# PCI - Media Impact, Inc.

Financial Statements and
OMB Uniform Guidance Financial Report
Together With Independent Auditors' Report

December 31, 2015

**PCI - Media Impact, Inc.**

Financial Statements and
OMB Uniform Guidance Financial Report
Together With Independent Auditors' Report
December 31, 2015

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

## Independent Auditors' Report

**The Board of Directors**
**PCI - Media Impact, Inc.**

### Report on the Financial Statements

We have audited the accompanying financial statements of PCI - Media Impact, Inc. ("Media Impact"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PKF O'CONNOR DAVIES, LLP
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCI - Media Impact, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited Media Impact's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016 on our consideration of Media Impact's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Media Impact's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

April 25, 2016

**PCI - Media Impact, Inc.**

Statement of Financial Position
December 31, 2015
(with comparative amounts at December 31, 2014)

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 405,087 | $ 569,525 |
| Contributions and grants receivable | 221,233 | 421,975 |
| Prepaid expenses and other assets | 41,059 | 41,890 |
| Investments | 862,323 | 746,255 |
| Beneficial interest in charitable remainder trust | 16,230 | 18,156 |
| Equipment, net of accumulated depreciation of $88,178 and $65,887 | 61,017 | 47,709 |
| | $ 1,606,949 | $ 1,845,510 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 126,212 | $ 161,611 |
| Advances payable | 70,000 | 486,146 |
| Annuities payable | 5,630 | 7,574 |
| Total Liabilities | 201,842 | 655,331 |
| Net Assets | | |
| Unrestricted | | |
| Operating | 283,898 | (116,254) |
| Board designated | 880,541 | 764,548 |
| | 1,164,439 | 648,294 |
| Temporarily restricted | 240,668 | 541,885 |
| Total Net Assets | 1,405,107 | 1,190,179 |
| | $ 1,606,949 | $ 1,845,510 |

See notes to financial statements

## PCI - Media Impact, Inc.

Statement of Activities
Year Ended December 31, 2015
(with summarized totals for the year ended December 31, 2014)

| | 2015 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | 2014 Total |
| **OPERATING REVENUE AND SUPPORT** | | | | |
| Contributions and grants (includes in-kind contributions of $29,137 and $47,180) | $ 2,138,111 | $ 2,905,264 | $ 5,043,375 | $ 3,390,901 |
| Investment return, net | 4,085 | - | 4,085 | 7,776 |
| Other income | 46,472 | - | 46,472 | 64,090 |
| | 2,188,668 | 2,905,264 | 5,093,932 | 3,462,767 |
| Net assets released from restrictions | 3,206,481 | (3,206,481) | - | - |
| Total Operating Revenue and Support | 5,395,149 | (301,217) | 5,093,932 | 3,462,767 |
| **EXPENSES** | | | | |
| Program services | 4,380,515 | - | 4,380,515 | 2,738,364 |
| Administrative | 460,620 | - | 460,620 | 337,777 |
| Fundraising | 147,087 | - | 147,087 | 173,801 |
| Total Expenses | 4,988,222 | - | 4,988,222 | 3,249,942 |
| Excess of Operating Revenue and Support Over Expenses | 406,927 | (301,217) | 105,710 | 212,825 |
| **NON-OPERATING ACTIVITIES** | | | | |
| Bequests | 111,720 | - | 111,720 | 61,595 |
| Change in value of beneficial interest in charitable trust | (2,502) | - | (2,502) | (3,565) |
| Total Non-operating Activities | 109,218 | - | 109,218 | 58,030 |
| Change In Net Assets | 516,145 | (301,217) | 214,928 | 270,855 |
| **NET ASSETS** | | | | |
| Beginning of year | 648,294 | 541,885 | 1,190,179 | 919,324 |
| End of year | $ 1,164,439 | $ 240,668 | $ 1,405,107 | $ 1,190,179 |

