

American Media Institute

FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

December 31, 2015

AMERICAN MEDIA INSTITUTE
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Media Institute
Alexandria, Virginia

We have audited the accompanying financial statements of American Media Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years 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.

Auditor's 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 auditor's 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 American Media Institute as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

D. K. Weiss & Associates, PLLC

Kentwood, Michigan
August 15, 2016

D.K. Weiss & Associates, PLLC

Certified Public Accountants

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AMERICAN MEDIA INSTITUTE
STATEMENTS OF FINANCIAL POSITION

Assets	December 31,	
	2015	2014
Current Assets		
Cash	\$ 43,212	\$ 35,700
Employee advances	11,250	3,400
Prepaid expenses and other current assets	-	4,437
Total current assets	54,462	43,537
Property and Equipment (Note 2)	222,469	-
Deposits	6,935	-
Total Assets	\$ 283,866	\$ 43,537
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable	\$ 192,056	\$ 11,584
Accrued expenses and other current liabilities	130,416	6,055
Total current liabilities	322,472	17,639
Net Assets		
Unrestricted net assets (deficit)	(38,606)	25,898
Total Liabilities and Net Assets (Deficit)	\$ 283,866	\$ 43,537

See accompanying notes to financial statements.

AMERICAN MEDIA INSTITUTE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year-ended December 31,	
	2015	2014
	Unrestricted	
Revenue, Gains, and Other Support		
Contributions and support	\$ 3,411,269	\$ 717,317
Other income	-	-
Total revenue, gains, and other support	3,411,269	717,317
Expenses		
Program services	2,026,111	521,718
Management and general	1,144,749	106,278
Fundraising and development	304,913	68,243
Total expenses	3,475,773	696,239
Increase (Decrease) in Net Assets	(64,504)	21,078
Net Assets - Beginning of Year	25,898	4,820
Net Assets (Deficit) - End of Year	\$ (38,606)	\$ 25,898

See accompanying notes to financial statements.

AMERICAN MEDIA INSTITUTE
STATEMENTS OF CASH FLOWS

	Year-ended December 31,	
	2015	2014
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (64,504)	\$ 21,078
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	27,560	-
(Increase) decrease in assets:		
Employee advances	(7,850)	(3,400)
Prepaid expenses and other current assets	4,437	(4,437)
Deposits	(6,935)	-
Increase in liabilities:		
Accounts payable	180,472	11,584
Accrued expenses and other current liabilities	124,362	6,055
Net cash provided by operating activities	257,542	30,880
Cash Flows from Financing Activities		
Purchase of property and equipment	(250,030)	-
Principal payments on notes payable	-	(28,193)
Net cash used in financing activities	(250,030)	(28,193)
Net Increase in Cash	7,512	2,687
Cash - Beginning of year	35,700	33,013
Cash - End of year	\$ 43,212	\$ 35,700
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ -	\$ -

See accompanying notes to financial statements.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

American Media Institute (the “Organization”) is an independent source of exclusive investigative journalism. The Organization believes in “accountability journalism” and knows that a free press is the best way to police any abuses of the public trust by government officials, corporate executives and interest-group leaders.

The Organization aims to create a free press that holds the powerful accountable by providing high quality investigative news articles and distributing them to news outlets. The articles are comprised of: 1) in-depth investigative journalism, long-form pieces; 2) urban news; and 3) brief news wire pieces.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make many estimates and assumptions that may have a material impact on the Organization's financial statements and related disclosures and on the comparability of such information over different reporting periods. All such estimates and assumptions affect reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingent assets and liabilities. Estimates and assumptions are based on management's experience and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known.

Cash

The Organization maintains its cash in bank deposit accounts that, at times, may exceed the federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. At December 31, 2015 or 2014, the Organization had no amounts on deposit that exceeded FDIC insured limits. Additionally, the Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk associated with its cash.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment

Property and equipment with a projected useful life exceeding one year and in excess of \$250 are recorded at cost. Depreciation is computed principally using the straight-line method, based on estimated useful lives of the assets. Costs of maintenance and repairs that do not extend the life of the asset are charged to expense when incurred.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Classification of Net Assets

Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

There were no temporarily or permanently restricted net assets at December 31, 2015 or 2014.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Functional Allocation of Expenses

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the method of allocation used are considered reasonable, other methods could be used that would produce a different amount.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Tax Status

The Organization is a not-for-profit organization and has been granted tax-exempt status by the Internal Revenue Service under the provisions of Code Section 501(c)(3). Net income from activities unrelated to the Organization's tax-exempt purpose is subject to taxation. The Organization had no significant unrelated business income during 2015 or 2014, and accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting for Uncertainty in Income Taxes

The Organization has adopted the provisions of ASC Topic 740, *Income Taxes*, relating to uncertain tax positions. ASC Topic 740 provides a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The effects of tax positions are recognized in the financial statements consistent with amounts reflected in tax returns filed or expected to be filed with taxing authorities. For tax positions the Organization considers to be uncertain, current or deferred tax liabilities are recognized or assets de-recognized, when it is probable that an income tax liability has been incurred and the amount is reasonably estimable, or when it is probable that a tax benefit, such as a tax credit or loss carryforward, will be disallowed by a taxing authority.

