailing of public relations and marketing materials and coupons for retailers who provide services. Sales are conducted through a network of franchises that the Company supports on a wholesale basis. At September 30, 2002, the Company had approximately 39 active area franchise operations located throughout the United States.

Property and Equipment:

Property and equipment are stated at cost. The company uses the straight-line method in computing depreciation for financial statement purposes.

Expenditures for repairs and maintenance are charged to income, and renewals and replacements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts.

Estimated useful lives are as follows:

Computers	3 years
Furniture, fixtures and equipment	10 years

Leasehold improvements are amortized over the lesser of the lease term or the useful life of the property.

Depreciation expense for the three months ended September 30, 2002 and 2001 amounted to $41,340 and $57,212 respectively.

Intangibles:

The Company has recorded goodwill based on the difference between the cost and the fair value of certain purchased assets and it is being amortized on a straight-line basis over the estimated period of benefit, which ranges from five (5) to ten (10) years. The Company periodically evaluates the goodwill for possible impairment. The analysis consists of a comparison of future projected cash flows to the carrying value of the goodwill. Any excess goodwill would be written off due to impairment. In addition, the Company has a covenant not to compete, which is being amortized over five (5) years. Amortization expense for the three months ended September 30, 2002 and 2001 amounted to $33,921 and $33,921 respectively.

Advertising Expense:

The Company expenses the cost of advertising and promotions as incurred. Advertising costs charged to operations for the three months ended September 30, 2002 and 2001 was $2,687 and $266 respectively.

Revenue Recognition:

The Company recognizes revenue from the design production and printing of coupons upon delivery. Revenue from initial franchise fees is recognized when substantially all services or conditions relating to the sale have been substantially performed. Franchise support and other fees are recognized when billed to the franchisee. Amounts billed or collected in advance of final delivery or shipment are reported as deferred revenue.

Impairment of Long-Lived Assets:

The Company reviews the carrying values of its long-lived assets for possible impairment on a periodic basis and whenever events or changes in circumstances indicate that the carrying amount of the assets should be addressed. The Company believes that no permanent impairment in the carrying value of long-lived assets exists as of September 30, 2002 and 2001.

Comprehensive Income:

The Company has adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". Comprehensive income as defined includes all changes to equity except that resulting from investments by owners and distributions to owners. The company has no item of comprehensive income to report.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncements:

In June of 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The new standard requires that all companies record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The Company does not use derivative instruments either in hedging or as investments. The Company adopted this accounting standard, as amended, on January 1, 2001. Accordingly, the Company believes it will have no material impact on its financial position or results of operations.

In December of 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements" ("SAB 101"), which provides guidance related to revenue recognition based on interpretations and practices followed by the SEC. SAB 101 is effective in the quarter ended December 31, 2000, and requires companies to report any changes in revenue recognition as a cumulative effect of a change in accounting principle at the time of implementation in accordance with Accounting Principles Board Opinion No. 20, "Accounting Changes". The Company has assessed the impact of SAB 101 on its financial position and results of operations and believes the effect to be minimal.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Corporation uses Statement of Financial Standards No. 109 "Accounting for Income Taxes" (SFAS No. 109) in reporting deferred income taxes. SFAS No. 109 requires a company to recognize deferred tax liabilities and assets for expected future income tax consequences of events that have been recognized in the company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences in financial carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which temporary differences are expected to reverse.

Risks and Uncertainties:

The Company operates in an environment where intense competition exists from other companies. This competition, along with increases in the price of paper, can impact the pricing and profitability of the Company.

Credit Risk:

The Company at times may have cash deposits in excess of federally insured limits.

Accounts Receivable:

The Corporation grants credit to its customers, which includes the retail sector and their own franchisees. The Company establishes an allowance for doubtful accounts based upon on a percentage of accounts receivable plus those balances the Company feels will be uncollectible. Uncollectible accounts as of September 30, 2002 and 2001 was $335,563 and $25,839, respectively.

Cash and Cash Equivalents:

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Loss Per Common Share:

The Company calculates its earnings per share pursuant to Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS No. 128"). Under SFAS No. 128, basic earnings per share is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. Diluted earnings per share reflect the potential dilution assuming the issuance of common shares for all potential dilutive common shares outstanding during the period. As a result of the Company's net losses, all potentially dilutive securities including warrants and stock options, would be anti-dilutive and thus, excluded from diluted earnings per share.

As of September 30, 2002, the Company had financial obligations that could create future dilution to the Company's common shareholders and are not currently classified as common shares of the company. The following table details such instruments and obligations and the common stock comparative for each. The common stock number is based on specific conversion or issuance assumptions pursuant to the corresponding terms of each individual instrument or obligation.

Instrument or Obligation	Common Stock
Stock options outstanding as of September 30, 2002	1,875,167
Stock options outstanding as of September 30, 2001	1,672,667

Inventories:

Inventories consist primarily of paper, envelopes, and printing materials and are stated at the lower of cost or market, with cost determined on the first-in, first-out method.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the parent company, Next Generation Media Corporation and its subsidiaries as of September 30, 2002 and 2001.

NOTE 2 - RETIREMENT PLAN

The company maintains a 401(k) defined contribution plan covering substantially all employees. The Corporation may elect to contribute up to 3% of each eligible employee's gross wages. Employees can elect up to 12% of their salary to be contributed before income taxes, up to the annual limit set by the Internal Revenue Code. The Corporation contributed $0 and $6,199 in the three months ended September 30, 2002 and 2001 respectively.

NOTE 3 - PROPERTY & EQUIPMENT

Property and Equipment consists of the following:

	September 30, 2002
Furniture and equipment	$2,133,642
Computer equipment	511,684
Leasehold improvements	167,675
	$2,813,001
Accumulated depreciation and amortization	(2,372,755)
Net property and equipment	$ 440,246

	September 30, 2001
Furniture, fixtures and equipment	$3,615,017
Computer equipment	832,969
Leasehold improvements	88,754
	$4,536,740
Accumulated depreciation and amortization	(3,955,741)
Net property and equipment	$ 580,999

NOTE 4 - NOTES PAYABLE AND LINE OF CREDIT

Notes payable consists of the following:

September 30, 2002	Amount
Obligation to CIT Group, bearing interest at 10%, the	

loan is payable in fifty-six monthly installments of $500, including interest, and is collateralized by the property and equipment of the Company.	$ 20,388
Note payable to BancFirst, collateralized by the Company's property and equipment. Terms are a twenty-four monthly installments of $8,200 principal plus accrued interest.	$ 55,681
Confessed judgement promissory note to Joel Sens, collateralized by the good faith of the Company. Terms are a twenty-four month note at 10% interest, monthly payments of $2,999 including interest.	$ 52,505
Promissory note payable to former executive, payable in twenty-four installments of $3,542 at 0% interest.	$ 81,458
Obligation to PS Business Parks bearing interest at 5%. The loan is payable in thirty-six monthly installments of $3,896, including interest, and is collateralized by the property and equipment of the Company.	$102,769
Obligation to Xerox in twenty-four monthly installments of $500. The obligation is collateralized by the good faith of the Company.	$ 8,500
	$321,300
Less: Current portion	$192,928
Long-term portion	$128,372

September 30, 2001	Amount
Line of credit from Prosperity Bank with a face amount of $90,000, interest is payable as it accrues at the banks' prime rate (7.5% as of 12/31/2000), this line is secured by a Certificate of Deposit held by the former President of the Company.	$ 90,000
Note payable to CIT Group, interest of 10% on principal only, monthly principal payments of $8,200 plus interest, due in January 2001, collateralized by the equipment of United Marketing Solutions, Inc., and as of the date of this report is currently in default.	$ 32,996
Note payable to BancFirst, interest at prime plus 1% (8.5% at December 31, 2000), monthly payments of principal and interest of $12,500, collateralized by the Company's property, plant and equipment. The note payable was due in September of 2000 and was in default. Terms renegotiated to twenty-four month, interest at prime plus 1%, monthly payments of $8,500 principal plus accrued interest.	$171,730
Total notes payable and line of credit	$294,726
Less: Current portion	$294,726
Long-term portion	$ 0

NOTE 5 - BIG HUB SETTLEMENT

On February 6, 2001, a settlement was reached between TheBigHub.com ("Big Hub"), the Company, and major shareholders of the Company. As part of the settlement, Big Hub returned all but 242,732 shares of the Company's common stock to the major shareholders involved, and all stock options. The major shareholders retain their shares and options in Big Hub. Big Hub forever releases and discharges the Company from all obligations relating to the $622,288 dollars advanced to the Company. The Company forever releases and discharges Big Hub from all obligations relating to $199,620 owed to the Company from Big Hub. Additionally the Company releases Big Hub from all obligations in regards to the promised delivery of the "Tool Kit Technology" (never delivered). Big Hub retains the 250,000 shares of the Company's common stock transferred to Big Hub as original consideration of promised delivery of "Tool Kit Technology". The Company agrees to provide audited financial statements to Big Hub on a consolidated basis. The major shareholders of Big Hub and the Company agree to release, acquit and further discharge all parties involved as a result of this agreement.

NOTE 6 - NOTES RECEIVABLE

On June 30, 2000, the Company executed a promissory note with UNICO, Inc. for $200,000 in conjunction with the sale of Independent News, Inc. The note is outstanding and currently in default, the Company's management considers the note collectible.

NOTE 7 - COMMON STOCK

During the three months ended September 30, 2002, the Company did not issue any shares.

On September 14, 2001, the Company issued 150,000 shares of common stock valued at $18,000 to Dailyfinancial.com for future professional services to be rendered in public relations.

On September 14, 2001, the company issued 150,000 shares of common stock valued at $18,000 to Paul Cummings for future professional services to be rendered in the development of the Company's web site.

NOTE 8 - SEGMENT INFORMATION

The Company has one reportable segment for the three months ended September 30, 2002: United Marketing Solutions. United was acquired on April 1, 1999. United is a wholly-owned subsidiary, with different management teams and different products and services. United operates a direct mail marketing business. The accounting policies of the reportable segment is the same as those set forth in the Summary of Accounting Policies. Summarized financial information concerning the Company's reporting segment for the three months ended September 30, 2002 and 2001.

