

PCI - Media Impact, Inc.

Financial Statements

December 31, 2021

Independent Auditors' Report

The Board of Directors
PCI - Media Impact, Inc.

Opinion

We have audited the accompanying financial statements of PCI – Media Impact, Inc. (“PCI Media”), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCI Media as of December 31, 2021, 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.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, PCI Media has suffered recurring significant reductions in grant revenues and has a net deficiency in net assets. Management’s evaluation of the events and conditions and management’s plans regarding those matters are also described in Note 12. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PCI Media's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PCI Media's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited PCI Media's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

January 30, 2023

PCI - Media Impact, Inc.

Statement of Financial Position
December 31, 2021
(with comparative amounts at December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 399,388	\$ 830,393
Contributions and grants receivable	158,178	271,590
Promissory note receivable	-	5,349
Prepaid expenses and other assets	6,990	59,546
Equipment and leasehold improvements, net	<u>49,805</u>	<u>159,179</u>
	<u>\$ 614,361</u>	<u>\$ 1,326,057</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 292,475	\$ 184,515
Loans payable	<u>1,004,528</u>	<u>454,528</u>
Total Liabilities	<u>1,297,003</u>	<u>639,043</u>
Net Assets		
Without Donor Restrictions		
Operating	(1,457,185)	(341,291)
Board designated	<u>33,145</u>	<u>583,141</u>
Total Without Donor Restrictions	<u>(1,424,040)</u>	<u>241,850</u>
With donor restrictions	<u>741,398</u>	<u>445,164</u>
Total Net Assets	<u>(682,642)</u>	<u>687,014</u>
	<u>\$ 614,361</u>	<u>\$ 1,326,057</u>

See notes to financial statements

PCI - Media Impact, Inc.

Statement of Activities
Year Ended December 31, 2021
(with summarized totals for the year ended December 31, 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
OPERATING REVENUE AND SUPPORT				
Contributions and grants	\$ 424,195	\$ 2,428,495	\$ 2,852,690	\$ 4,247,038
Investment return	-	-	-	257
Other income	<u>17,601</u>	-	<u>17,601</u>	<u>31,538</u>
	441,796	2,428,495	2,870,291	4,278,833
Net assets released from restrictions	<u>2,132,261</u>	<u>(2,132,261)</u>	-	-
Total Operating Revenue and Support	<u>2,574,057</u>	<u>296,234</u>	<u>2,870,291</u>	<u>4,278,833</u>
EXPENSES				
Program Expenses				
Serial drama	1,848,528	-	1,848,528	2,462,808
Global campaigns	542,693	-	542,693	1,059,498
General program	635,889	-	635,889	312,766
Supporting Expenses				
Administrative	727,689	-	727,689	722,678
Fundraising	<u>415,831</u>	-	<u>415,831</u>	<u>270,590</u>
Total Expenses	<u>4,170,630</u>	-	<u>4,170,630</u>	<u>4,828,340</u>
(Deficiency) Excess of Operating Revenue and Support Over Expenses	<u>(1,596,573)</u>	<u>296,234</u>	<u>(1,300,339)</u>	<u>(549,507)</u>
NON-OPERATING ACTIVITIES				
Bequests	-	-	-	73,993
Loss on disposal of asset	<u>(69,317)</u>	-	<u>(69,317)</u>	-
Total Non-operating Activities	<u>(69,317)</u>	-	<u>(69,317)</u>	<u>73,993</u>
Change In Net Assets	<u>(1,665,890)</u>	296,234	<u>(1,369,656)</u>	<u>(475,514)</u>
NET ASSETS				
Beginning of year	<u>241,850</u>	445,164	<u>687,014</u>	<u>1,162,528</u>
End of year	<u>\$ (1,424,040)</u>	<u>\$ 741,398</u>	<u>\$ (682,642)</u>	<u>\$ 687,014</u>

See notes to financial statements

PCI - Media Impact, Inc.

Statement of Functional Expenses

Year Ended December 31, 2021

(with summarized totals for the year ended December 31, 2020)