No amounts have been identified, or recorded, as uncertain tax positions.

Advertising

Advertising costs are expensed when incurred. Advertising costs totaled \$693,737 and \$33,593 during 2015 and 2014, respectively.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 2 – PROPERTY AND EQUIPMENT

Costs and depreciable lives of property and equipment are summarized as follows:

	<u>2015</u>	<u>2014</u>	<u>Depreciable Life-Years</u>
Office equipment	\$ 92,090	\$ -	5-7
Leasehold improvements	90,173	-	7
Software	<u>67,767</u>	<u>-</u>	3
Total property and equipment	250,030	-	
Less: accumulated depreciation	<u>(27,561)</u>	<u>-</u>	
Net property and equipment	<u>\$ 222,469</u>	<u>\$ -</u>	

Depreciation expense totaled \$27,561 and \$0 during 2015 and 2014, respectively.

NOTE 3 – LEASES

During 2014, the Organization leased its primary operating facility on a month-to-month basis. Effective February 1, 2015, the Organization entered into a non-cancellable operating lease agreement that expires January 31, 2020. The lease requires monthly payments starting at \$6,935. Additionally, the lease contains a provision requiring annual rent increases of 3% over the previous year's base rent each February 1.

Future minimum required lease payments at December 31, 2015 are as follows:

2016	\$ 85,508
2017	88,070
2018	90,715
2019	93,433
2020	<u>7,805</u>
Total	<u>\$ 365,531</u>

The Organization may also lease equipment on an as needed basis. Rent expense totaled \$89,129 and \$720 during 2015 and 2014, respectively.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 4 – RELATED PARTY TRANSACTIONS

In February 2015, the Organization received an unrestricted contribution totaling \$2,500,000 from a major donor. As a result, in March 2015, the Organization used a portion of the proceeds from that contribution to pay a \$100,000 bonus to one of its executive officers.

NOTE 5 – MAJOR DONORS

Three donors accounted for \$3,339,800 (approximately 98%) of the Organization's total support during 2015. No amounts were due from these donors at December 31, 2015.

One donor accounted for \$534,500 (approximately 75%) of the Organization's total support during 2014. No amounts were due from this donor at December 31, 2014.

NOTE 6 – GOING CONCERN MATTERS

The Organization's activities are dependent upon the availability of funding from donors. The Organization has attempted to streamline its operations to minimize fixed costs. Specifically, the Organization has renegotiated or cancelled a number of contracts with suppliers to lower fixed costs and has incentivized certain employees with fundraising goals to increase revenues. Additionally, the Organization has maintained and refined a cash flow management process to ensure that projected and committed program expenses are within projected revenues and that generated revenues are in excess of incurred expenses. Management expects these measures to improve its financial position.

Nonetheless, in the event donations are not adequate, the Organization may need to further reduce its fixed costs, and in a worst-case scenario, the Organization may need to temporarily or permanently cease operations.

AMERICAN MEDIA INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 7 – SUBSEQUENT EVENTS

In accordance with ASC Topic 855, *Subsequent Events*, the Organization evaluated subsequent events through August 15, 2016, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
American Media Institute
Alexandria, Virginia

We have audited the financial statements of American Media Institute as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon dated August 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for the purpose of additional analysis and are 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 not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

D. K. Weiss & Associates, PLLC

Kentwood, Michigan
August 15, 2016

D.K. Weiss & Associates, PLLC
Certified Public Accountants

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AMERICAN MEDIA INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising and Development	Total
Advertising	\$ 624,364	\$ 34,687	\$ -	\$ 659,051
Bank charges and fees	2,190	274	274	2,738
Depreciation	-	27,560	-	27,560
Dues and subscriptions	-	34,799	-	34,799
Insurance	-	16,964	-	16,964
Meals and entertainment	40,639	5,081	5,081	50,801
Office expenses	-	226,790	-	226,790
Professional fees	129,526	482,661	80,312	692,499
Salaries, wages, and employee benefits	1,094,415	315,921	196,727	1,607,063
Travel	134,977	12	22,519	157,508
Total	<u>\$ 2,026,111</u>	<u>\$ 1,144,749</u>	<u>\$ 304,913</u>	<u>\$ 3,475,773</u>

See independent auditor's report on supplementary information.

AMERICAN MEDIA INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fundraising and Development	Total
Advertising	\$ 5,491	\$ -	\$ 28,102	\$ 33,593
Bank charges and fees	-	913	-	913
Dues and subscriptions	-	6,976	-	6,976
Insurance	-	698	-	698
Interest	-	(2,668)	-	(2,668)
Meals and entertainment	18,704	-	2,078	20,782
Office expenses	-	6,537	-	6,537
Professional fees	189,040	63,336	400	252,776
Salaries, wages, and employee benefits	243,892	30,486	30,486	304,864
Travel	64,591	-	7,177	71,768
Total	<u>\$ 521,718</u>	<u>\$ 106,278</u>	<u>\$ 68,243</u>	<u>\$ 696,239</u>

See independent auditor's report on supplementary information.