

**PCI - Media Impact, Inc.**

Financial Statements

December 31, 2019

## 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, 2019, 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.

***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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

March 27, 2020

**PCI - Media Impact, Inc.**

Statement of Financial Position  
December 31, 2019  
(with comparative amounts at December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 199,074	\$ 165,263
Contributions and grants receivable	536,454	1,128,776
Promissory note receivable	13,201	24,525
Prepaid expenses and other assets	38,291	41,233
Investments	501,286	819,269
Equipment and leasehold improvements, net	<u>229,860</u>	<u>286,439</u>
	<u>\$ 1,518,166</u>	<u>\$ 2,465,505</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 355,638	\$ 258,471
Advances payable	-	21,403
Total Liabilities	<u>355,638</u>	<u>279,874</u>
Net Assets		
Without Donor Restrictions		
Operating	178,948	870,295
Board designated	<u>509,029</u>	<u>819,602</u>
	687,977	1,689,897
With donor restrictions	<u>474,551</u>	<u>495,734</u>
Total Net Assets	<u>1,162,528</u>	<u>2,185,631</u>
	<u>\$ 1,518,166</u>	<u>\$ 2,465,505</u>

See notes to financial statements

**PCI - Media Impact, Inc.**

Statement of Activities  
Year Ended December 31, 2019  
(with summarized totals for the year ended December 31, 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Contributions and grants (includes in-kind contributions of \$125,563 and \$88,686)	\$ 609,351	\$ 3,406,440	\$ 4,015,791	\$ 5,754,619
Investment return	4,389	-	4,389	7,748
Other income	44,254	-	44,254	31,536
	657,994	3,406,440	4,064,434	5,793,903
Net assets released from restrictions	3,427,623	(3,427,623)	-	-
Total Operating Revenue and Support	4,085,617	(21,183)	4,064,434	5,793,903
<b>EXPENSES</b>				
Program Expenses				
Serial drama	1,992,827	-	1,992,827	2,081,415
Global campaigns	1,528,163	-	1,528,163	2,218,563
General program	414,314	-	414,314	580,983
Supporting Expenses				
Administrative	851,955	-	851,955	618,821
Fundraising	315,246	-	315,246	290,405
Total Expenses	5,102,505	-	5,102,505	5,790,187
(Deficiency) Excess of Operating Revenue and Support Over Expenses	(1,016,888)	(21,183)	(1,038,071)	3,716
<b>NON-OPERATING ACTIVITIES</b>				
Bequests	14,968	-	14,968	292,436
Change in value of beneficial interest in charitable trust	-	-	-	4,471
Total Non-operating Activities	14,968	-	14,968	296,907
Change In Net Assets	(1,001,920)	(21,183)	(1,023,103)	300,623
<b>NET ASSETS</b>				
Beginning of year	1,689,897	495,734	2,185,631	1,885,008
End of year	\$ 687,977	\$ 474,551	\$ 1,162,528	\$ 2,185,631

See notes to financial statements

**PCI - Media Impact, Inc.**

Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized totals for the year ended December 31, 2018)

	Program Expenses				Supporting Expenses		2019 Total	2018 Total
	Serial Drama	Global Campaigns	General Program	Total Program Expenses	Administrative	Fund- raising		
Salaries	\$ 537,289	\$ 446,838	\$ 176,902	\$ 1,161,029	\$ 301,408	\$ 123,833	\$ 1,586,270	\$ 1,148,325
Payroll taxes and employee benefits	159,924	108,263	29,418	297,605	52,818	28,327	378,750	294,352
Total Salaries and Related Expenses	697,213	555,101	206,320	1,458,634	354,226	152,160	1,965,020	1,442,677
Consulting fees	445,110	215,351	95,851	756,312	8,029	96,300	860,641	1,774,910
Professional fees (includes \$74,836 and \$49,783 of in-kind legal services)	300	-	-	300	133,054	-	133,354	100,693
Broadcast production/airtime	606,254	425,098	-	1,031,352	-	-	1,031,352	1,212,140
Travel (includes \$13,259 and \$2,937 of in-kind travel)	120,802	104,159	87,899	312,860	19,955	12,242	345,057	351,661
Rent (includes \$37,468 and \$35,966 of in-kind rent)	45,420	-	4,858	50,278	159,589	1,645	211,512	206,475
Telecommunications	2,111	1,212	2,070	5,393	17,373	-	22,766	19,174
Printing and duplicating	12,378	12,468	702	25,548	3,118	23,883	52,549	42,911
Public representation and outreach	14,371	175,144	6,484	195,999	887	-	196,886	238,447
Postage	44	-	330	374	3,635	1,948	5,957	4,645
Office supplies	22,899	7,209	2,460	32,568	25,632	94	58,294	46,570
Meetings and conferences	21,729	18,015	1,453	41,197	3,122	500	44,819	210,699
Tapes and films	220	-	37	257	-	-	257	182
Equipment rentals, repairs and maintenance	-	-	404	404	25,358	11,159	36,921	34,069
Registration dues and fees	3,976	14,406	5,446	23,828	4,251	15,315	43,394	29,259
Insurance	-	-	-	-	20,054	-	20,054	22,062
Depreciation and amortization	-	-	-	-	73,672	-	73,672	53,613
Total Expenses	<u>\$ 1,992,827</u>	<u>\$ 1,528,163</u>	<u>\$ 414,314</u>	<u>\$ 3,935,304</u>	<u>\$ 851,955</u>	<u>\$ 315,246</u>	<u>\$ 5,102,505</u>	<u>\$ 5,790,187</u>