See notes to financial statements

**PCI - Media Impact, Inc.**

Statement of Functional Expenses
Year Ended December 31, 2015
(with summarized totals for the year ended December 31, 2014)

| | 2015 | | | | |
|---|---|---|---|---|---|
| | Program Services | Adminis-trative | Fund Raising | Total | 2014 Total |
| Salaries | $ 682,394 | $ 88,125 | $ 36,500 | $ 807,019 | $ 733,814 |
| Payroll taxes and employee benefits | 203,991 | 21,210 | 5,308 | 230,509 | 187,611 |
| Total Salaries and Related Expenses | 886,385 | 109,335 | 41,808 | 1,037,528 | 921,425 |
| Consulting fees | 1,948,134 | 16,707 | 66,250 | 2,031,091 | 882,152 |
| Professional fees (includes $27,774 and $28,714 of in-kind legal services) | 1,200 | 82,931 | - | 84,131 | 70,865 |
| Broadcast production/airtime | 733,509 | - | - | 733,509 | 548,546 |
| Temporary personnel | - | - | - | - | 500 |
| Travel (includes $1,363 and $18,466 of in-kind travel) | 372,706 | 29,830 | 2,568 | 405,104 | 323,495 |
| Rent | 140,409 | 107,441 | 17,991 | 265,841 | 178,546 |
| Telecommunications | 56,042 | 18,683 | - | 74,725 | 35,607 |
| Printing and duplicating | 66,040 | 2,578 | 5,808 | 74,426 | 29,541 |
| Mailing services | 81 | - | - | 81 | - |
| Public representation and outreach | 19,698 | 1,208 | - | 20,906 | 22,787 |
| Postage | 1,592 | 5,762 | 266 | 7,620 | 6,849 |
| Office supplies | 64,882 | 17,326 | - | 82,208 | 28,410 |
| Meetings and conferences | 70,994 | 2,664 | - | 73,658 | 85,037 |
| Tapes and films | 858 | - | - | 858 | 2,729 |
| Equipment rentals, repairs and maintenance | 5,910 | 24,226 | 4,414 | 34,550 | 48,078 |
| Registration dues and fees | 10,256 | 4,920 | 7,982 | 23,158 | 18,484 |
| Insurance | 1,819 | 14,718 | - | 16,537 | 25,757 |
| Depreciation and amortization | - | 22,291 | - | 22,291 | 21,101 |
| Interest | - | - | - | - | 33 |
| Total Expenses | $ 4,380,515 | $ 460,620 | $ 147,087 | $ 4,988,222 | $ 3,249,942 |

See notes to financial statements

**PCI - Media Impact, Inc.**

Statement of Cash Flows
Year Ended December 31, 2015
(with comparative amounts for the year ended December 31, 2014)

| | 2015 | 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITES** | | |
| Change in net assets | $ 214,928 | $ 270,855 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Reduction in annuity payable obligation | - | (39,519) |
| Depreciation and amortization | 22,291 | 21,101 |
| Net realized and unrealized gain on investments | (4,053) | (7,752) |
| Change in beneficial interest in charitable remainder trust | 1,926 | 225 |
| Changes in operating assets and liabilities | | |
| Contributions and grants receivable | 200,742 | (151,856) |
| Prepaid expenses and other assets | 831 | (2,034) |
| Accounts payable and accrued expenses | (35,399) | 63,101 |
| Advances payable | (416,146) | 184,433 |
| Net Cash from Operating Activities | (14,880) | 338,554 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of equipment | (35,599) | (36,608) |
| Proceeds from sale of investments | 123,080 | - |
| Purchases of investments | (235,095) | (22,153) |
| Net Cash from Investing Activities | (147,614) | (58,761) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Principal payments on capital lease obligations | - | (1,611) |
| Annuities payments | (1,944) | (2,555) |
| Net Cash from Financing Activities | (1,944) | (4,166) |
| Net Change in Cash and Cash Equivalents | (164,438) | 275,627 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 569,525 | 293,898 |
| End of year | $ 405,087 | $ 569,525 |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | | |
| Cash paid for interest | $ - | $ 33 |