Three months ended September 30, 2002	United	Parent	Eliminations	Total
Revenue	$1,944,700	$ 0	$ 0	$1,944,700
Segment profit (loss)	369,217	(171,040)	0	198,177
Total assets	2,673,398	350,054	(382,249)	2,641,203

Three months ended September 30, 2001	United	Parent	Eliminations	Total
Revenue	$1,690,884	$ 0	$ 0	$1,690,884
Segment profit (loss)	(89,430)	(78,383)	0	(167,813)
Total assets	2,107,807	1,597,563	(678,165)	3,027,205

NOTE 9 - EMPLOYEE STOCK INCENTIVE PLAN

One December 26, 2001, the Company adopted the Employee Stock Incentive Plan authorizing 3,000,000 shares at a maximum offering price of $0.10 per share for the purpose of providing employees equity-based compensation incentives.

NOTE 10 - GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company's significant operating losses in past periods raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 11 - GAIN ON LEGAL SETTLEMENT

The Company settled two lawsuits during the period ending September 30, 2002. A settlement with a former executive resulted in a $98,035 gain. A settlement with a former consultant resulted in a $65,000 loss.

ITEM II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following Management Discussion and Analysis should be read in conjunction with the financial statements and accompanying notes included in this Form 10-QSB.

Total revenues increased 14.7%, to $1,980,117 in the quarter ended September 30, 2002 from $1,690,884 in the third quarter of 2001. Total revenues increased 1.9%, to $5,731,989 in the nine-month period ended September 30, 2002 from $5,625,756 in the same period of 2001.

Total operating expenses decreased 35.9% to $409,558 in the quarter ended September 30, 2002 from $638,851 in the third quarter of 2002. The greatest percentage of this reduction in expenses was due to a reduction in rent, professional fees and pass through expense. Total operating expenses decreased 31.3% to $1,211,416 in the nine-month period ended September 30, 2002 from $1,737,935 in the same period of 2001.

Total gain from operations for the quarter ending September 30, 2002 was $172,483 as compared to a loss of $166,347 for the quarter ending September 30, 2001. The nine months ended September 30, 2002 had a gain of $359,343 as compared to a loss of $220,102 for the same period.

Cash provided by operating activities was $43,126 for the period ended September 30, 2002 compared to cash used of $11,252 for the period ended September 30, 2001. This was primarily due to an increase in deferred revenues.

Cash used in investing activities was $3,193for the period ended September 30, 2002, compared to $0 for the period ended September 30, 2001. This was primarily due to a purchase of property and equipment.

Cash used by financing activities was $112,020 for the period ended September 30, 2002, compared to cash used in financing activities of $30,236 for the period ended September 30, 2001. This was primarily due a change in a note payable.

While the Company has raised capital to meet its working capital and financing needs in the past, additional financing may be required in order to meet the Company's current and projected cash flow deficits from operations. As previously mentioned, the Company has obtained financing in the form of equity in order to provide the necessary working capital. The Company currently has no other commitments for financing. There are no assurances the Company will be successful in raising the funds required.

The Company has issued shares of its common stock from time to time in the past to satisfy certain obligations, and expects in the future to also acquire certain services, satisfy indebtedness and/or make acquisitions utilizing authorized shares of the capital stock of the Company.

The independent auditors unaudited quarterly report for the period ended September 30, 2002 included in this Form states that the Company's working capital deficiency and shareholder's deficit raise substantial doubts about the Company's ability to continue as a going concern.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, operations of the Company may be exposed to fluctuations in interest rates. These fluctuations can vary the cost of financing, investing, and operating transactions.

New Accounting Pronouncements

In March 2000, the Financial Accounting Standards Board issued interpretation No. 44 ("FIN 44"), "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25". FIN 44 clarifies the application of APB No. 25 for (a) the definition of employee for purposes of applying APB No. 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequences of various modifications to previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. FIN 44 is effective July 2, 2000 but certain conclusions cover specific events that occur after either December 15, 1998 or January 12, 2000. The adoption of FIN 44 did not have an affect on the Company's financial statements but may impact the accounting for grants or awards in future periods

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations (FAS 141), and FAS 142, Goodwill and Other Intangible Assets (FAS 142). FAS 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. FAS 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination, whether acquired individually or with a group of other assets, and the accounting and reporting for goodwill and other intangibles subsequent to their acquisition. These standards require all future business combinations to be accounted for using the purchase method of accounting. Goodwill will no longer be amortized but instead will be subject to impairment tests at least annually. The Company is required to adopt FAS 141 and FAS 142 on a prospective basis as of January 1, 2002; however, certain provisions of these new standards may also apply to any acquisitions concluded subsequent to June 30, 2001. As a result of implementing these new standards, the Company will discontinue the amortization of goodwill as of December

31, 2001. The Company does not believe that the adoption of FAS 141 or 142 will have a material impact on its consolidated financial statements.

In October 2001, the Financial Accounting Standards Board issued FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (FAS 144). FAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supersedes FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" (FAS 121) and related literature and establishes a single accounting model, based on the framework established in FAS 121, for long-lived assets to be disposed of by sale. The Company is required to adopt FAS 144 no later than January 1, 2002. The Company does not believe that the adoption of FAS 144 will have a material impact on its consolidated financial statements.

Forward Looking Statements.

The foregoing Managements Discussion and Analysis of Financial Condition and Results of Operations "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Company's business strategies, continued growth in the Company's markets, projections, and anticipated trends in the Company's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to, those risks associated with economic conditions generally and the economy in those areas where the Company has or expects to have assets and operations; competitive and other factors affecting the Company's operations, markets, products and services; those risks associated with the Company's ability to successfully negotiate with certain customers, risks relating to estimated contract costs, estimated losses on uncompleted contracts and estimates regarding the percentage of completion of contracts, associated costs arising out of the Company's activities and the matters discussed in this report; risks relating to changes in interest rates and in the availability, cost and terms of financing; risks related to the performance of financial markets; risks related to changes in domestic laws, regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in this report and in documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Form 10-QSB will, in fact, occur. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances and other factors discussed elsewhere in this report and the documents filed or to be filed by the Company with the Securities and Exchange Commission.

Inflation

In the opinion of management, inflation has not had a material effect on the operations of the Company.

Trends, Risks and Uncertainties

The Company has sought to identify what it believes to be the most significant risks to its business as discussed in "Risk Factors" above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to the Company's stock.

Limited operating history; anticipated losses; uncertainly of future results

The Company has a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the business model that the Company intends to market and the potential acceptance of the Company's business model. The Company will be incurring costs to develop, introduce and enhance its products, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization. To the extent that such expenses are not subsequently followed by commensurate revenues, the Company's business, results of operations and financial condition will be materially adversely affected. There can be no assurance that the Company will be able to generate sufficient revenues from the sale of its products and services. The Company expects that negative cash flow from operations could exist for the next 12 months as it continues to develop and market its products and services. If cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to the Company's shareholders.

Potential fluctuations in quarterly operating results of the Company may fluctuate significantly in the future as a result of a variety of factors, most of which are outside the Company's control, including: the demand for the Company's products and services; seasonal trends in demand and pricing of products and services; the amount and timing of capital expenditures and other costs relating to the expansion of the Company's operations; the introduction of new services and products by the Company or its competitors; price competition or pricing changes in the industry; political risks and uncertainties involving the world's markets; technical difficulties and general economic conditions. The Company's quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly the Company's early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that the Company's operating results will fall below the expectations of the Company or investors in some future quarter.

Management of Growth

The Company expects to experience significant growth in the number of employees relative to its current levels of employment and the scope of its operations. In particular, the Company may need to hire sales, marketing and administrative personnel. Additionally, acquisitions could result in an increase in employee headcount and business activity. Such activities could result in increased responsibilities for management. The Company believes that its ability to increase its customer support capability and to attract, train, and retain qualified technical, sales, marketing, and management personnel, will be a critical factor to its future success. In particular, the availability of qualified sales, trading and management personnel is quite limited, and competition among companies to attract and retain such personnel is intense. During strong business cycles, the Company may experience difficulty in filling its needs for qualified sales, and other personnel.

The Company's future success will be highly dependent upon its ability to successfully manage the expansion of its operations. The Company's ability to manage and support its growth effectively will be substantially dependent on its ability to implement adequate financial and management controls, reporting systems, and other procedures and hire sufficient numbers of financial, accounting, administrative, and management personnel. The Company is in the process of establishing and upgrading its financial accounting and procedures. There can be no assurance that the Company will be able to identify, attract, and retain experienced accounting and financial personnel. The Company's future operating results will depend on the ability of its management and other key employees to implement and improve its systems for operations, financial control, and information management, and to recruit, train, and manage its employee base. There can be no assurance that the Company will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures, and any inability to do so would have a material adverse effect on the Company's business, results of operations, and financial condition.

The Company's future success depends upon its ability to address potential market opportunities while managing its expenses to match its ability to finance its operations. This need to manage its expenses will place a significant strain on the Company's management and operational resources. If the Company is unable to manage its expenses effectively, the Company's business, results of operations, and financial condition will be materially adversely affected.

Risks associated with acquisitions

Although the Company does not presently intend to do so, as part of its business strategy in the future, the Company could acquire assets and businesses relating to or complementary to its operations. Any acquisitions by the Company would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: the Company could be exposed to unknown liabilities of the acquired companies; the Company could incur acquisition costs and expenses higher than it anticipated; fluctuations in the Company's quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; the Company could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; the Company's ongoing business could be disrupted and its management's time and attention diverted; the Company could be unable to integrate successfully.

PART II.

ITEM 1. LEGAL PROCEEDINGS.

Other than as set forth below, the Registrant is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Registrant has been threatened.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

Sales of Unregistered Securities.

The Registrant had no sales of unregistered securities during the three-month period ending September 30, 2002.

Use of Proceeds.

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were not any matters submitted requiring a vote of security holders during the three month period ending September 30, 2002.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Reports on Form 8-K. No reports on Form 8-K were filed during the three-month period covered in this Form 10-QSB.