See notes to financial statements

**PCI - Media Impact, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2019  
(with comparative amounts for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,023,103)	\$ 300,623
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	73,672	53,613
Donated stock	(230,153)	(321,700)
Change in beneficial interest in charitable remainder trust	-	(4,471)
Changes in operating assets and liabilities		
Contributions and grants receivable	592,322	(563,579)
Prepaid expenses and other assets	2,942	1,592
Accounts payable and accrued expenses	97,167	(70,260)
Advances payable	<u>(21,403)</u>	<u>(186,684)</u>
Net Cash from Operating Activities	<u>(508,556)</u>	<u>(790,866)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Promissory note receivable	11,324	15,058
Purchase of equipment and leasehold improvements	(17,093)	(256,713)
Change in money market funds	530,000	553,988
Purchases of investments	(4,322)	(29,264)
Proceeds from sale of investments	22,458	26,923
Proceeds from sale of beneficial interest in charitable trust	-	21,234
Net Cash from Investing Activities	<u>542,367</u>	<u>331,226</u>
Net Change in Cash and Cash Equivalents	33,811	(459,640)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>165,263</u>	<u>624,903</u>
End of year	<u>\$ 199,074</u>	<u>\$ 165,263</u>

See notes to financial statements

## **PCI - Media Impact, Inc.**

Notes to Financial Statements

December 31, 2019

### **1. Organization and Tax Status**

PCI - Media Impact, Inc.'s ("PCI Media") 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, and global campaigns. PCI Media 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 PCI Media'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.

#### ***Change in Accounting Principle***

Effective January 1, 2019, PCI Media adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. As permitted by the new framework, PCI Media elected not to adjust the promised amount of consideration for the effects of a significant financing component as all revenue is collected within one year or less. Adoption of the ASU had an immaterial impact on PCI Media's financial statements.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). ASU 2018-08 provides a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 and PCI Media adopted ASU 2018-08 on a modified prospective basis and has determined there to be no material impact to the its financial statements.



## PCI - Media Impact, Inc.

Notes to Financial Statements  
December 31, 2019

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

#### ***Cash and Cash Equivalents***

PCI Media 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***

PCI Media 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 Valuation***

Investments are valued at fair value in the statement of financial position. Interest, dividends, realized and unrealized gains and losses on the sale of investments are included in the statement of activities. 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 change in net assets.

#### ***Equipment and Leasehold Improvements***

PCI Media capitalizes all expenditures for equipment in excess of \$1,000. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements, 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.

#### ***Net Asset Presentation***

PCI Media reports information regarding its financial position and activities according to classes of net assets based on the presence or absence of donor-imposed restrictions. Net assets without donor restrictions are not externally restricted for identified purposes. Net assets with donor restrictions represent amounts that are restricted by donors that are to be held until the donor or time restriction has been satisfied or that are to be held in perpetuity.

## **PCI - Media Impact, Inc.**

Notes to Financial Statements  
December 31, 2019

### **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 general 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. PCI Media believes that all grants and other receivables are collectible and no allowance has been provided.

#### ***Donated Stock***

Donated stock is recognized as a contribution without donor restrictions unless specifically restricted by the donor.

#### ***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. Other non-cash contributions are recorded at their fair value when received.

#### ***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

#### ***Operating Measure***

PCI Media 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 PCI Media's financial statements as of and for the year ended December 31, 2018, from which the summarized comparative information was derived.

## PCI - Media Impact, Inc.

Notes to Financial Statements  
December 31, 2019

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

#### ***Accounting for Uncertainty in Income Taxes***

PCI Media recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that PCI Media has no uncertain tax positions that would require financial statement recognition or disclosure. PCI Media is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2016.

#### ***Reclassifications***

Certain amounts from the 2018 financial statements were reclassified to conform to the 2019 presentation.

#### ***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 March 27, 2020.

### 3. Investments

The following are major categories of investments at December 31:

	<u>2019</u>	<u>2018</u>
Money market funds, at cost	\$ 501,188	\$ 811,568
Equity funds	98	7,701
	<u>\$ 501,286</u>	<u>\$ 819,269</u>

Equity funds at December 31, 2019 and 2018 were valued using a Level 1 fair value input under the fair value hierarchy.