See notes to financial statements

## 1. Organization and Tax Status

PCI - Media Impact, Inc.'s ("Media Impact") unique approach to communications combines the principles of Entertainment-Education with the reach of mass media to mobilize individual and community action and catalyze positive change. Entertainment-Education is a form of entertainment designed to educate and amuse audiences and can be done with a variety of formats, ranging from comic books, to TV, radio productions, and street theatre. Programs primarily focus on promoting sexual and reproductive health, prevention of HIV/AIDS, biodiversity conservation, sustainable development, human rights and democracy. Media Impact is a not-for-profit organization exempt from income taxes under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation and Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires Media Impact's management to make certain estimates and assumptions relating to the reporting of assets and liabilities and the 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.

### *Cash and Cash Equivalents*

For statement of cash flows purposes, Media Impact considers investments in highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents, except for those held for investment purposes.

### *Fair Value Measurements*

Media Impact follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

### *Investment Income Recognition*

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Leasehold Improvements and Equipment*

Media Impact capitalizes all expenditures for property and equipment in excess of $1,000. Leasehold improvements and equipment are stated at cost or fair value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Office furniture and computer equipment are deemed to have a useful life of between five and seven years. Leasehold improvements are capitalized and amortized over the period of the lease and expected renewal. Equipment leased under capital leases is amortized over its economic useful life.

### *Split-Interest Agreements*

Split-interest agreements with donors consist primarily of charitable gift annuities and a charitable remainder unitrust. A charitable gift annuity provides for payments of fixed amounts to the donor or other designated beneficiaries over the annuity's term (usually the designated beneficiary's lifetime). The assets received are recorded at fair value when received and a liability for payment is recognized for the present value of the future cash flows expected to be paid to the donor's designated beneficiary. The difference between these two amounts is recorded as unrestricted contribution revenue unless the donor restricts the use of the gift. The initial present value of the estimated future payments is determined using appropriate discount rates and mortality tables.

On an annual basis, Media Impact revalues the gift annuity liability for principal payments made, the amortization of the initial discount associated with the gift annuity, and revaluations of expected future payments to beneficiaries, based on changes in life expectancy and other actuarial assumptions.

Media Impact has a beneficial interest in a charitable remainder trust, which is a time-restricted contribution not available to Media Impact until after the death of the donor, who, while living, receives an annual payout from the trust based on a fixed percentage of the market value of the invested funds. The value of Media Impact’s beneficial interest in the charitable trust is estimated to be equivalent to the discounted present value of Media Impact’s future cash flows from the trust. The underlying assets in the trust are principally marketable securities.

### *Net Assets Presentation*

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Permanently restricted net assets are limited by donors for investment in perpetuity. There were no permanently restricted net assets as of December 31, 2015 and 2014.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Contributions and Grants*

Contributions are recognized as revenue when an unconditional promise to give is made and the gift is subject to reasonable valuation. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable consist of gifts pledged. Grant awards received for specific purposes are recognized as support and revenue to the extent related expenses are incurred in compliance with the specific grants terms. The unexpended funds are considered refundable advances and reported as advances payable. Media Impact believes that all grants and other receivables are collectible.

### *In-Kind Contributions*

Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized.

### *Functional Allocation of Expenses*

Expenses have been charged to program and supporting services, either directly when identifiable to a specific program, or indirectly based on management's estimate of the functional area benefited.

### *Operating Measure*

Media Impact has elected to present an operating measure in its statement of activities. Accordingly, items not affecting operations are segregated from those affecting operations. Items not affecting operations include bequests, change in beneficial interest in charitable remainder trust and other planned giving.

### *Prior Year Summarized Comparative Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Media Impact’s financial statements as of and for the year ended December 31, 2014, from which the summarized comparative information was derived.

### *Accounting for Uncertainty in Income Taxes*

Media Impact recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Media Impact has no uncertain tax positions that would require financial statement recognition or disclosure. Media Impact is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2012.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 25, 2016.