(b) Exhibits. Exhibits included or incorporated by reference herein: See Exhibit Index.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Incorporation, under the name Micro Tech Industries, Inc. (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on April 15, 1998).
3.2	Amendment to the Articles of Incorporation (incorporated by reference in the Company's quarterly report filed on Form 10 Q filed on May 15, 1997).
3.3	Amended and Restated Bylaws (incorporated by reference in the filing of the Company's annual report on Form 10KSB filed on November 12, 1999).
16.1	Letter on change in certifying accountant (incorporated by reference in the filing of the Company's current report on Form 8-K filed on January 5, 2001).

99.1 Certification pursuant of President to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.

99.2 Certification pursuant of Chief Financial Officer to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.

CERTIFICATIONS

I, Darryl Reed, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Next Generation Media Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were

significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Darryl Reed
Darryl Reed, President

CERTIFICATIONS

I, Phillip Trigg, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Next Generation Media Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14 for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize, and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Phillip Trigg
Phillip Trigg, Treasurer

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Next Generation Media Corp.

Dated: November 14, 2002

By: /s/ Darryl Reed
Darryl Reed, President

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	713	492
Prepaid expenses and other current assets	**12,161**	13,078
Income taxes receivable	**4,371**	4,460

Deferred income tax assets	**1,759**	1,705
Total current assets	**297,268**	297,893
Property and equipment, net	**11,167**	10,613
Cash - restricted, net of current portion	**7,080**	2,740
Retainage receivable	**1,150**	

		1,212
Acquired intangibles, net	**23,670**	24,964
Goodwill	**86,995**	85,853
Investments	**5,932**	5,984
Deferred income tax assets	**13,886**	13,882
Other assets		

6,500

5,961

Total assets

$

453,648

$

449,102

Liabilities and Stockholders Equity

Due to banks

$

$

2

Current maturities of notes payable and long-term debt

	53,395	18,974
Accounts payable and accrued expenses	**91,302**	92,270
Income taxes payable	**7,322**	9,442
Deferred revenue	**16,728**	18,203
Deferred income taxes	**528**	369

Other current liabilities	**10,223**	12,255
Total current liabilities	**179,498**	151,515
Notes payable and long-term debt, net of current maturities	**85,858**	114,285
Retainage payable	**976**	1,017
Deferred income taxes	**16,763**	

		16,732
Deferred revenue	**17,426**	16,261
Other liabilities	**6,717**	6,261
Total liabilities	**307,238**	306,071
Commitments and contingencies		

Stockholders equity:

Preferred stock, $0.0001 par value; 1,000 shares authorized, none issued

Common stock, $0.0001 par value; 100,000 shares authorized, 47,034 and 46,598 shares issued at March 31, 2014 and December 31, 2013, respectively

5

5

Additional paid-in capital

139,025

136,899

Retained earnings

47,091

47,038

Accumulated other comprehensive loss

(23,812

)

(25,032

)

162,309

158,910

Less treasury stock of 6,546 shares and 6,434 shares at March 31, 2014 and December 31, 2013, respectively, at cost

(28,304

)		
		(27,766
)		
Hill International, Inc. share of equity	**134,005**	131,144
Noncontrolling interests	**12,405**	11,887
Total equity	**146,410**	143,031
Total liabilities and stockholders equity	**$ 453,648**	$ 449,102

See accompanying notes to consolidated financial statements.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,			
		2014		**2013**
Consulting fee revenue	**$**	**137,249**	$	122,556
Reimbursable expenses		**12,764**		13,517
Total revenue		**150,013**		136,073
Cost of services		**78,590**		72,698
Reimbursable expenses		**12,764**		13,517
Total direct expenses		**91,354**		86,215
Gross profit		**58,659**		49,858
Selling, general and administrative expenses		**52,659**		42,459
Operating profit		**6,000**		7,399
Interest and related financing fees, net		**5,076**		5,487
Earnings before income taxes		**924**		1,912
Income tax expense		**631**		1,874
Net earnings		**293**		38
Less: net earnings - noncontrolling interests		**240**		418
Net earnings (loss) attributable to Hill International, Inc.	**$**	**53**	$	(380)
Basic earnings (loss) per common share - Hill International, Inc.	**$**		$	(0.01)
Basic weighted average common shares outstanding		**39,795**		38,664
Diluted earnings (loss) per common share - Hill International, Inc.	**$**		$	(0.01)
Diluted weighted average common shares outstanding		**40,602**		38,664

See accompanying notes to consolidated financial statements.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net earnings	**$ 293**	$ 38
Foreign currency translation adjustment, net of tax	**1,459**	(2,895)
Other, net	**39**	22
Comprehensive earnings (loss)	**1,791**	(2,835)
Comprehensive earnings (loss) attributable to noncontrolling interests	**518**	(206)
Comprehensive earnings (loss) attributable to Hill International, Inc.	**$ 1,273**	$ (2,629)

See accompanying notes to consolidated financial statements.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Cash flows from operating activities:		
Net earnings	**$ 293**	$ 38
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	**2,427**	2,539
Reduction of note payable to Engineering S.A.		(875)
Provision for bad debts	**576**	456
Interest accretion on term loan	**2,086**	1,889
Deferred income tax expense (benefit)	**102**	(331)
Stock based compensation	**797**	618
Changes in operating assets and liabilities, net:		
Restricted cash	**374**	2,116
Accounts receivable	**(4,916)**	(28,318)
Accounts receivable - affiliate	**(221)**	505
Prepaid expenses and other current assets	**961**	(2,010)
Income taxes receivable	**115**	(235)
Retainage receivable	**62**	(245)
Other assets	**(491)**	345
Accounts payable and accrued expenses	**(1,385)**	7,543
Income taxes payable	**(2,202)**	405
Deferred revenue	**(529)**	6,796
Other current liabilities	**(1,425)**	789
Retainage payable	**(46)**	427
Other liabilities	**(1,077)**	(319)
Net cash (used) in operating activities	**(4,499)**	(7,867)
Cash flows from investing activities:		
Payments for purchase of property and equipment	**(1,352)**	(1,028)
Payment for additional interest in Hill Spain		(9,325)
Contribution to affiliate		(5)
Net cash (used) in investing activities	**(1,352)**	(10,358)
Cash flows from financing activities:		
Due to bank	**(2)**	(21)
Payments on notes payable	**(864)**	(38)
Net borrowings on revolving loans	**4,800**	14,215
Proceeds from stock issued under employee stock purchase plan	**36**	12
Proceeds from exercise of stock options	**136**	
Net cash provided by financing activities	**4,106**	14,168
Effect of exchange rate changes on cash	**1,144**	2,798
Net decrease in cash and cash equivalents	**(601)**	(1,259)
Cash and cash equivalents beginning of period	**30,381**	16,716
Cash and cash equivalents end of period	**$ 29,780**	$ 15,457

See accompanying notes to consolidated financial statements.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 The Company

Hill International, Inc. (Hill or the Company) is a professional services firm that provides program management, project management, construction management, construction claims and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets worldwide. Hill s clients include the U.S. federal government, U.S. state and local governments, foreign governments and the private sector. The Company is organized into two key operating divisions: the Project Management Group and the Construction Claims Group.

Note 2 Basis of Presentation

The accompanying unaudited interim consolidated financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission pertaining to reports on Form 10-Q and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (GAAP) for complete financial statements. In the opinion of management, these statements include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the consolidated financial statements.

The consolidated financial statements include the accounts of Hill and its wholly- and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The interim operating results are not necessarily indicative of the results for a full year.

Note 3 Accounts Receivable

The components of accounts receivable are as follows (in thousands):

	March 31, 2014	December 31, 2013
Billed	**$ 197,561**	$ 206,469
Retainage, current portion	**12,214**	10,215
Unbilled	**37,435**	24,857
	247,210	241,541
Allowance for doubtful accounts	**(9,778)**	(9,530)
Total	**$ 237,432**	$ 232,011

During 2014, the Company received additional payments against accounts receivable related to work performed by Hill prior to March 2011 pursuant to contracts with the Libyan government of approximately $6,800,000 consisting of approximately 200,000 pounds sterling ($300,000), approximately LYD 2,100,000 ($1,700,000) and $4,800,000 in U.S. dollars. At March 31, 2014, the remaining accounts receivable outstanding related to Hill s work in Libya amounted to approximately $50,000,000.

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Since the end of the Libyan civil unrest in October 2011, the Company has sought to recover the receivable from its client, the Libyan Organization for the Development of Administrative Centres (ODAC) through ongoing negotiations rather than pursue its legal rights for payment under the contracts. The Company continues to believe that this course of action provides the best likelihood for recovery as it could result in completion of and payment on the existing contracts as well as the potential for the award of new contracts. There is at present no formal agreement, understanding or timetable for further payments of Hill s accounts receivable from ODAC or a return to work on Hill s existing contracts. Management believes that the recent payments made in 2013 and 2014, along with letters of credit of approximately $14,000,000 posted in our favor by ODAC, were made in good faith and are a positive indication that ODAC intends to satisfy its obligations to Hill. However, the Company cannot predict with certainty when, or if, the remaining accounts receivable will be paid by the Libyan authorities or when work will resume there. In the event that the Company does not realize any further payments, there could be a significant adverse impact on its consolidated results of operations and consolidated financial position.