	Program Expenses				Supporting Expenses		2021 Total	2020 Total
	Serial Drama	Global Campaigns	General Program	Total Program Expenses	Administrative	Fund- raising		
Salaries	\$ 34,087	\$ 156,714	\$ 256,860	\$ 447,661	\$ 143,379	\$ 244,125	\$ 835,165	\$ 1,073,988
Payroll taxes and employee benefits	11,384	36,477	46,590	94,451	40,128	41,478	176,057	316,019
Total Salaries and Related Expenses	45,471	193,191	303,450	542,112	183,507	285,603	1,011,222	1,390,007
Consulting fees	748,346	64,591	327,841	1,140,778	32,981	15,322	1,189,081	1,024,234
Professional fees (includes \$0 and \$22,913 of in-kind legal services)	-	-	-	-	186,675	-	186,675	73,588
Broadcast production/airtime	907,637	189,630	-	1,097,267	-	-	1,097,267	1,641,509
Travel (includes \$0 and \$7,120 of in-kind travel)	15,156	1,080	3,894	20,130	4,843	47,960	72,933	81,822
Rent (includes \$33,360 and \$10,453 of in-kind rent)	34,110	-	344	34,454	54,863	687	90,004	199,926
Telecommunications	278	-	-	278	10,844	-	11,122	20,789
Printing and duplicating	21,057	81	-	21,138	577	6,278	27,993	43,714
Public representation and outreach	20	69,186	-	69,206	1,453	13,042	83,701	104,456
Postage	3,535	1,923	194	5,652	5,809	3,803	15,264	4,577
Office supplies	25,590	-	-	25,590	40,943	744	67,277	36,351
Meetings and conferences	5,233	-	-	5,233	1,072	204	6,509	10,074
Tapes and films	-	17,583	-	17,583	-	803	18,386	5,266
Equipment rentals, repairs and maintenance	25,414	-	166	25,580	59,218	1,817	86,615	48,410
Registration dues and fees	16,629	5,428	-	22,057	32,674	39,568	94,299	46,903
Insurance	52	-	-	52	63,186	-	63,238	20,766
Depreciation and amortization	-	-	-	-	49,044	-	49,044	71,948
Bad debt expense	-	-	-	-	-	-	-	4,000
Total Expenses	\$ 1,848,528	\$ 542,693	\$ 635,889	\$ 3,027,110	\$ 727,689	\$ 415,831	\$ 4,170,630	\$ 4,828,340

See notes to financial statements

PCI - Media Impact, Inc.

Statement of Cash Flows
Year Ended December 31, 2021
(with comparative amounts for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,369,656)	\$ (475,514)
Adjustments to reconcile change in net assets to net cash from operating activities		
Bad debt expense	-	4,000
Depreciation and amortization	49,044	71,948
Loss on disposal of asset	69,317	-
Donated stock	-	(17,148)
Changes in operating assets and liabilities		
Contributions and grants receivable	113,412	260,864
Prepaid expenses and other assets	52,556	(21,255)
Accounts payable and accrued expenses	<u>107,960</u>	<u>(171,123)</u>
Net Cash from Operating Activities	<u>(977,367)</u>	<u>(348,228)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Promissory note receivable	5,349	7,852
Purchase of equipment and leasehold improvements	(8,987)	(1,267)
Change in money market funds	-	474,896
Purchases of investments	-	(550)
Proceeds from sale of investments	<u>-</u>	<u>17,422</u>
Net Cash from Investing Activities	<u>(3,638)</u>	<u>498,353</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	<u>550,000</u>	<u>454,528</u>
Net Change in Cash and Cash Equivalents	(431,005)	604,653
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>830,393</u>	<u>225,740</u>
End of year	<u>\$ 399,388</u>	<u>\$ 830,393</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 10,559	\$ 2,523

See notes to financial statements

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

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.

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.

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 purpose or time restriction has been satisfied or that are to be held in perpetuity.

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

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. Grants awarded on a cost reimbursement basis 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 at fair value on the gift date 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 attributable 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 is 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, and other planned giving.

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

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

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, 2020, from which the summarized comparative information was derived.

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 2018.

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 January 30, 2023.

Reclassification

Certain information contained in the 2020 financial statements has been reclassified to conform with the 2021 presentation with no effect on operations.

3. Equipment and Leasehold Improvements

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

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ -	\$ 191,027
Equipment	232,742	223,755
Accumulated depreciation and amortization	<u>(182,937)</u>	<u>(255,603)</u>
	<u>\$ 49,805</u>	<u>\$ 159,179</u>

During 2021, PCI Media disposed of leasehold improvements with a cost basis of \$191,027 and accumulated depreciation of \$121,710, resulting in a loss of \$69,317.

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

4. Loans Payable

PPP Loan

On May 1, 2020, PCI Media received loan proceeds in the amount of \$302,105 under the Paycheck Protection Program (“PPP”). The PPP loan, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the 2019 average monthly payroll expenses of the qualifying business. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If PCI Media does not apply for forgiveness, payments begin approximately 16 months after the loan date.

PCI Media intends to use all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expensed through December 31, 2020, will be forgiven. The entire amount received under the PPP is reported as a PPP forgivable loan in the statement of financial position at December 31, 2021 and 2020.

Economic Injury Disaster Loan

During 2020, PCI Media received \$153,064 Economic Injury Disaster Loan (“EIDL”) authorized by the Small Business Administration. The loan is to be used solely as working capital to alleviate economic injury caused by the coronavirus disaster occurring in January 2020 and still ongoing. The principal and interest accrued at 2.75% annually is payable in thirty years from the date of the loan.