## 3. Investments and Investment Return

The following are major categories of investments measured at fair value on a recurring basis at December 31:

| | 2015 | 2014 |
|---|---|---|
| Money market funds | $ 861,906 | $ 626,811 |
| Equity funds | 417 | 71,734 |
| Bond funds | - | 47,710 |
| | $ 862,323 | $ 746,255 |

Investments at December 31, 2015 and 2014 were valued using a Level 1 fair value input under the fair value hierarchy.

Investment return for 2015 and 2014 consists of the following:

| | 2015 | 2014 |
|---|---|---|
| Interest from investments, net | $ 32 | $ 24 |
| Net realized and unrealized gain | 4,053 | 7,752 |
| Investment return | $ 4,085 | $ 7,776 |

## 4. Annuities Payable

Changes in actuarial liability under the gift annuity program for the years ended December 31, 2015 and 2014, consist of annuity payments of $1,944 and $2,555. The gift annuity program is an agreement in which the donor contributes assets in exchange for distributions based on the value of trust assets for the remainder of the life of the donor. When the donor dies, the remaining assets are available for Media Impact's use. During 2014, one of the gift annuity donors died, and the fair value of the corresponding annuity of $39,519 was made available to Media Impact for its operations, which was recorded as a bequest in the statement of activities.

## 5. Board Designated Net Assets

Media Impact established a board designated fund into which gifts and contributions received through Media Impact's planned giving program are placed, as well as certain other assets and liabilities. The components of these board designated net assets at December 31, are as follows:

| | 2015 | 2014 |
|---|---|---|
| Investments | | |
| General investment account | $ 216,303 | $ 216,271 |
| Gift annuity accounts | 8,035 | 127,155 |
| Cash held for investments | 645,603 | 410,540 |
| Beneficial interest in charitable remainder trust | 16,230 | 18,156 |
| Gift annuity payable | (5,630) | (7,574) |
| | $ 880,541 | $ 764,548 |

The changes in board designated net assets for the years ended December 31, are as follows:

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 764,548 | $ 700,611 |
| Contributions designated for investment | 111,720 | 22,076 |
| Investment return | 3,679 | 7,753 |
| Other | 594 | 34,108 |
| Balance, end of year | $ 880,541 | $ 764,548 |

## 6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

| | 2015 | 2014 |
|---|---|---|
| For programs in Latin America | $ - | $ 23,223 |
| For programs in the Caribbean | - | 63,943 |
| For programs in Africa | 240,668 | 354,719 |
| For programs in the USA | - | 100,000 |
| | $ 240,668 | $ 541,885 |

## 6. Temporarily Restricted Net Assets *(continued)*

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or as a result of the expiration of donor imposed time restriction as follows:

| | 2015 | 2014 |
|---|---|---|
| For programs in Latin America | $ 87,723 | $ 30,340 |
| For programs in the Caribbean | 116,802 | 168,460 |
| For programs in Africa | 2,644,473 | 1,329,760 |
| For programs in the USA | 357,483 | 60,795 |
| | $ 3,206,481 | $ 1,589,355 |

## 7. Lease Commitments

Media Impact leases office space in New York City. The lease contains clauses for escalations for Media Impact's share of increased building costs. The original lease expired on April 30, 2015. Media Impact renewed this lease subsequent to year-end, which extended the lease term to April 30, 2018.

Future minimum annual lease payments for non-cancellable operating leases at December 31, 2015 are as follows:

| | Operating Leases |
|---|---|
| 2016 | $ 170,788 |
| 2017 | 165,483 |
| 2018 | 53,244 |
| Total minimum annual lease payments | $ 389,515 |

## 8. Concentrations of Credit Risk

Financial instruments that potentially subject Media Impact to concentrations of credit risk consist principally of cash and cash equivalents, contributions receivable and investments. Media Impact maintains its cash with high credit quality financial institutions and its policy is designed to limit exposure to any one institution. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation.