Note 4 Intangible Assets

The following table summarizes the Company s acquired intangible assets (in thousands):

	March 31, 2014		December 31, 2013	
	Gross Carrying Amount	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Client relationships	**$ 37,921**	**$ 19,451**	$ 37,501	$ 18,238
Acquired contract rights	**11,679**	**8,804**	11,874	8,541
Trade names	**3,297**	**972**	3,266	898
Total	**$ 52,897**	**$ 29,227**	$ 52,641	$ 27,677
Intangible assets, net	**$ 23,670**		$ 24,964	

Amortization expense related to intangible assets was as follows (in thousands):

Three Months Ended March 31,	
2014	**2013**
$ 1,586	$ 1,579

The following table presents the estimated amortization expense based on our present intangible assets for the next five years (in thousands):

Year ending December 31,	**Estimated Amortization Expense**
2014 (remaining 9 months)	$ 4,566
2015	5,608
2016	4,148
2017	3,121
2018	2,065

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Note 5 Goodwill

The following table summarizes the changes in the Company s carrying value of goodwill during 2014 (in thousands):

	Project Management	Construction Claims	Total
Balance, December 31, 2013	$ 58,448	$ 27,405	$ 85,853
Additions			
Translation adjustments	**805**	**337**	**1,142**
Balance, March 31, 2014	**$ 59,253**	**$ 27,742**	**$ 86,995**

Note 6 Accounts Payable and Accrued Expenses

Below are the components of accounts payable and accrued expenses (in thousands):

	March 31, 2014	December 31, 2013
Accounts payable	**$ 20,645**	$ 25,349
Accrued payroll and related expenses	**40,303**	35,732
Accrued subcontractor fees	**6,829**	6,212
Accrued agency fees	**17,038**	17,623
Accrued legal and professional fees	**885**	1,239
Other accrued expenses	**5,602**	6,115
	$ 91,302	$ 92,270

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Note 7 Notes Payable and Long-Term Debt

Outstanding debt obligations are as follows (in thousands):

	March 31, 2014	December 31, 2013
Term loan payable	$ **86,560**	$ 84,474
Revolving credit loan payable under Credit Agreement. The weighted average interest rate of all borrowings was 5.22% and 5.32% at March 31, 2014 and December 31, 2013, respectively. (For more information, see below.)	**42,500**	39,000
Borrowings under revolving credit facilities with a consortium of banks in Spain (For more information, see below.)	**7,428**	7,670
Borrowings under unsecured credit facility with Caja Badajoz (For more information, see below.)	**1,232**	2,047
Borrowings under revolving credit facility with the National Bank of Abu Dhabi (For more information, see below.)	**1,481**	
Other notes payable	**52**	68
	139,253	133,259
Less current maturities	**53,395**	18,974
Notes payable and long-term debt, net of current maturities	$ **85,858**	$ 114,285

Term Loan Agreement

The Company entered into a Term Loan Agreement on October 18, 2012, which was amended on May 23, 2013 (the First Amendment). The First Amendment contains identical provisions as those in the Fourth Amendment to Credit Agreement (see below). Borrowings under the Term Loan Agreement are collateralized by a second lien on substantially all of the Company s assets, including, without limitation, accounts receivable, equipment, securities, financial assets and the proceeds of the foregoing, as well as by a pledge of 65% of the outstanding capital stock of its wholly-owned foreign subsidiary, Hill International N.V. and of certain of its other foreign subsidiaries. The maturity date of the Term Loan is October 18, 2016.

The Company will pay interest on amounts outstanding from time to time under the Term Loan at a rate per annum equal to 7.50%, however, such rate may be increased to 9.50% per annum if fixed price contracts (as defined under the Term Loan Agreement) or certain accounts receivable of the Company and its subsidiaries exceed percentages specified in the Term Loan Agreement.

Also, contemporaneous with its entry into the Term Loan Agreement, the Company entered into a Fee Letter. The Fee Letter requires the Company to pay to the Lenders an exit fee (the Exit Fee), which fee shall be earned in full on the Closing Date and due and payable on the date the Term Loan is paid in full (the Exit Date). Exit Fee means the amount, if any, when paid to the Term Loan Lenders on the Exit Date, that will result in the internal annual rate of return to the Term Loan Lenders on the Exit Date being equal to, but no greater than, 20%; provided that in no event shall the Exit Fee Amount be less than $0 or greater than $11,790,000. The IRR is to be calculated as the rate of return earned by the Term Loan Lenders on their initial investment in the Term Loan (to be calculated as the principal amount of the Term Loan less the Closing Fee of $25,000,000) through the Exit Date taking into account the payment by the Company to the

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Term Loan Lenders of all principal, interest and other payments to the Term Loan Lenders pursuant to the Term Loan Agreement.

At March 31, 2014, the Company was in compliance with all of the Term Loan covenants.

Revolving Credit Agreement

The Company entered into a Credit Agreement, dated June 30, 2009 (the Credit Agreement), with Bank of America, N.A., Capital One, N.A., The PrivateBank and Trust Company, PNC Bank N.A. (the Lender), and Bank of America, N.A., as Administrative Agent (the Agent). The Credit Agreement has been amended from time to time, most recently on May 23, 2013 when the Company entered into a Fourth Amendment to Credit Agreement pursuant to which, among other things, the lenders agreed to : (a) permit the Company to enter into an agreement with Qatar National Bank for the issuance of letters of credit (LCs) not to exceed $17,000,000, (b) increase the limit on LCs available to the Company s foreign subsidiaries who are not loan parties from $4,000,000 to $11,800,000 and (c) permit the Company to provide up to $20,000,000 as cash collateral for letters of credit and performance bonds.

The following tables set forth the requirements for the consolidated leverage ratio, consolidated fixed charge ratio and the senior leverage ratio as of March 31, 2014:

Consolidated Leverage Ratio	Consolidated Fixed Charge Ratio	Senior Leverage Ratio
Not to exceed 5.75 to 1.00	Not less 1.15 to 1.00	Not to exceed 2.25 to 1.00

The following table presents the Company s actual ratios at March 31, 2014:

Consolidated Leverage Ratio	Consolidated Fixed Charge Ratio	Senior Leverage Ratio
4.56 to 1.00	1.41 to 1.00	1.91 to 1.00

At March 31, 2014, the Company had $19,583,000 in outstanding letters of credit. Due to conditions of the Credit Facility, as amended, total remaining availability was $2,917,000.

The maturity date of the Credit Agreement is March 31, 2015. Accordingly, the Company has classified all borrowings under the Credit Agreement as current in the consolidated balance sheet at March 31, 2014. The Company is actively pursuing alternative sources of financing in its efforts to refinance its debt obligations.

Other Debt Arrangements

The Company s subsidiary, Hill International (Spain) S.A. (Hill Spain), maintains a revolving credit facility with 12 banks (the Financing Entities) in Spain providing for total borrowings, with interest at 6.50%, of up to 5,640,000 (approximately $7,756,000 at March 31, 2014). At March 31, 2014, total borrowings outstanding were 6,298,000 (approximately $7,428,000). The amount being financed (Credit Contracts) by each Financing Entity is between 156,000 (approximately $215,000) and 689,000 (approximately $948,000). The facility expires on December 17, 2016. The maximum available amount will be reduced to 75.0% at December 31, 2014 and to 50.0% at December 31, 2015. To guarantee Hill Spain s obligations resulting from the Credit Contracts, Hill Spain provided a guarantee in favor of each one of the Financing Entities, which, additionally, and solely in the case of unremedied failure to make payment, and at the request of each of the Financing Entities, shall grant a first ranking pledge over a given percentage of corporate shares of Hill International Brasil Participacoes Ltda. For the principal, interest, fees, expenses or any other amount owed by virtue of the Credit Contracts, coinciding with the percentage of credit of each Financing Entity with respect to the total outstanding borrowings under this facility.

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Hill Spain maintains an unsecured credit facility with the Caja Badajoz bank in Spain for 1,000,000 (approximately $1,375,000) at March 31, 2014. The interest rate at March 31, 2014 was 7.50%. At March 31, 2014, total borrowings outstanding were 896,000 (approximately $1,232,000). The facility expires on December 23, 2014.

The Company maintains a credit facility with the National Bank of Abu Dhabi which provides for total borrowings of up to AED 11,500,000 (approximately $3,131,000 at March 31, 2014) collateralized by certain overseas receivables. The interest rate is the one-month Emirates InterBank Offer Rate plus 3.00% (or 4.23% at March 31, 2014) but no less than 5.50%. At March 31, 2014, total borrowings outstanding were AED 5,441,000 (approximately $1,481,000). This facility also allows for to AED 150,000,000 (approximately $40,838,000 at March 31, 2014) in Letters of Guarantee of which AED 106,693,000 (approximately $29,048,000) were utilized at March 31, 2014. This facility is being renewed on a month-to-month basis.

The Company maintains a revolving credit facility with Egnatia Bank for up to 1,000,000 (approximately $1,375,000 at March 31, 2014), with interest rates of 0.29% plus Egnatia Bank s prime rate of 5.00% (or 5.29%) at March 31, 2014, collateralized by certain assets of the Company. There were no borrowings outstanding under this facility at March 31, 2014. The facility also allows for letters of guarantee up to 4,500,000 (approximately $6,188,000 at March 31, 2014), of which 2,694,000 (approximately $3,704,000) had been utilized at March 31, 2014. The facility is currently in the process of being extended until May 30, 2015.

Engineering S.A. maintains three unsecured revolving credit facilities with two banks in Brazil aggregating 2,900,000 Brazilian Reais (BR) (approximately $1,284,000 at March 31, 2014), with a weighted average interest rate of 3.22% at March 31, 2014. There were no borrowings outstanding on any of these facilities which are renewed automatically every three months.

The Company maintains a revolving credit facility with Barclays Bank PLC up to £550,000 (approximately $915,000 at March 31, 2014), with interest rates of 2.00% plus the Bank of England rate of 0.50% (or 2.50%) at March 31, 2014, collateralized by cross guarantees of several of the United Kingdom companies. Aggregate of all debt owing to the bank will be, at all times, covered 3 times by the aggregate value of the UK accounts receivable less than 90 days old and excluding any receivables which are due from any associate, subsidiary or overseas client. There were no borrowings outstanding under this facility at March 31, 2014. This facility is on demand with no fixed expiration date. It is subject to an annual review on September 12, 2014.

At March 31, 2014, the Company had $5,695,000, of available borrowing capacity under its foreign credit agreements.

