

**POPULATION MEDIA CENTER, INC.
AND SUBSIDIARY**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY

DECEMBER 31, 2017

TABLE OF CONTENTS

Independent Auditor's Report.....	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 - 15
Supplementary Information	
Consolidating Statement of Financial Position	16
Consolidating Statement of Activities.....	17



Tapia & Huckabay, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

11 Main Street, Suite B211 • P.O. Box 38 • Vergennes, VT 05491 • www.tapiahuckabay.com (802) 870-7086

Independent Auditor's Report

To the Board of Directors
Population Media Center, Inc. and Subsidiary
South Burlington, VT

We have audited the accompanying financial statements of Population Media Center, Inc. and Subsidiary (nonprofit organizations) which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 U.S. generally accepted accounting principles; 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 misstatements, 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 U.S. generally accepted auditing standards. 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 Population Media Center, Inc. and Subsidiary as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matter

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The supplementary information following the notes is presented for purposes of additional analysis and is not a required part of the above 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 been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organization's 2016 financial statements which were audited by us and, in our report dated June 28, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tapia & Auchabay, P.C.

Vergennes, Vermont
June 26, 2018
Vermont Registration #108880

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(With Summarized Information for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents in the U.S. (Notes 1 & 5)	\$ 8,246,922	\$ 8,091,109
Cash - board designated restricted funds (Notes 1, 5 & 16)	4,573,649	-
Cash in other countries (Note 10)	113,397	92,002
Certificates of deposit (Notes 1 & 5)	499,002	349,764
Prepaid expenses and advances (Note 14)	118,490	839,166
Royalty income receivable (Note 14)	196,194	523,228
Grants, contributions and bequests receivable (Notes 1 & 11)	829,425	1,478,251
Investments (Note 13)	7,543,120	3,160,188
Investments - charitable gift annuities (Note 6)	8,987	9,706
Property and equipment, net of accumulated depreciation (Note 12)	<u>849,503</u>	<u>1,194,235</u>
TOTAL ASSETS	<u>\$ 22,978,689</u>	<u>\$ 15,737,649</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 47,541	\$ 84,510
Accrued expenses	394,509	263,001
Refundable advances (Note 1)	45,475	18,258
Liability - charitable gift annuities (Note 6)	<u>6,470</u>	<u>7,190</u>
Total Liabilities	<u>493,995</u>	<u>372,959</u>
Net Assets:		
Unrestricted:		
Operating	2,257,012	2,313,502
Board designated endowments (Note 16)	2,514,918	1,021,269
Board designated restricted funds (Note 16)	4,573,649	-
Investment in property and equipment	849,503	1,194,235
Temporarily restricted (Note 9)	12,289,612	10,835,684
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>22,484,694</u>	<u>15,364,690</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,978,689</u>	<u>\$ 15,737,649</u>

See accompanying notes to financial statements.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Information for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
SUPPORT AND REVENUE:				
Contributions, grants & bequests (Notes 1 & 15)	\$ 6,528,973	\$ 6,286,548	\$ 12,815,521	\$ 6,327,513
Royalty income (Note 14)	623,702	-	623,702	1,054,817
Investment income (Note 13)	232,420	-	232,420	71,104
Interest and other income	170,546	-	170,546	92,319
Gain on the sale of real property (Note 12)	1,062,124	-	1,062,124	-
Net assets released from restrictions:				
Transfers to fulfill purpose restrictions	4,832,620	(4,832,620)	-	-
Total support and revenue	<u>13,450,385</u>	<u>1,453,928</u>	<u>14,904,313</u>	<u>7,545,753</u>
EXPENSES AND LOSSES:				
Program services (Note 1):				
National and international initiatives	5,139,781	-	5,139,781	5,372,380
Public outreach	792,213	-	792,213	757,242
General program development	973,997	-	973,997	690,812
Supporting services:				
Management and general	504,776	-	504,776	472,870
Fundraising	373,542	-	373,542	229,507
Change in liability - charitable gift annuities (Note 6)	-	-	-	380
Total expenses	<u>7,784,309</u>	<u>-</u>	<u>7,784,309</u>	<u>7,523,191</u>
CHANGE IN NET ASSETS	5,666,076	1,453,928	7,120,004	22,562
NET ASSETS, beginning of the year	<u>4,529,006</u>	<u>10,835,684</u>	<u>15,364,690</u>	<u>15,342,128</u>
NET ASSETS, end of the year	<u>\$ 10,195,082</u>	<u>\$ 12,289,612</u>	<u>\$ 22,484,694</u>	<u>\$ 15,364,690</u>

