

American Media Institute

FINANCIAL REPORT

DECEMBER 31, 2016

FINANCIAL STATEMENTS

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Statement of Financial Position
December 31, 2016

ASSETS

Current Assets	December 31	
	2016	2015
Cash	87,662	43,212
Employee Advances		11,250
Prepaid Expenses	10,143	
Total Current Assets:	97,805	54,462
Non-Current Assets		
Buildings and Equipment, (net)	300,742	222,469
Total Non-CurrEnt Assets:	300,742	222,469
Other Assets		
Security Deposit	6,935	6,935
Total Other Assets:	6,935	6,935
TOTAL ASSETS:	405,483	283,866

LIABILITIES

Current Liabilities

Accounts Payable	164,064	192,056
Accrued Expenses and other current liabilities		130,416
Credit Card Payable	77,852	
401(k) Payable	70,283	
Deferred Rent	7,570	
Total Current Liabilities:	319,769	322,472
TOTAL LIABILITIES:	319,769	322,472

NET ASSETS

Unrestricted Net Assets	85,714	(38,606)
Total Net Assets:	85,714	(38,606)
TOTAL LIABILITIES AND NET ASSETS:	405,483	283,866

American Media Institute

Statement of Activities Year Ended December 31, 2016, with comparative totals for 2015

	December 31	
	2016	2015
REVENUE AND SUPPORT		
Direct Public Support	5,528,378	3,411,269
Interest Income	1,357	
Total Revenue and Support:	5,529,736	3,411,269
EXPENSES		
Program Services	3,523,809	2,026,111
Management and General	1,502,598	1,144,749
Fundraising and Development	379,009	304,913
Total Expenses:	5,405,416	3,475,773
Increase (Decrease) in Net Assets:	124,320	(64,504)
Net Assets - Beginning of Year	(38,606)	25,898
Net Assets (Deficit) - End of Year	85,714	(38,606)

American Media Institute

Statement of Activities
Year Ended December 31, 2016

REVENUE AND SUPPORT

	<u>December 31 2016</u>
Direct Public Support	
Individual Contributions	84,400
Foundation Contributions	5,328,309
Corporate Contributions	5,676
Other Contributions	<u>109,994</u>
Total Revenue and Support:	5,528,378

EXPENSES

Personnel Expenses	
Staff Wages	1,769,462
Staff Bonus	152,308
Taxes - Payroll	190,248
Workers Compensation	15,902
401(k) Expense	76,900
Health Insurance	175,393
Employee Benefits	6,800
Continuing Education	6,219
Contract Labor	<u>179,831</u>
Total Personnel Expenses:	2,573,062

Consultants and Service Providers	
Legal & Accounting	338,274
Web Development, Website and Tech	263,515
Public Relations and Social Media	1,033,345
Fundraising & Direct Mail	80,250
Publication Expense	5,510
Advertising	26,644
Research	135,900
Professional Fees - Other	<u>220,523</u>
Total Consultants and Service Providers:	2,103,962

Travel & Events	
Meals while Traveling	55,827
Airfare	75,696
Hotel	87,236
Ground Transportation	21,361
Parking & Tolls	2,858
Conferences	45,029

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Statement of Activities
Year Ended December 31, 2016

Travel - Other	62,201
Total Travel & Events:	350,208
General and Operating	
Bank Charges	4,182
Commissions & Fees	1,262
Donations	7,600
Dues & Subscriptions	28,021
Insurance	7,936
Janitorial	17,050
Miscellaneous	56,978
Office Expense	32,436
Registration Fees	240
Rent / Lease	97,079
Repair and Maintenance	4,660
Shipping, Printing & Delivery	18,097
Taxes & Licenses	487
Telephone / Internet	14,412
Utilities	10,507
Total General and Operating:	300,947
TOTAL EXPENSE:	5,328,179
NET ORDINARY INCOME:	200,200
OTHER INCOME AND EXPENSES	
Other Income	
Interest Earned	1,357
Total Other Income:	1,357
Other Expenses	
Depreciation and Amortization Expense	73,232
Interest, Penalties & Settlements	4,005
Total Other Expenses:	77,237
Net Other Income:	(75,880)
NET INCOME:	124,320

