PCI - Media Impact, Inc.

Financial Statements

December 31, 2016

Independent Auditors' Report

The Board of Directors
PCI - Media Impact, Inc.

We have audited the accompanying financial statements of PCI - Media Impact, Inc., which comprise the statement of financial position as of December 31, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited PCI - Media Impact, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 26, 2017

PCI - Media Impact, Inc.

Statement of Financial Position
December 31, 2016
(with comparative amounts at December 31, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 423,651	$ 405,087
Contributions and grants receivable	403,103	221,233
Promissory note receivable	44,864	-
Prepaid expenses and other assets	41,503	41,059
Investments	916,084	862,323
Beneficial interest in charitable remainder trust	15,574	16,230
Equipment, net of accumulated depreciation of $56,050 and $88,178	53,120	61,017
	$ 1,897,899	$ 1,606,949
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 365,532	$ 126,212
Advances payable	-	70,000
Annuities payable	-	5,630
Total Liabilities	365,532	201,842
Net Assets		
Unrestricted		
Operating	387,833	283,898
Board designated	938,428	880,541
	1,326,261	1,164,439
Temporarily restricted	206,106	240,668
Total Net Assets	1,532,367	1,405,107
	$ 1,897,899	$ 1,606,949

See notes to financial statements

PCI - Media Impact, Inc.

Statement of Activities
Year Ended December 31, 2016
(with summarized totals for the year ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE AND SUPPORT				
Contributions and grants (includes in-kind contributions of $62,608 and $29,137)	$ 1,275,340	$ 3,057,038	$ 4,332,378	$ 5,043,375
Investment return, net	504	-	504	4,085
Other income	91,503	-	91,503	46,472
	1,367,347	3,057,038	4,424,385	5,093,932
Net assets released from restrictions	3,091,600	(3,091,600)	-	-
Total Operating Revenue and Support	4,458,947	(34,562)	4,424,385	5,093,932
EXPENSES				
Program services	3,545,932	-	3,545,932	4,380,515
Administrative	616,726	-	616,726	460,620
Fundraising	191,751	-	191,751	147,087
Total Expenses	4,354,409	-	4,354,409	4,988,222
Excess (Deficiency) of Operating Revenue and Support Over Expenses	104,538	(34,562)	69,976	105,710
NON-OPERATING ACTIVITIES				
Bequests	57,940	-	57,940	111,720
Change in value of beneficial interest in charitable trust	(656)	-	(656)	(2,502)
Total Non-operating Activities	57,284	-	57,284	109,218
Change In Net Assets	161,822	(34,562)	127,260	214,928
NET ASSETS				
Beginning of year	1,164,439	240,668	1,405,107	1,190,179
End of year	$ 1,326,261	$ 206,106	$ 1,532,367	$ 1,405,107

See notes to financial statements

PCI - Media Impact, Inc.

Statement of Functional Expenses
Year Ended December 31, 2016
(with summarized totals for the year ended December 31, 2015)

	2016				
	Program Services	Adminis-trative	Fund-raising	Total	2015 Total
Salaries	$ 565,881	$ 86,583	$ 90,354	$ 742,818	$ 807,019
Payroll taxes and employee benefits	106,506	91,166	10,046	207,718	230,509
Total Salaries and Related Expenses	672,387	177,749	100,400	950,536	1,037,528
Consulting fees	1,836,297	28,630	72,000	1,936,927	2,031,091
Professional fees (includes $23,198 and $27,774 of in-kind legal services)	-	77,795	-	77,795	84,131
Broadcast production/airtime	572,697	-	-	572,697	733,509
Temporary personnel	62	-	-	62	-
Travel (includes $2,021 and $1,363 of in-kind travel)	195,715	51,337	2,340	249,392	405,104
Rent (includes $33,113 of in-kind rent)	80,880	154,941	1,597	237,418	265,841
Telecommunications	26,025	18,304	908	45,237	74,725
Printing and duplicating	32,318	2,046	4,907	39,271	74,426
Mailing services	-	-	-	-	81
Public representation and outreach	12,798	4,573	-	17,371	20,906
Postage	5,342	4,280	400	10,022	7,620
Office supplies (includes $4,276 of in-kind office supplies)	31,857	15,785	-	47,642	82,208
Meetings and conferences	70,441	2,055	-	72,496	73,658
Tapes and films	-	-	-	-	858
Equipment rentals, repairs and maintenance	1,220	28,708	4,152	34,080	34,550
Registration dues and fees	7,893	7,381	5,047	20,321	23,158
Insurance	-	22,575	-	22,575	16,537
Depreciation	-	20,567	-	20,567	22,291
Total Expenses	$ 3,545,932	$ 616,726	$ 191,751	$ 4,354,409	$ 4,988,222

See notes to financial statements

PCI - Media Impact, Inc.