A concentration of credit risk existed with respect to contributions and grants receivable since amounts receivable from a donor represented 47% and 78% of the total balance as of December 31, 2015 and 2014. In 2015, approximately 62% of Media Impact's total revenue was received from three donors. In 2014, approximately 36% of Media Impact's total revenue was received from one donor.

## 9. Retirement Plan

Media Impact maintains a Simplified Employee Pension Plan (the “Plan”) for the benefit of eligible employees. Media Impact’s contribution rate, determined by its Board, was 6% for 2015 and 2014. Plan expense was $33,550 and $28,925 for 2015 and 2014.

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**PCI - Media Impact, Inc.**

OMB Uniform Guidance
Schedules and Reports

December 31, 2015

**PCI - Media Impact, Inc.**

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

| Federal Grantor/Program or Cluster Title | Contract Number | CFDA Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Agriculture | | | |
| International Forestry Programs | 12-CA-11132762-189 | 10.684 | $ 314,370 |
| U.S. Department of the Interior | | | |
| Great Apes Conservation Fund | 96200-0-G281 | 15.629 | 35,851 |
| U.S. Department of State | | | |
| Office of Global Women's Issues | S-LMAQM-14-GR-014 | 19.801 | 207,461 |
| Public Diplomacy Programs | S-BL-400-14-GR-119 | 19.040 | 6,400 |
| International Programs to Combat Human Trafficking | S-BL-400-15-GR-067 | 19.019 | 9,250 |
| Total U.S. Department of State | | | 223,111 |
| U.S. Department of Health and Human Services Center for Disease Control and Prevention | | | |
| Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security | 1U19GH001590-01 | 93.318 | 927,150 |
| Total Expenditures of Federal Awards | | | $ 1,500,482 |

See independent auditors' report and notes to schedule of expenditures of federal awards

**PCI - Media Impact, Inc.**

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of PCI - Media Impact, Inc. ("Media Impact") under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Media Impact, it is not intended to and does not present the financial position, changes in net assets or cash flows of Media Impact.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 3. Nonmonetary Assistance

For the year ended December 31, 2015, Media Impact received no nonmonetary assistance.

## 4. Subrecipients

For the year ended December 31, 2015, Media Impact provided no funds to subrecipients.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

**The Board of Directors**
**PCI - Media Impact, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of PCI – Media Impact, Inc. ("Media Impact") which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2016.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Media Impact's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Media Impact's internal control. Accordingly, we do not express an opinion on the effectiveness of Media Impact's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Media Impacts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

April 25, 2016

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance for Federal Awards**

**Independent Auditors' Report**

**The Board of Directors**
**PCI - Media Impact, Inc.**

**Report on Compliance for Each Major Federal Program**

We have audited PCI – Media Impact, Inc.'s ("Media Impact") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Media Impact's major federal programs for the year ended December 31, 2015. Media Impact's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Media Impact's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Media Impact's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Media Impact's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Media Impact complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

**Report on Internal Control Over Compliance**

Management of Media Impact is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Media Impact's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Media Impact's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

April 25, 2016

**PCI - Media Impact, Inc.**

Schedule of Findings and Questioned Costs
Year Ended December 31, 2015

**Section I - Summary of Auditors' Results**

Financial Statements

| | |
|---|---|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ____ yes __X__ no |
| Significant deficiency(ies) identified? | ____ yes __X__ none reported |
| Noncompliance material to financial statements noted? | ____ yes __X__ no |

Federal Awards

| | |
|---|---|
| Internal control over major federal programs: | |
| Material weakness(es) identified? | ____ yes __X__ no |
| Significant deficiency(ies) identified? | ____ yes __X__ none reported |
| Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | ____ yes __X__ no |

Identification of major federal programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 93.318 | Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | __X__ yes ____ no |

**Section II – Financial Statement Findings**

During our audit, we noted no material findings for the year ended December 31, 2015.

**Section III – Federal Award Findings and Questioned Costs**

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

**Section IV – Prior Year Audit Findings**

There were no prior year audit findings.