### 4. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 191,027	\$ 191,027
Equipment	222,488	205,395
Accumulated depreciation and amortization	<u>(183,655)</u>	<u>(109,983)</u>
	<u>\$ 229,860</u>	<u>\$ 286,439</u>

## PCI - Media Impact, Inc.

Notes to Financial Statements  
December 31, 2019

### 5. Board Designated Net Assets

PCI Media established a board designated fund into which gifts and contributions received through PCI Media's planned giving program are placed, as well as certain other assets and liabilities. The purpose of this fund is to provide long term returns commensurate with a benchmark allocation, provide as much real spendable income as possible to present and future beneficiaries, have a somewhat predictable spendable income stream, and to keep the market value of the fund whole. The components of these board designated net assets at December 31, are as follows:

	<u>2019</u>	<u>2018</u>
Investments		
General investment account	\$ 26,374	\$ 221,985
Gift annuity accounts	8,035	8,035
Cash held for investments	<u>474,620</u>	<u>589,582</u>
	<u>\$ 509,029</u>	<u>\$ 819,602</u>

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 819,602	\$ 1,051,890
Contributions designated for investment	15,038	292,436
Investment return	4,389	25,276
Release to fund general operations	<u>(330,000)</u>	<u>(550,000)</u>
Balance, end of year	<u>\$ 509,029</u>	<u>\$ 819,602</u>

### 6. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Purpose Restricted:		
For programs in Latin America	\$ 142,053	\$ 282,930
For programs in the Caribbean	-	5,000
For programs in Africa	111,148	147,804
For programs in United States of America	221,350	-
For global programs	-	60,000
	<u>\$ 474,551</u>	<u>\$ 495,734</u>

**PCI - Media Impact, Inc.**

Notes to Financial Statements  
December 31, 2019

**6. Net Assets With Donor Restrictions (continued)**

Net assets with donor restrictions 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:

	<u>2019</u>	<u>2018</u>
Purpose Restricted:		
For programs in Latin America	\$ 250,492	\$ 297,140
For programs in the Caribbean	330,838	233,749
For programs in Africa	1,475,393	1,700,747
For programs in Southeast Asia	275,600	145,149
For programs in United States of America	314,760	-
For global programs	<u>780,540</u>	<u>2,629,177</u>
	<u>\$ 3,427,623</u>	<u>\$ 5,005,962</u>

**7. Liquidity and Availability of Financial Assets**

The following reflects PCI Media's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

Financial assets:	
Cash and cash equivalents	\$ 199,074
Contributions and grants receivable	536,454
Promissory note receivable	13,201
Investments	<u>501,286</u>
Total Financial Assets	1,250,015
Less: Contractual, internally designated or donor restricted amounts	
Board-imposed restrictions:	
Board designated	509,029
Donor-imposed restrictions:	
Donor restricted	<u>474,551</u>
Financial Assets Available to Meet Cash Needs for General expenditure within one year	<u>\$ 266,435</u>

## PCI - Media Impact, Inc.

Notes to Financial Statements  
December 31, 2019

### 7. Liquidity and Availability of Financial Assets *(continued)*

PCI Media's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions and grants. Due to the advanced payment of grants, PCI Media will have cash on hand to satisfy its operating cash flow requirements.

At December 31, 2019 PCI Media has a Board designated reserve fund of \$509,029. PCI Media's board-designated reserve fund was established by the Board of Directors, with the objective of setting funds aside to be drawn upon in the event of need by PCI Media.

### 8. Lease Commitments

PCI Media leases office space in New York City. The lease contains clauses for escalations for PCI Media's share of increased building costs. The lease is scheduled to expire on April 30, 2021. PCI Media also leases an officer copier.

Future minimum annual lease payments for non-cancellable operating leases at December 31, 2019 are as follows:

2020	\$ 170,389
2021	<u>58,751</u>
	<u>\$ 229,140</u>

### 9. Concentrations of Credit Risk

Financial instruments that potentially subject PCI Media to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. PCI Media 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 receivables since amounts receivable from three donors represented 87% of the total balance as of December 31, 2019. As of December 31, 2018, a concentration of credit risk existed with respect to receivables since amounts receivable from three donors represented 71% of the total balance. In 2019, approximately 37% of PCI Media's total revenue was received from two donors. In 2018, approximately 28% of PCI Media's total revenue was received from one donor.

### 10. Retirement Plan

PCI Media maintains a Simplified Employee Pension Plan (the "Plan") for the benefit of eligible employees. PCI Media's contribution rate, determined by its Board, was 6% of annual base salary for 2019 and 2018. Plan expense was \$65,446 and \$55,759 for 2019 and 2018.

**PCI - Media Impact, Inc.**

Notes to Financial Statements  
December 31, 2019

**11. Contingencies**

PCI Media's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, PCI Media may experience a disruption in operations as well as a decline in contributions and grants received or level of contributions and grants. The outbreak is likely to adversely affect PCI Media's business, financial conditions and results of operations on an interim basis.

\* \* \* \* \*