Note 8 Supplemental Cash Flow Information

The following table provides additional cash flow information (in thousands):

	Three Months Ended March 31, 2014	2013
Interest and related financing fees paid	**$ 3,748**	$ 2,967

Income taxes paid	**$**	**1,967**	$	1,484
Increase in additional paid in capital and treasury stock from cashless exercise of stock options	**$**	**538**	$	
Increase in additional paid in capital from issuance of shares of common stock related to purchase of Collaborative Partners, Inc.	**$**	**618**	$	

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Note 9 Earnings (Loss) per Share

Basic earnings (loss) per common share has been computed using the weighted-average number of shares of common stock outstanding during the period. Diluted earnings (loss) per common share incorporates the incremental shares issuable upon the assumed exercise of stock options using the treasury stock method, if dilutive. Dilutive stock options increased average common shares outstanding by approximately 807,000 shares for the three months ended March 31, 2014. For the three months ended March 31, 2013, stock options were excluded from the calculation of diluted loss per common share because their effect was antidilutive. The total number of such shares excluded from diluted loss per common share was 3,273,394 shares and 6,157,000 shares for the three-month periods ended March 31, 2014 and 2013, respectively.

Note 10 Share-Based Compensation

At March 31, 2014, the Company had 7,679,656 options outstanding with a weighted average exercise price of $4.53. During the three-month period ended March 31, 2014, the Company granted 500,000 options which vest over a four-year period and 1,285,000 options which vest over a five-year period. The options have a weighted average exercise price of $4.50 and a weighted-average contractual life of 6.44 years. The aggregate fair value of the options was $4,035,000 calculated using the Black-Scholes valuation model. The weighted average assumptions used to calculate fair value were: expected life 4.65 years; volatility 62.9% and risk-free interest rate 1.70%. During the three-month period ended March 31, 2014, options for 255,500 shares with a weighted average exercise price of $2.65 were exercised (of which 200,000 shares were exercised on a cashless basis) and options for 424,000 with a weighted average exercise price of $7.67 lapsed.

During the three-month period ended March 31, 2014, employees purchased 8,806 common shares for an aggregate purchase price of approximately $36,000, pursuant to the Company s 2008 Employee Stock Purchase Plan.

The Company recognized share-based compensation expense in selling, general and administrative expenses in the consolidated statement of operations totaling $797,000 and $618,000 for the three-month periods ended March 31, 2014 and 2013, respectively.

Note 11 Stockholders Equity

The following table summarizes the changes in stockholders equity during the three months ended March 31, 2014 (in thousands):

		Total		Hill International, Inc. Stockholders		Noncontrolling Interest
Stockholders equity, December 31, 2013	$	143,031	$	131,144	$	11,887
Net earnings		293		53		240
Other comprehensive earnings		1,498		1,220		278
Comprehensive earnings		1,791		1,273		518
Additional paid in capital		2,126		2,126		

Treasury stock acquired		(538)		(538)		
Stockholders equity, March 31, 2014	**$**	**146,410**	**$**	**134,005**	**$**	**12,405**

In February 2014, the Company issued 171,308 shares of its common stock aggregating $618,000 to the former shareholders of Collaborative Partners, Inc. as payment for equity in excess of that required under the acquisition agreement.

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In March 2014, the Company s Chairman and Chief Executive Officer exercised 200,000 options with an exercise price of $2.70 through the Company on a cashless basis. The transaction was approved by the Compensation Committee. The Company withheld 112,788 shares as payment for the options and placed those shares in treasury stock. The Chairman and Chief Executive Officer received 87,212 shares from this transaction.

Note 12 Income Taxes

The effective tax rates for the three-month periods ended March 31, 2014 and 2013 were 68.3% and 98.0%, respectively. The Company s effective tax rate represents the Company s effective tax rate for the year based on projected income and mix of income among the various foreign tax jurisdictions, adjusted for discrete transactions occurring during the period. The Company s effective tax rate is high in both years primarily as a result of not recording an income benefit related to the U.S. net operating loss.

The reserve for uncertain tax positions amounted to $3,353,000 and $2,933,000 at March 31, 2014 and December 31, 2013, respectively, and is included in Other liabilities in the consolidated balance sheet at those dates. During the three-month period ended March 31, 2014, the Company reclassified $420,000 from Income taxes payable to the reserve for uncertain tax positions primarily due to tax positions taken in foreign jurisdictions.

The Company s policy is to record income tax related interest and penalties in income tax expense. At March 31, 2014, potential interest and penalties related to uncertain tax positions amounting to $592,000 was included in the balance above.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Management evaluates the need for valuation allowances on the deferred tax assets according to the provisions of ASC740, *Income Taxes.* They consider both positive and negative evidence. In making this determination, management assesses all of the evidence available at the time including recent earnings, internally-prepared income projections, and historical financial performance.

Note 13 Business Segment Information

The Company s business segments reflect how executive management makes resource decisions and assesses its performance. The Company bases these decisions on the type of services provided (Project Management and Construction Claims) and secondarily by their geography (U.S./Canada, Latin America, Europe, the Middle East, Africa and Asia/Pacific).

The Project Management business segment provides extensive construction and project management services to construction owners worldwide. Such services include program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, project labor agreement consulting, commissioning, estimating and cost management, and labor compliance services.

The Construction Claims business segment provides such services as claims consulting, management consulting, litigation support, expert witness testimony, cost/damages assessment, delay/disruption analysis, adjudication, lender advisory, risk management, forensic accounting, fraud investigation and Project Neutral services to clients worldwide.

The Company evaluates the performance of its segments primarily on operating profit before corporate overhead allocations and income taxes.

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The following tables reflect the required disclosures for the Company s reportable segments (in thousands):

Consulting Fee Revenue (CFR)

	Three Months Ended March 31, 2014			2013		
Project Management	**$**	**101,788**	**74.2%**	$	94,998	77.5%
Construction Claims		**35,461**	**25.8**		27,558	22.5
Total	**$**	**137,249**	**100.0%**	$	122,556	100.0%

Total Revenue:

	Three Months Ended March 31, 2014			2013		
Project Management	**$**	**113,169**	**75.4%**	$	107,579	79.1%
Construction Claims		**36,844**	**24.6**		28,494	20.9
Total	**$**	**150,013**	**100.0%**	$	136,073	100.0%

Operating Profit:

	Three Months Ended March 31, 2014		2013	
Project Management	**$**	**10,943**	$	12,356
Construction Claims		**2,618**		2,439
Corporate		**(7,561)**		(7,396)
Total	**$**	**6,000**	$	7,399

Depreciation and Amortization Expense:

	Three Months Ended March 31, 2014		2013	
Project Management	**$**	**1,699**	$	1,826
Construction Claims		**674**		648
Subtotal segments		**2,373**		2,474
Corporate		**54**		65
Total	**$**	**2,427**	$	2,539

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Consulting Fee Revenue by Geographic Region:

	Three Months Ended March 31,					
		2014			2013	
U.S./Canada	**$**	**29,291**	**21.3%**	$	29,361	24.0%
Latin America		**10,748**	**7.8**		13,558	11.1
Europe		**20,439**	**14.9**		19,614	16.0
Middle East		**63,135**	**46.0**		50,815	41.5
Africa		**6,264**	**4.6**		4,022	3.3
Asia/Pacific		**7,372**	**5.4**		5,186	4.1
Total	**$**	**137,249**	**100.0%**	$	122,556	100.0%
U.S.	**$**	**28,378**	**20.7%**	$	28,539	23.3%
Non-U.S.		**108,871**	**79.3**		94,017	76.7
Total	**$**	**137,249**	**100.0%**	$	122,556	100.0%

For the quarter ended March 31, 2014, consulting fee revenue for the United Arab Emirates amounted to $16,490,000 representing 12.0% of the total and Oman s consulting fee revenue amounted to $15,657,000 representing 11.4% of the total. Except for the United States, no other country accounted for 10% or more of consolidated consulting fee revenue.

For the quarter ended March 31, 2013, consulting fee revenue for the United Arab Emirates amounted to $17,911,000 representing 14.6% of the total. Except for the United States, no other country accounted for 10% or more of consolidated consulting fee revenue.

Total Revenue by Geographic Region:

	Three Months Ended March 31,					
		2014			2013	
U.S./Canada	**$**	**35,630**	**23.8%**	$	39,669	29.2%
Latin America		**10,916**	**7.3**		13,637	10.0
Europe		**21,836**	**14.6**		20,672	15.2
Middle East		**66,844**	**44.6**		52,308	38.4
Africa		**7,156**	**4.8**		4,466	3.3
Asia/Pacific		**7,631**	**4.9**		5,321	3.9
Total	**$**	**150,013**	**100.0%**	$	136,073	100.0%
U.S.	**$**	**34,741**	**23.2%**	$	38,820	28.5%
Non-U.S.		**115,272**	**76.8**		97,253	71.5
Total	**$**	**150,013**	**100.0%**	$	136,073	100.0%

For the quarter ended March 31, 2014, total revenue for Oman amounted to $18,009,000 representing 12.0% of the total and total revenue for the United Arab Emirates amounted to $16,701,000 representing 11.1% of the total. Except for the United States, no other country accounted for 10% or more of consolidated total revenue.

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For the quarter ended March 31, 2013, total revenue for the United Arab Emirates amounted to $18,254,000 representing 13.4% of the total. Except for the United States, no other country accounted for 10% or more of consolidated total revenue.

Consulting Fee Revenue By Client Type:

	Three Months Ended March 31,				
		2014			**2013**	
U.S. federal government	**$**	**3,365**	**2.5%**	$	3,817	3.1%
U.S. state, regional and local governments		**16,342**	**11.9**		15,756	12.9
Foreign governments		**53,437**	**38.9**		38,639	31.5
Private sector		**64,105**	**46.7**		64,344	52.5
Total	**$**	**137,249**	**100.0%**	$	122,556	100.0%

Total Revenue By Client Type:

[redacted]						
U.S. federal government	**$**	**3,852**	**2.6%**	$	4,341	3.2%
U.S. state, regional and local governments		**21,100**	**14.1**		24,847	18.3
Foreign governments		**57,746**	**38.5**		40,232	29.6
Private sector		**67,315**	**44.8**		66,653	49.0
Total	**$**	**150,013**	**100.0%**	$	136,073	100.0%

Property, Plant and Equipment, Net, by Geographic Location:

		March 31, 2014		**December 31, 2013**
U.S./Canada	**$**	**3,692**	$	3,837
Latin America		**1,515**		1,351
Europe		**1,741**		2,575
Middle East		**3,283**		2,167
North Africa		**213**		182
Asia/Pacific		**723**		501
Total	**$**	**11,167**	$	10,613
U.S.	**$**	**3,692**	$	3,837
Non-U.S.		**7,475**		6,776
Total	**$**	**11,167**	$	10,613

Note 14 Customer Concentrations

The Company had one client, located in Oman, that accounted for 10% of total revenue during the three-month period ended March 31, 2014. No clients accounted for 10% or more of total revenue for 2013.