See accompanying notes to financial statements.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Information for 2016)

	Program Expenses			Total Program Expenses	Management & General	Fundraising	2017 TOTAL	2016 TOTAL
	Nat'l & Int'l Initiatives	Public Outreach	General Program Development					
U.S. salaries	\$ 385,616	\$ 394,282	\$ 580,583	\$ 1,360,481	\$ 311,317	\$ 184,160	\$ 1,855,958	\$ 1,625,571
Benefits & taxes (Note 4)	82,759	93,778	120,813	297,350	66,811	37,222	401,383	356,883
Contractual services (Note 14)	1,636,793	101,640	55,589	1,794,022	8,067	57,386	1,859,475	2,470,470
Grants awarded	6,800	-	3,000	9,800	-	-	9,800	104,585
Bank & credit card fees	10,441	-	300	10,741	4,399	3,465	18,605	20,706
Building maintenance & property taxes	14,600	12,894	-	27,494	6,061	424	33,979	33,842
Computer & website expenses	15,568	24,135	18,314	58,017	7,801	10,846	76,664	56,343
Conferences & workshops	17,307	62,578	21,632	101,517	87	975	102,579	102,652
Depreciation (Note 12)	3,755	33,168	5,654	42,577	11,745	2,757	57,079	64,894
Dues & publications	-	3,094	1,727	4,821	-	196	5,017	4,482
Fees & registrations	821	614	13,156	14,591	1,382	5,366	21,339	29,212
Insurance	8,592	3,622	12,337	24,551	8,199	3,756	36,506	39,041
Miscellaneous	29,107	4,558	1,381	35,046	7,281	623	42,950	27,095
Non-capital equipment costs	48,834	1,043	1,638	51,515	769	868	53,152	56,786
Office & other supplies	16,540	5,438	578	22,556	2,569	395	25,520	21,998
Postage & shipping	14,262	8,610	862	23,734	1,245	3,205	28,184	45,857
Printing & copying	13,991	14,278	76	28,345	2,658	10,261	41,264	64,274
Production supplies & services	1,779,558	-	-	1,779,558	-	-	1,779,558	1,093,792
Professional fees	46,966	643	1,828	49,437	42,590	-	92,027	68,225
Public relations	100,614	-	1,664	102,278	2,315	996	105,589	241,166
Rent & related expenses (Note 7)	127,589	3,950	26,830	158,369	10,147	8,041	176,557	189,362
Studio rental & airtime	531,898	-	-	531,898	-	-	531,898	324,505
Telephone & internet	20,462	3,650	3,289	27,401	2,014	1,065	30,480	37,959
Travel	212,320	15,685	102,746	330,751	5,966	41,385	378,102	424,444
Utilities	14,588	4,553	-	19,141	1,353	150	20,644	18,667
	<u>\$ 5,139,781</u>	<u>\$ 792,213</u>	<u>\$ 973,997</u>	<u>\$ 6,905,991</u>	<u>\$ 504,776</u>	<u>\$ 373,542</u>	<u>\$ 7,784,309</u>	<u>\$ 7,522,811</u>

See accompanying notes to financial statements.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Information for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,120,004	\$ 22,562
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	57,079	64,894
Gain on the sale of real property	(1,062,124)	-
Realized & unrealized (gains) losses on investments	(189,311)	(50,830)
Change in liability - charitable gift annuities	-	380
(Increase) / decrease in operating assets:		
Cash in other countries	(21,395)	105,845
Prepaid expenses and advances	720,676	(665,855)
Royalty income receivable	327,034	(118,390)
Grants, contributions and bequests receivable	648,826	235,740
Increase / (decrease) in operating liabilities:		
Accounts payable	(36,969)	(4,352)
Accrued expenses	131,508	15,744
Refundable advances	27,217	(622,691)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,722,545	(1,016,953)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(6,587)	(87,248)
Proceeds from the sale of real property	1,356,363	-
Increase in cash - board designated restricted funds	(4,573,649)	-
Net additions to certificates of deposit	(149,238)	(124,760)
Purchase of investments	(6,588,210)	(231,440)
Proceeds from the sale of investments	2,394,589	200,833
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(7,566,732)	(242,615)
CASH FLOWS FROM FINANCING ACTIVITIES:		
None	-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE U.S.	155,813	(1,259,568)
CASH AND CASH EQUIVALENTS IN THE U.S.:		
Beginning of year	8,091,109	9,350,677
End of year	\$ 8,246,922	\$ 8,091,109