American Media Institute

Statement of Functional Expenses Year Ended December 31, 2016

	Program Services Expenses	Management and General Expenses	Fundraising Expenses	Total Expenses
401(k) Expense	52,292	15,380	9,228	76,900
Advertising			26,644	26,644
Airfare	65,099		10,597	75,696
Bank Charges		4,182		4,182
Commissions & Fees	1,262			1,262
Conferences	38,725		6,304	45,029
Continuing Education	6,219			6,219
Contract Labor	48,554	131,276		179,831
Depreciation and Amortization Exp		73,232		73,232
Donations	7,600			7,600
Dues & Subscriptions		28,021		28,021
Employee Benefits	4,624	1,360	816	6,800
Fundraising & Direct Mail	76,238	4,013		80,250
Ground Transportation	18,370		2,990	21,361
Health Insurance	119,267	35,079	21,047	175,393
Hotel	75,023		12,213	87,236
Insurance		7,936		7,936
Interest, Penalties & Settlements		4,005		4,005
Janitorial		17,050		17,050
Legal & Accounting		338,274		338,274
Meals while Traveling	48,011		7,816	55,827
Miscellaneous	19,373	18,803	18,803	56,978
Office Expense		32,436		32,436
Parking & Tolls	2,458		400	2,858
Professional Fees - Other	59,541	160,982		220,523
Public Relations and Social Media	981,678	51,667		1,033,345
Publication Expense	5,235	276		5,510
Registration Fees	240			240
Rent / Lease		97,079		97,079
Repair and Maintenance		4,660		4,660
Research	135,900			135,900
Shipping, Printing & Delivery	18,097			18,097
Staff Bonus	103,569	30,462	18,277	152,308
Staff Wages	1,203,234	353,892	212,335	1,769,462
Taxes - Payroll	129,368	38,050	22,830	190,248
Taxes & Licenses		487		487
Telephone / Internet		14,412		14,412
Travel - Other	53,493		8,708	62,201
Utilities		10,507		10,507
Web Development, Website and Tech	250,339	13,176		263,515
Workers Compensation		15,902		15,902
Total Functional Expenses:	3,523,810	1,502,597	379,009	5,405,416

American Media Institute

Statement of Cash Flow Year Ended December 31, 2016

	<u>December 31, 2016</u>
NET INCOME	<u>124,320.00</u>
ADD:	
Depreciation Expense	73,232.00
Depreciation Adjustment	216.00
Amortization of Bond Discount	
Amortization of Intangible Assets	
Decrease in:	
Current Assets	11,250.00
Receivables	
Inventory	
Prepaid Expenses	
Increase in:	
Current Liabilities	
Accounts Payable	
Notes Payable	
Accrued Liabilities	155,705.00
Losses on Disposal of Assets	
Losses on Retirement of Debt	
	<u>240,403.00</u>
Total to Add:	240,403.00
SUBTRACT:	
Amortization of Bond Premium	
Increase in:	
Current Assets	
Receivables	
Inventory	
Prepaid Expenses	10,143.00
Decrease in:	
Current Liabilities	
Accounts Payable	27,992.00
Notes Payable	
Accrued Liabilities	130,416.00
Gains on Disposal of Assets	
Gains on Disposal of Debt	
	<u>168,551.00</u>
Net Cash Flow from Operating Activities	<u>196,172.00</u>
Cash Flow from Financing Activities	

American Media Institute

Statement of Cash Flow
Year Ended December 31, 2016

ADD:

Cash Received from sale of Stock

-

SUBTRACT:

Cash Paid for Dividends

Cash Paid to Retire Bonds

-

Net Cash Flow from Financing Activities

Cash Flow from Investing Activities

ADD:

Cash received from sale of Invest.

-

Subtract

Cash Paid for Purchase of Equip.