The Company had one client, located in Oman, that accounted for 11% of consulting fee revenue during the three-month period ended March 31, 2014. No clients accounted for 10% or more of total revenue for 2013.

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One client, located in Libya, accounted for 21% and 25% of accounts receivable at March 31, 2014 and December 31, 2013.

The Company has numerous contracts with U.S. federal government agencies that collectively accounted for 3% of total revenue during both the three-month periods ended March 31, 2014 and 2013.

Note 15 Commitments and Contingencies

General Litigation

M.A. Angeliades, Inc. (Plaintiff) has filed a complaint with the Supreme Court of New York against the Company and the New York City Department of Design and Construction (DDC) regarding payment of approximately $8,771,000 for work performed as a subcontractor to the Company plus interest and other cost. The Company has accrued approximately $2,340,000, including interest of $448,000, based on invoices received from Plaintiff who has refused to provide invoices for additional work that Plaintiff claims to have performed. Until such time as the Company obtains invoices for the additional work and is able to provide those invoices to DDC for reimbursement or there is a full resolution of the litigation, it has no intention of paying Plaintiff. The Company believes that its position is defensible, however, there can be no assurance that it will receive a favorable verdict should this case proceed to trial.

From time to time, the Company is a defendant or plaintiff in various legal actions which arise in the normal course of business. As such the Company is required to assess the likelihood of any adverse outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each matter. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company s earnings in the period the changes are made. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Acquisition Related Contingencies

Hill Spain acquired an indirect 60% interest in Engineering S.A. (ESA), a firm located in Brazil. ESA s shareholders entered into an agreement whereby the minority shareholders have a right to compel (ESA Put Option) Hill Spain to purchase any or all of their shares during the period from February 28, 2014 to February 28, 2021. Hill Spain also has the right to compel (ESA Call Option) the minority shareholders to sell any or all of their shares during the same time period. The purchase price for such shares shall be seven times the earnings before interest and taxes for ESA s most recently ended fiscal year, net of any financial debt plus excess cash multiplied by a percentage which the shares to be purchased bear to the total number of shares outstanding at the time of purchase, but in the event the ESA Call Option is exercised by Hill Spain, the purchase price shall be increased by five percent. The ESA Put Option and the ESA Call Option must be made within three months after the audited financial statements of ESA have been completed. In April 2014, two of the minority shareholders exercised their ESA Put Option whereby Hill Spain will pay approximately 7,838,000 Brazilian Reais (approximately $3,509,000). After the transaction is completed, Hill Spain will own approximately 72% of ESA.

The Company is committed to issue shares of its common stock to the former shareholders of BCA in satisfaction of the Third Tranche Payment, the amount of which will be determined in mid-2014.

The Company is committed to issue shares of its common stock to the former shareholders of CPI for certain contingent consideration. The number of shares will be determined at various times during 2014. In connection therewith, on March 7, 2014, the Company issued 171,308 shares of its common stock with a value of $618,000 representing CPI s common equity in excess of $600,000.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

We make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We use forward-looking works such as may, except, anticipate, contemplate, believe, estimate, intend, and continue or similar words. You should read statements that contain these words carefully because they discuss future expectations, contain projections of future results of operations or financial condition or state other forward-looking information. However, there may be events in the future that we are not able to predict accurately or over which we have no control. Examples or risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us in such forward-looking statements include those described in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission on March 14, 2014 (the 2013 Annual Report). You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements included herein attributable to use are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements.

References to the Company, we, us, and our refer to Hill International, Inc. and its subsidiaries.

Overview

Our revenue consists of two components: consulting fee revenue (CFR) and reimbursable expenses. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these pass-through revenue/costs are subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of CFR, as we believe that this is a better and more consistent measure of operating performance than total revenue.

CFR increased $14,693,000, or 12.0%, to $137,249,000 in the first quarter of 2014 from $122,556,000 in the first quarter of 2013. CFR for the Project Management segment increased $6,790,000, principally due to increased work in the Middle East, primarily Oman, Qatar and Iraq. CFR for the Construction Claims segment increased by $7,903,000, due primarily to increases in the United Kingdom, Asia/Pacific and South Africa.

Cost of services increased $5,892,000, or 8.1%, to $78,590,000 in the first quarter of 2014 from $72,698,000 in the first quarter of 2013 as a result of an increase in employees and other direct expenses related to the additional work in the Middle East.

Gross profit increased $8,801,000, or 17.7%, to $58,659,000 in the first quarter of 2014 from $49,858,000 in the first quarter of 2013 due to the increases in CFR. Gross profit as a percent of CFR increased to 42.7% in 2014 compared to 40.7% in 2013 due to higher margins on new work in the Middle East and the United Kingdom.

Selling, general and administrative expenses increased $10,200,000, or 24.0%, to $52,659,000 in the first quarter of 2014 from $42,459,000 in the first quarter of 2013. As a percentage of CFR, selling, general and administrative expenses increased to 38.4% in 2014 compared to 34.6% in 2013 primarily due to a drop in utilization of billable staff in the first two months of 2014 causing an increase in unapplied labor expense which represents the labor cost of operating staff for non-billable tasks.

Operating profit was $6,000,000 in the first quarter of 2014 compared to an operating profit of $7,399,000 in the first quarter of 2013. The decrease in operating profit was primarily due to an increase in selling, general and administrative expenses partially offset by the increase in gross profit.

Income tax expense was $631,000 in the first quarter of 2014 compared to an income tax expense of $1,874,000 in the first quarter of 2013. The change is primarily the result of a change in projected income and the mix of income among the various foreign tax jurisdictions.

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Net earnings attributable to Hill were $53,000 in the first quarter of 2014 compared to a net loss of ($380,000) in the first quarter of 2013. Diluted earnings per common share was $0.00 in the first quarter of 2014 based upon 40,602,000 diluted common shares outstanding compared to a diluted loss per common share of ($0.01) in the first quarter of 2013 based upon 38,664,000 diluted common shares outstanding.

We have open but inactive contracts in Libya. During 2013 and the first quarter of 2014, we received payments of approximately $9,900,000 from our client, the Libyan Organization for the Development of Administrative Centres (ODAC), for work performed prior to March 2011. The remaining accounts receivable balance with ODAC is now approximately $50,000,000. Since the end of the Libyan civil unrest in October 2011, the Company has sought to recover its receivable from ODAC through ongoing negotiations rather than pursue its legal rights for payment under the contracts. The Company continues to believe that this course of action provides the best likelihood for recovery as it could result in completion of and payment on the existing contracts as well as the potential for the award of new contracts. There is at present no formal agreement, understanding or timetable for further payments of Hill s accounts receivable from ODAC or a return to work on Hill s existing contracts. Management believes that these payments, along with letters of credit of approximately $14,000,000 posted in our favor by ODAC, were made in good faith and are a positive indication that ODAC intends to satisfy its obligations to Hill. However, the Company cannot predict with certainty when, or if, the remaining accounts receivable will be paid by the Libyan authorities or when work will resume there.

Despite continuing global economic uncertainty and current limits to financial credit, we remain optimistic about maintaining our current growth strategy to pursue new business development opportunities, continue to take advantage of organic growth opportunities, continue to pursue acquisitions and strengthen our professional resources. Among other things, our optimism stems from the high level of our backlog which amounted to $978,000,000 at March 31, 2014. Our 12-month backlog on that date was a record $400,000,000.

Non-GAAP Financial Measures

Regulation G, conditions for use of Non-Generally Accepted Accounting Principles (Non-GAAP) financial measures, and other SEC regulations define and prescribe the conditions for use of certain Non-GAAP financial information. Generally, a Non-GAAP financial measure is a numerical measure of a company s performance, financial position or cash flow that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. We believe earnings before interest, taxes, depreciation and amortization (EBITDA), in addition to operating profit, net earnings and other GAAP measures, is a useful indicator of our financial and operating performance and our ability to generate cash flows from operations that are available for taxes, capital expenditures and debt service. This measure, however, should be considered in addition to, and not as a substitute or superior to, operating profit, cash flows, or other measures of financial performance prepared in accordance with GAAP. The following table is a reconciliation of EBITDA to the most directly comparable GAAP measure in accordance with SEC Regulation S-K for the three-month periods ended March 31, 2014 and 2013 (in thousands):

	Three Months Ended March 31,			
	2014		**2013**	
Net income (loss) attributable to Hill International, Inc.	**$**	**53**	$	(380)
Interest and related financing fees, net		**5,076**		5,487
Income tax expense		**631**		1,874
Depreciation and amortization		**2,427**		2,539
EBITDA	**$**	**8,187**	$	9,520

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Critical Accounting Policies

We operate through two segments: the Project Management Group and the Construction Claims Group. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these revenues/costs are subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of consulting fee revenue (CFR), as we believe that this is a better and more consistent measure of operating performance than total revenue.

The Company s interim financial statements were prepared in accordance with United States generally accepted accounting principles, which require management to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the judgment increases, such judgments become even more subjective. While management believes its assumptions are reasonable and appropriate, actual results may be materially different than estimated. The critical accounting estimates and assumptions have not materially changed from those identified in the Company s 2013 Annual Report.

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Results of Operations

Three Months Ended March 31, 2014 Compared to

Three Months Ended March 31, 2013

Consulting Fee Revenue (CFR)

	2014		2013 (dollars in thousands)		Change	
Project Management	**$ 101,788**	**74.2%**	$ 94,998	77.5%	$ 6,790	7.1%
Construction Claims	**35,461**	**25.8**	27,558	22.5	7,903	28.7
Total	**$ 137,249**	**100.0%**	$ 122,556	100.0%	$ 14,693	12.0%

The increase in CFR included an organic increase of 9.9% primarily in the Middle East and an increase of 2.1% due to the acquisitions of Binnington Copeland & Associates (BCA) in May 2013 and Collaborative Partners, Inc. (CPI) in December 2013.