Statement of Cash Flows
Year Ended December 31, 2016
(with comparative amounts for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	$ 127,260	$ 214,928
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	20,567	22,291
Net realized and unrealized gain on investments	-	(4,053)
Change in beneficial interest in charitable remainder trust	656	1,926
Changes in operating assets and liabilities		
Contributions and grants receivable	(181,870)	200,742
Prepaid expenses and other assets	(444)	831
Accounts payable and accrued expenses	239,320	(35,399)
Advances payable	(70,000)	(416,146)
Net Cash from Operating Activities	135,489	(14,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Promissory note receivable	(44,864)	-
Purchase of equipment	(12,670)	(35,599)
Proceeds from sale of investments	-	123,080
Purchases of investments	(53,761)	(235,095)
Net Cash from Investing Activities	(111,295)	(147,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Annuities payments	(5,630)	(1,944)
Net Change in Cash and Cash Equivalents	18,564	(164,438)
CASH AND CASH EQUIVALENTS		
Beginning of year	405,087	569,525
End of year	$ 423,651	$ 405,087

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)*

Equipment

Media Impact capitalizes all expenditures for property and equipment in excess of $1,000. 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 between five and seven years. 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 Asset 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, 2016 and 2015.

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 Media Impact’s financial statements as of and for the year ended December 31, 2015, 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 2013.

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 26, 2017.

3. Investments and Investment Return

The following are major categories of investments at December 31:

	2016	2015
Money market funds, at cost	$ 915,918	$ 861,906
Equity funds	166	417
	$ 916,084	$ 862,323

Equity funds at December 31, 2016 and 2015 were valued using a Level 1 fair value input under the fair value hierarchy.

Investment return for 2016 and 2015 consists of the following:

	2016	2015
Interest from investments, net	$ 504	$ 32
Net realized and unrealized gain	-	4,053
Investment return	$ 504	$ 4,085

4. Annuities Payable

Changes in actuarial liability under the gift annuity program for the years ended December 31, 2016 and 2015, consist of annuity payments of $5,360 and $1,944. 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. There are no more payments required after December 31, 2016.

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:

	2016	2015
Investments		
General investment account	$ 216,807	$ 216,303
Gift annuity accounts	8,035	8,035
Cash held for investments	698,012	645,603
Beneficial interest in charitable remainder trust	15,574	16,230
Gift annuity payable	-	(5,630)
	$ 938,428	$ 880,541

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

	2016	2015
Balance, beginning of year	$ 880,541	$ 764,548
Contributions designated for investment	52,310	111,720
Investment return	603	3,679
Gift annuity payable	4,974	594
Balance, end of year	$ 938,428	$ 880,541

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

	2016	2015
For programs in Africa	$ 186,106	$ 240,668
For programs in the USA	20,000	-
	$ 206,106	$ 240,668

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:

	2016	2015
For programs in Latin America	$ 87,768	$ 87,723
For programs in the Caribbean	147,927	116,802
For programs in Africa	1,780,508	2,644,473
For programs in Southeast Asia	141,375	-
For programs in the USA	934,022	357,483
	$ 3,091,600	$ 3,206,481

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, 2016 are as follows:

	Operating Leases
2017	$ 165,483
2018	53,244
Total minimum annual lease payments	$ 218,727

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 26% and 47% of the total balance as of December 31, 2016 and 2015. In 2016, approximately 46% of Media Impact's total revenue was received from three donors. In 2015, approximately 62% of Media Impact's total revenue was received from three donors.

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% of annual base salary for 2016 and 2015. Plan expense was $34,700 and $33,550 for 2016 and 2015.

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