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

4. Loans Payable (continued)

Economic Injury Disaster Loan (continued)

Future minimum payments on the PPP loan (provided the PPP loan is not forgiven) and the Economic Injury Disaster Loan as of December 31, 2021 are as follows:

Fiscal Year	PPP Loan	EIDL	Total
2022	\$ 302,105	\$ 7,692	\$ 309,797
2023	-	7,692	7,692
2024	-	7,692	7,692
2025	-	7,692	7,692
2026	-	7,692	7,692
Thereafter	-	189,094	189,094
	302,105	227,554	529,659
Amount representing interest	-	(75,131)	(75,131)
Loan payable balance	\$ 302,105	\$ 152,423	\$ 454,528

Promissory Notes

In 2021, PCI Media received two promissory notes totaling \$550,000. These notes are due the earlier of one year after the funds are received or the date in which the bequest is received. The notes bear interest at the prime rate as published in the Wall Street Journal plus three percent.

The interest expense on the loans was \$10,559 and \$2,523 for the years ended December 31, 2021 and 2020.

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:

	2021	2020
Cash held for investments	\$ 33,145	\$ 583,141

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

5. Board Designated Net Assets (continued)

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 583,141	\$ 509,029
Contributions designated for investment	16,970	73,993
Investment return	456	119
Release to fund general operations	<u>(567,422)</u>	<u>-</u>
Balance, end of year	<u>\$ 33,145</u>	<u>\$ 583,141</u>

6. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose Restricted:		
For programs in Latin America	\$ 65,557	\$ -
For programs in the Caribbean	111,444	8,000
For programs in Africa	300,647	227,895
For programs in the Middle East	107,510	55,736
For programs in United States of America	<u>156,240</u>	<u>153,533</u>
	<u>\$ 741,398</u>	<u>\$ 445,164</u>

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>2021</u>	<u>2020</u>
Purpose Restricted:		
For programs in Latin America	\$ 140,215	\$ 315,934
For programs in the Caribbean	39,900	-
For programs in Africa	1,553,029	2,482,174
For programs in the Middle East	115,544	21,484
For programs in United States of America	30,873	102,316
For global programs	<u>252,700</u>	<u>863,688</u>
	<u>\$ 2,132,261</u>	<u>\$ 3,785,596</u>

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

7. Liquidity and Availability of Financial Assets

The following reflects PCI Media's financial assets as of December 31, 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 not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 399,388	\$ 830,393
Contributions and grants receivable	158,178	271,590
Promissory note receivable	<u>-</u>	<u>5,349</u>
Total Financial Assets	557,566	1,107,332
Less: Contractual, internally designated or donor restricted amounts		
Board-imposed restrictions:		
Board designated	33,145	583,141
Donor-imposed restrictions:		
Donor restricted	<u>741,398</u>	<u>445,164</u>
Financial Assets Available to Meet Cash Needs for General expenditure within one year	<u>\$ (216,977)</u>	<u>\$ 79,027</u>

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, 2021 and 2020 PCI Media has a Board designated reserve fund of \$33,145 and \$583,141. 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.

During the years ended December 31, 2021 and 2020, there were significant declines in availability of financial assets. PCI Media's management is focusing on obtaining unrestricted grants to improve the availability of financial assets at PCI Media in order to continue as a going concern.

8. Lease Commitments

PCI Media leased office space in New York City. The lease contained clauses for escalations for PCI Media's share of increased building costs. The lease expired on April 30, 2021 and PCI Media decided not to extend or renew the lease.

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

9. Concentrations of Credit Risk

Financial instruments that potentially subject PCI Media to concentrations of credit risk consist principally of cash and cash equivalents, and receivables. 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 receivables from four donors represented 77% of the total balance as of December 31, 2020. As of December 31, 2020, a concentration of credit risk existed with respect to receivables since amounts receivable from three donors represented 90% of the total balance. In 2021, approximately 40% of PCI Media's total revenue was received from three donors. In 2020, approximately 36% of PCI Media's total revenue was received from two donors.

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 2021 and 2020. Plan expense was \$41,194 and \$53,698 for 2021 and 2020.

11. COVID-19

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.

12. Management's Plan for Future Operations

PCI Media has incurred losses over the most recent two years. This is largely driven by the lack of funding in contributions and grants without donor restrictions. Management's plan to maintain liquidity and continue as a going concern is to take the following actions:

- PCI Media was informed that they will be receiving a substantial bequest in late 2022 which can not be recognized until the full estate process has been completed
- PCI Media has and will continue to take out loans to cover liquidity issues that will be collateralized by the bequest

PCI - Media Impact, Inc.

Notes to Financial Statements
December 31, 2021

12. Management's Plan for Future Operations (*continued*)

- PCI Media has made changes to its staffing and team structure to improve its fundraising practice
- PCI Media made changes to its fundraising practices including improved engagement with existing and new donors, began digital fundraising efforts, and put in processes to improve the quality of grant proposals

Management has evaluated the significance of these conditions and has concluded that there is a reasonable expectation that PCI Media can continue in operational existence for the foreseeable future.

* * * * *