The increase in Project Management CFR included an organic increase of 5.7% and an increase of 1.4% from the acquisition of CPI. The increase in CFR consisted of a $7,552,000 increase in foreign projects and a decrease of $762,000 in domestic projects. The increase in foreign Project Management CFR included an increase of $5,703,000 in Oman, $3,040,000 in Qatar and $2,487,000 in Iraq. These increases were partially offset by a decrease of $4,260,000 in Brazil. The decrease in domestic Project Management CFR was due primarily to decreases in our Southern and Western regions, partially offset by an increase in New England due to the acquisition of CPI.

The increase in Construction Claims CFR was comprised of an organic increase of 24.4% and a 4.3% increase from the acquisition of BCA. The organic increase was primarily due to increases in the United Kingdom and Asia/Pacific.

Reimbursable Expenses

	2014		2013 (dollars in thousands)		Change	
Project Management	**$ 11,381**	**89.2%**	$ 12,581	93.1%	$ (1,200)	(9.5)%
Construction Claims	**1,383**	**10.8**	936	6.9	447	47.8
Total	**$ 12,764**	**100.0%**	$ 13,517	100.0%	$ (753)	(5.6)%

Reimbursable expenses consist of amounts paid to subcontractors and other third parties, and travel and other job-related expenses that are contractually reimbursable from clients. These items are reflected as separate line items in both our revenue and cost of services captions in our consolidated statements of operations. The decrease in Project Management reimbursable expense is primarily due to lower use of subcontractors in our Northeast region, partially offset by increased subcontractors in Oman. The increase in Construction Claims reimbursable expenses was due primarily to increases in the United Kingdom due to subcontractors and other reimbursable expenses associated with the increased work volume.

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Cost of Services

	2014			2013 (dollars in thousands)			Change	
			% of CFR			% of CFR		
Project Management	**$ 62,752**	**79.8%**	**61.6%**	$ 60,273	82.9%	63.4%	$ 2,479	4.1%
Construction Claims	**15,838**	**20.2**	**44.7**	12,425	17.1	45.1	3,413	27.5
Total	**$ 78,590**	**100.0%**	**57.3%**	$ 72,698	100.0%	59.3%	$ 5,892	8.1%

Cost of services consists of labor expenses for time charged directly to contracts and non-reimbursable job-related travel and out-of-pocket expenses. The increase in Project Management cost of services is primarily due to increases in the Middle East in support of increased work in Oman, Qatar and Iraq and to a lesser degree to the CPI acquisition, partially offset by decreases in Brazil.

The increase in the cost of services for Construction Claims was due primarily to increases in direct cost in the United Kingdom, Asia/Pacific and South Africa (due to the BCA acquisition).

Gross Profit

	2014			2013 (dollars in thousands)			Change	
			% of CFR			% of CFR		
Project Management	**$ 39,036**	**66.5%**	**38.4%**	$ 34,725	69.6%	36.6%	$ 4,311	12.4%
Construction Claims	**19,623**	**33.5**	**55.3**	15,133	30.4	54.9	4,490	29.7
Total	**$ 58,659**	**100.0%**	**42.7%**	$ 49,858	100.0%	40.7%	$ 8,801	17.7%

The increase in Project Management gross profit included an increase of $4,399,000 from international operations, primarily due to increases from the Middle East, principally Oman, Qatar and Iraq, partially offset by a decrease in Brazil.

The increase in Construction Claims gross profit was driven by increases in the United Kingdom, Asia/Pacific and South Africa.

The overall gross profit percentage increased due higher margins achieved on new work in the Middle East, primarily Oman and Qatar for Project Management and in the United Kingdom and South Africa for Construction Claims.

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Selling, General and Administrative (SG&A) Expenses

		2014	% of CFR		2013 (dollars in thousands)	% of CFR		Change	
SG&A Expenses	**$**	**52,659**	**38.4%**	$	42,459	34.6%	$	10,200	24.0%

The increase in SG&A expense included $957,000 due to the acquisitions of BCA and CPI.

The other significant components of the change in SG&A are as follows:

- An increase of $4,673,000 in unapplied labor primarily due to the impact of salary increases and a decrease in utilization. In addition, there was an increase of approximately $2,000,000 for new staff required on increased work volume in the Middle East for Project Management and in the United Kingdom for Construction Claims and an increase of approximately $1,200,000 for new staff hired in the Middle East for Construction Claims in anticipation of expanded work which started later in the quarter than anticipated. Unapplied labor also increased by approximately $500,000 due to the acquisitions of BCA and CPI;

- An increase of $2,682,000 in indirect labor including $2,200,000 in both the international Project Management and Construction Claims operations due to salary increases and increased staff in support of the growth in CFR;

- An increase of $650,000 in administrative travel in support of expanded international operations.

Operating Profit:

		2014	% of CFR		2013 (dollars in thousands)	% of CFR		Change	
Project Management	**$**	**10,943**	**10.8%**	$	12,356	13.0%	$	(1,413)	(11.4)%
Construction Claims		**2,618**	**7.4**		2,439	8.9		179	7.3
Corporate		**(7,561)**			(7,396)			(165)	2.2
Total	**$**	**6,000**	**4.4%**	$	7,399	6.0%	$	(1,399)	(18.9)%

The decrease in Project Management operating profit included a decrease in Brazil, partially offset by increases in the Middle East primarily Oman, Qatar and Iraq.

The increase in Construction Claims operating profit was primarily due to increases in the United Kingdom, Europe, Asia/Pacific and South Africa, partially offset by a decrease in the Middle East.

Corporate expenses were held to an increase of $165,000 which was primarily due to salary increases and information technology costs in support of growing operations overseas.

Interest and Related Financing Fees, net

Net interest and related financing fees decreased $411,000 to $5,076,000 in the first quarter of 2014 as compared with $5,487,000 in the first quarter of 2013, primarily due to lower rates under the Credit Agreement as a result of an improved

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leverage ratio. Also, interest expense for the first quarter of 2014 included a non-cash charge of $2,086,000 compared to $1,889,000 for the first quarter of 2013 attributable to the accretion on the Term Loan.

Income Taxes

For the three-month periods ended March 31, 2014 and 2013, the Company recognized income tax expense of $631,000 and $1,874,000, respectively. The income tax expense in both periods was related to the pre-tax income generated from foreign operations without recognizing an income tax benefit related to the U.S. net operating loss which management believes the Company will not be able to utilize.

The effective income tax rates for the three-month periods ended March 31, 2014 and 2013 were 68.3% and 98.0%, respectively. The decrease in the Company s effective tax rate in 2014 was primarily a result of an increase in projected income and the mix of income among various foreign tax jurisdictions.

Net Earnings Attributable to Hill

The net earnings attributable to Hill International, Inc. for the quarter ended March 31, 2014 were $53,000, or $0.00 per diluted common share based on 40,602,000 diluted common shares outstanding, as compared to a net loss in the first quarter of 2013 of ($380,000), or ($0.01) per diluted common share based upon 38,664,000 diluted common shares outstanding. The primary reasons for the change are due to increases in SG&A expenses offset by increases in gross profit.

Liquidity and Capital Resources

As a result of the worldwide financial situation in recent years as well as the political unrest in Libya, we have had to rely more heavily on borrowings under our various credit facilities to provide funding for our operations. On May 23, 2013, the Company entered into a Fourth Amendment to our Credit Agreement which permitted the Company to enter into an agreement with Qatar National Bank for the issuance of letters of credit (LCs) not to exceed $17,000,000, increased the limit on LCs available to the Company s foreign subsidiaries who are not loan parties from $4,000,000 to $11,800,000 and permits the Company to provide up to $20,000,000 as cash collateral for letters of credit and performance bonds. On the same day in May 2013, the Company entered into a First Amendment to the Term Loan Agreement. The First Amendment contains identical provisions as those in the Fourth Amendment to our Credit Agreement. See Note 7 to our consolidated financial statements for a description of our credit facilities and Term Loan. At March 31, 2014, our primary sources of liquidity consisted of $29,780,000 of cash and cash equivalents, of which $1,382,000 was on deposit in the U.S. and $28,398,000 was on deposit in foreign locations, and $8,612,000 of available borrowing capacity under our various credit facilities. Approximately $14,000,000 of the cash on deposit in foreign locations is required for working capital needs in those countries and the currency limitations related to Libyan dinars. We believe that we have sufficient liquidity to support the reasonably anticipated cash needs of our operations over the next twelve months. However, our ability to borrow additional funds or obtain letters of credit is limited by the terms of our current Credit Agreement. Also, significant unforeseen events, such as termination or cancellation of major contracts, could adversely affect our liquidity and results of operations. We are actively pursuing alternative sources of financing in our efforts to replace our Credit Agreement, which expires on March 31, 2015, as well as our Term Loan.

Uncertainties With Respect to Operations in Libya

We have open but inactive contracts in Libya. Due to the political unrest which commenced in February 2011, we suspended our operations in and demobilized substantially all of our personnel from Libya.

During the latter part of 2013, the Company s accounts receivable related to the work performed prior to March 2011 pursuant to contracts with the Libyan government was reduced by approximately $3,100,000 which included a payment of approximately 3,000,000 Libyan dinars (LYD). During 2014, the Company received additional payments of approximately $6,800,000 consisting of approximately 200,000 pounds sterling ($300,000), approximately LYD

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2,100,000 ($1,700,000) and $4,800,000 in U.S. dollars. At March 31, 2014, the remaining accounts receivable outstanding amounted to approximately $50,000,000.

The LYD cash payments are not freely convertible into other currencies. As a result, this cash remains in Hill s Libyan bank account. Since the end of the Libyan civil unrest in October 2011, the Company has sought to recover its receivable from ODAC through ongoing negotiations rather than pursue its legal rights for payment under the contracts. The Company continues to believe that this course of action provides the best likelihood for recovery as it could result in completion of and payment on the existing contracts as well as the potential for the award of new contracts. There is at present no formal agreement, understanding or timetable for further payments of Hill s accounts receivable from ODAC or a return to work on Hill s existing contracts. Management believes that the recent payments made in 2013 and 2014, along with letters of credit of approximately $14,000,000 posted in our favor by ODAC, were made in good faith and are a positive indication that ODAC intends to satisfy its obligations to Hill. However, the Company cannot predict with certainty when, or if, the remaining accounts receivable will be paid by the Libyan authorities or when work will resume there. In the event that we do not realize any further payments, there could be a significant adverse impact on our consolidated results of operations and consolidated financial position.