151,722.00

151,722.00

Net Cash Flow from Investing Activities

(151,722.00)

Net Cash Flow from Operating Activities

196,172.00

Net Cash Flow from Financing Activities

-

Net Cash Flow from Investing Activities

(151,722.00)

Total Net Cash Flow: 44,450.00

Cash - Beginning of Year: 43,212.00

Cash - end of Year: 87,662.00

AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 1 - ORGANIZATION

American Media Institute (hereafter referred to as the "Organization") was incorporated under the Nonprofit Corporation Law of the District of Columbia and is recognized as tax exempt organization under Internal Revenue Code section 501(c)(3). American Media Institute currently operates as an independent source of exclusive investigative journalism.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Classification of Net Assets

The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Under these principles, net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions, but may be designated for specific purposes by the action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

Temporarily Restricted Net Assets – Net Assets subject to donor-imposed restrictions that may/can be fulfilled either by actions of the Organization pursuant to those stipulations and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions the Organization maintains. Generally, the donors of these assets permits the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Restricted Grants and Contributions – Grant awards require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization will comply with the terms and conditions of any grants accepted in the future.

There were no Temporarily Restricted or Permanently Restricted net assets as of December 31, 2016.

There were no Restricted Grants and Contributions as of December 31, 2016.

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 \$ 250,000.00 per account. As of December 31, 2016, the organization had no amounts on deposit that exceeded the FIDC limits. Additionally, the organization believes it is not exposed to any significant credit risk associated with its cash. For the purposes of the Financial Statements and the Statement of Cash Flow, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with purchased maturities of less than ninety days.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates as circumstances change and additional information becomes available. Estimates and assumptions are based on

AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

management's experience and other information available prior to the issuance of the financial statements.

Property and Equipment

Purchases of property and equipment with a projected useful life exceeding one year and a cost in excess of \$ 250.00 are recorded at cost. Depreciation is computed principally using the straight-line method, based on estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement. Costs of maintenance and repairs, that do not extend the useful 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.

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 of assets other than cash are recorded at fair value at the date of donation. 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.

AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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 Internal Revenue Code Section 501(c)(3). Net income from activities unrelated to the Organization is subject to taxation. The Organization had no significant unrelated business income during 2016, and accordingly, no provision for income tax has been made in the accompanying financial statements.

Accounting for Uncertainty in Income Taxes

The Organization has adopted the provision 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 the 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.

AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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

Advertising

Advertising costs are expensed when incurred.

NOTE 3 – PROPERTY AND EQUIPMENT

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

	2016	2015	2014
Equipment	222,697	92,090	-0-
Leasehold Improvements	110,928	90,173	-0-
Software	<u>68,127</u>	<u>67,767</u>	<u>-0-</u>
Total Property and Equipment	401,752	250,030	-0-
Less: accumulated depreciation	<u>101,010</u>	<u>27,778</u>	<u>-0-</u>
Net Property and Equipment:	\$ 300,742	\$ 222,252	-0-

Depreciation expense totaled \$ 73,202.00 for 2016.

NOTE 4 – 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 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, 2016 are as follows:

2017	88,070
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AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 4 – LEASES (CONTINUED)

2018	90,715
2019	93,433
2020	<u>7,805</u>
Total	\$ 280,023

The Organization may also lease equipment on an as needed basis. Rent expense totaled \$ 97,079 in 2016.

NOTE 5 – RELATED PARTY TRANSACTIONS

There were no related party transactions during the 2016 calendar year.

NOTE 6 – MAJOR DONORS

Six donors accounted for \$ 5,330,000 (approximately 96%) of the Organizations total support during 2016. No amounts were due from these donors at December 31, 2016.

NOTE 7 – 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 its fixed costs. Specifically, the Organization has renegotiated or cancelled a number of contracts with suppliers to lower fixed costs and has offered incentives to certain employees responsible for fundraising goals to increase revenues. The Organization has additionally re-evaluated and modified its staffing requirements to operate in the most efficient manner possible without any reduction in quality or quality of service. 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 will evaluate every and all means necessary to become more efficient and continue service.

AMERICAN MEDIA INSTITUTE
Notes to Financial Statements
For the Year Ended December 31, 2016

NOTE 8 – SUBSEQUENT EVENTS

There are no material subsequent events that require recognition or disclosure in these financial statements.