Additional Capital Requirements

Our subsidiary, Hill International (Spain), S.A. (Hill Spain), acquired an indirect 60% interest in Engineering S.A. (ESA), a firm located in Brazil. ESA s shareholders entered into an agreement whereby the minority shareholders have a right to compel (ESA Put Option) Hill Spain to purchase any or all of their shares during the period from February 28, 2014 to February 28, 2021. Hill Spain also has the right to compel (ESA Call Option) the minority shareholders to sell any or all of their shares during the same time period. The purchase price for such shares shall be seven times the earnings before interest and taxes for ESA s most recently ended fiscal year, net of any financial debt plus excess cash multiplied by a percentage which the shares to be purchased bear to the total number of shares outstanding at the time of purchase, but in the event the ESA Call Option is exercised by Hill Spain, the purchase price shall be increased by five percent. The ESA Put Option and the ESA Call Option must be made within three months after the audited financial statements of ESA have been completed. In April 2014, two of the minority shareholders exercised their ESA Put Option whereby Hill Spain will pay approximately 7,838,000 Brazilian Reais (approximately $3,509,000). After the transaction is completed, Hill Spain will own approximately 72% of ESA.

Sources of Additional Capital

We have an effective registration statement on Form S-3 on file with the U.S. Securities and Exchange Commission (the SEC) to register 20,000,000 shares of our common stock for issuance and sale by us at various times in the future. The proceeds, if any, will be used for working capital and general corporate purposes, subject to the restrictions of our amended Credit Agreement and our amended Term Loan. We cannot predict the amount of proceeds from those future sales, if any, or whether there will be a market for our common stock at the time of any such offering or offerings to the public.

In addition, we have an effective registration statement on Form S-4 on file with the SEC to register 8,000,000 shares of our common stock for use in future acquisitions. To date, we issued 1,561,077 shares in connection with our acquisitions of BCA and CPI. We will issue additional shares of our common stock in connection with certain additional consideration and contingent consideration for those two acquisitions. However, we cannot predict whether, in the future, we will offer these shares to potential sellers of businesses or assets we might consider acquiring or whether these shares will be acceptable as consideration by any potential sellers.

We cannot provide any assurance that any other sources of financing will be available, or if available, that the financing will be on terms acceptable to us.

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Cash Flow Activity During the Three Months Ended March 31, 2014

For the three months ended March 31, 2014, our cash and cash equivalents decreased by $601,000 to $29,780,000. Cash used in operations was $4,499,000, cash used in investing activities was $1,352,000 and cash provided by financing activities was $4,106,000. We also experienced an increase in cash of $1,144,000 from the effect of foreign currency exchange rate fluctuations.

Operating Activities

Our operations used cash of $4,499,000 for the three months ended March 31, 2014. This compares to cash used in operating activities of $7,867,000 for the three months ended March 31, 2013. We had consolidated net earnings in the three months ended March 31, 2014 amounting to $293,000 compared to a net earnings of $38,000 in the three months ended March 31, 2013. Depreciation and amortization was $2,427,000 in 2014 compared to $2,539,000 in the first three months ended March 31, 2013; the decrease in this category is due to the full amortization of the shorter-lived intangible assets of companies which we acquired over the last several years.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds and letters of credit at March 31, 2014 and December 31, 2013 were $18,132,000 and $18,506,000, respectively.

Average days sales outstanding (DSO) at March 31, 2014 was 119 days compared to 131 days at March 31, 2013. DSO is a measure of our ability to collect our accounts receivable and is calculated by dividing the total of the period-end gross accounts receivable balance by average daily revenue (i.e., in this case, revenue for the quarter divided by 90 days). The decrease in DSO in the first quarter of 2014 was caused by the increases in our revenue outpacing the growth in our accounts receivable. The overall level of DSO continues to be affected by the receivable due from the Libyan Organization for the Development of Administrative Centers (ODAC) which is approximately $50,000,000 at March 31, 2014. This situation has had a detrimental effect on our operating cash flows over the last two years, and we have had to rely on borrowings under our Credit Agreement and Term Loan to support our operations. Excluding the ODAC receivable, the DSO would have been 89 days at March 31, 2014 and 95 days at March 31, 2013. Also, the age of our receivables is adversely affected by the timing of payments from our clients in Europe, Africa (other than Libya) and the Middle East, which have historically been slower than payments from clients in other geographic regions of the Company s operations.

Although we continually monitor our accounts receivable, we manage our operating cash flows by managing the working capital accounts in total, rather than by individual elements. The primary elements of our working capital are accounts receivable, prepaid and other current assets, accounts payable and deferred revenue. Accounts receivable consist of billing to our clients for our consulting fees and other job-related costs. Prepaid expenses and other current assets consist of prepayments for various selling, general and administrative costs, such as insurance, rent, maintenance, etc. Accounts payable consist of obligations to third parties relating primarily to costs incurred for specific engagements, including pass-through costs such as subcontractor costs. Deferred revenue consists of payments received from clients in advance of work performed.

From year to year, the components of our working capital accounts may reflect significant changes. The changes are due primarily to the timing of cash receipts and payments within our working capital accounts combined with increases in our receivables and payables relative to the increase in our overall business, as well as our acquisition activity.

Investing Activities

Net cash used in investing activities was $1,352,000 which was used to purchase computers, office equipment, furniture and fixtures.

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Financing Activities

Net cash provided by financing activities was $4,106,000. We received $4,800,000 from borrowings under our various credit facilities. We also received $172,000 from purchases under our Employee Stock Purchase Plan and the exercise of stock options. Due to banks decreased $2,000 as amounts paid were finally funded by the banks. Payments on notes payable amounted to $864,000.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-04 which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and requires retrospective application. Early adoption is permitted. Currently, the Company has no such arrangements. Effective January 1, 2014, the Company adopted the ASU which had no effect on the Company s results of operations, financial condition or liquidity.

In March 2013, the FASB issued ASU No. 2013-05 which resolves the diversity in practice about whether Subtopic 810-10, *Consolidation Overall*, or Subtopic 830-30, *Foreign Currency Matters Translation of Financial Statements*, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, this ASU resolves the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. The ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and is to be applied prospectively. Effective January 1, 2014, the Company adopted the ASU which had no effect on the Company s results of operations, financial condition or liquidity.

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Quarterly Fluctuations

Our operating results vary from period to period as a result of the timing of projects and assignments. We do not believe that our business is seasonal.

Inflation

Although we are subject to fluctuations in the local currencies of the countries in which we operate, we do not believe that inflation will have a significant effect on our results of operations or our financial position.

Backlog

We believe a strong indicator of our future performance is our backlog of uncompleted projects under contract or awarded. Our backlog represents management s estimate of the amount of contracts and awards in hand that we expect to result in future consulting fee revenue. Project Management backlog is evaluated by management, on a project-by-project basis, and is reported for each period shown based upon the binding nature of the underlying contract, commitment or letter of intent, and other factors, including the economic, financial and regulatory viability of the project and the likelihood of the contract being extended, renewed or cancelled. Construction Claims backlog is based largely on management s estimates of future revenue based on known construction claims assignments and historical results for new work. Because a significant number of construction claims may be awarded and completed within the same period, our actual construction claims revenue has historically exceeded backlog by a significant amount.

Our backlog is important to us in anticipating and planning for our operational needs. Backlog is not a measure defined in U.S. generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

At March 31, 2014, our backlog was approximately $978,000,000 compared to approximately $1,027,000,000 at December 31, 2013. At March 31, 2014, backlog attributable to future work in Libya amounted to approximately $44,000,000. We estimate that approximately $400,000,000, or 40.9% of the backlog at March 31, 2014, will be recognized during the twelve months subsequent to March 31, 2014.

Although backlog reflects business that we consider to be firm, cancellations or scope adjustments may occur. Further, substantially all of our contracts with our clients may be terminated at will, in which case the client would only be obligated to us for services provided through the termination date. Historically, the impact of terminations and modifications on our realization of revenue from our backlog has not been significant, however, there can be no assurance that such changes will not be significant in the future. Furthermore, reductions of our backlog as a result of contract terminations and modifications may be offset by additions to the backlog.

We adjust backlog to reflect project cancellations, deferrals and revisions in scope and cost (both upward and downward) known at the reporting date. Future contract modifications or cancellations, however, may increase or reduce backlog and future revenue.

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		Total Backlog			12-Month Backlog	
			(dollars in thousands)			
As of March 31, 2014:						
Project Management	**$**	**934,000**	**95.5%**	**$**	**356,000**	**89.0%**
Construction Claims		**44,000**	**4.5**		**44,000**	**11.0**
Total	**$**	**978,000**	**100.0%**	**$**	**400,000**	**100.0%**
As of December 31, 2013:						
Project Management	$	984,000	95.8%	$	351,000	89.1%
Construction Claims		43,000	4.2		43,000	10.9
Total	$	1,027,000	100.0%	$	394,000	100.0%

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Refer to the Company s 2013 Annual Report for a complete discussion of the Company s market risk. There have been no material changes to the market risk information included in the Company s 2013 Annual Report.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The management of the Company, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of March 31, 2014. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of that date, the Company s disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. During the quarter ended March 31, 2014, there were no changes in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. However, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

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Part II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There has been no material changes pertaining to risk factors discussed in the Company s 2013 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Funds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Hill International, Inc.
Dated: May 12, 2014	By:	/s/ Irvin E. Richter
		Irvin E. Richter Chairman and Chief Executive Officer (Principal Executive Officer)
Dated: May 12, 2014	By:	/s/ John Fanelli III
		John Fanelli III Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Dated: May 12, 2014	By:	/s/Ronald F. Emma
		Ronald F. Emma Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)