See accompanying notes to financial statements.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of the Organization, Nature of Activities and Principles of Consolidation:

Population Media Center, Inc. (“PMC” or “the Center”) was incorporated in Vermont in 1998 with the mission of working worldwide to stabilize human population at levels that can be sustained by the world’s natural resources. To fulfill its mission, the Center concentrates on entertainment broadcasting designed to educate people about the benefits of small families, encourage the use of effective family planning methods, elevate the status of women and promote the concept of gender equity. The Center’s operations are headquartered in South Burlington, Vermont and it employs staff there who work in program development, fundraising and administrative support. PMC has contract employees and sub-contracted “country directors” in a number of other countries working on major multi-year media development projects tailored for the local cultures.

Incorporated in Washington, D.C. in 1969, Population Institute, Inc.’s (“PI” or “the Institute”) mission is to improve the health and wellbeing of people and the planet by supporting policies and programs that promote sexual and reproductive health and rights.

In June 2008, the Institute amended its bylaws to become a membership organization with PMC as its sole member. No consideration was transferred pursuant to the transaction and the two entities continue to operate with a high level of autonomy. Under U.S. generally accepted accounting principles in effect at the time, the transaction was accounted for under the “carryover” method. The consolidated financial statements include the accounts of PMC and its wholly controlled subsidiary, PI (together “the Organization”). All significant inter-company accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor-imposed restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Restricted contributions whose restrictions are met in the same period as received are shown as increases in temporarily restricted net assets with a corresponding transfer to unrestricted net assets. The transfer of assets with donor-imposed conditions is accounted for as a refundable advance, instead of as a contribution, until the conditions have been substantially met.

Cash and cash equivalents:

The Organization treats all U.S. cash accounts, checking, savings, money market, and other cash funds with an initial maturity of three months or less (except for money funds in the investment portfolio and in board designated restricted funds) as cash and cash equivalents for purposes of the Statement of Cash Flows.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of programs:

A description of the programs included in these financial statements is as follows:

“General Program Development” – With the purposes described above, PMC continues to initiate media projects in Asia, Africa and Latin America and in the U.S. This ongoing exploratory, development and support work includes meetings with government officials, broadcasters and non-governmental organizations, assessment of mass media regarding coverage of relevant information and audience penetration, and other research and development activities. While in the development stages, the Center classifies these projects, as “General Program Development”.

“Public Outreach” – This category of program activities includes speaking and writing work done by PMC staff as well as the program-related portion of the website, newsletters, annual report and other communication efforts. All of PI’s various programs, including the annual “Global Media Awards” are included in this category.

“National and International Initiatives” – In addition to PMC’s work through its own contract employees in Ethiopia, Burundi, the Democratic Republic of Congo, Nigeria, Rwanda, Nepal, and the U.S., the Organization is working through its “country directors”, its own employees and others to establish and expand specific media projects in a number of other countries and regions (including Mexico, Guatemala and the Philippines) each with the goal of working with broadcasters and human-service organizations to promote small family norms and the avoidance of adolescent parenthood, each tailored to the local culture.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using estimated market interest rates applicable to the years in which the promises are received. Any amortization of these discounts would be reflected in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

Expense Allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Refundable Advances:

Refundable advances represent certain government and institutional grants that are conditioned upon the Organization incurring qualifying costs. Income is recognized as the qualifying costs are incurred.

Comparative financial 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. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 - INCOME TAXES

Both PMC and PI are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code, and are classified as publicly supported organizations under Section 509(a)(1). Contributions to each qualify for the charitable contribution deduction under Internal Revenue Code Section 170(b)(1)(A).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any "uncertain tax positions" that are material to the financial statements.

NOTE 3 – DONATED SERVICES, FACILITIES AND MATERIALS

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. PMC and PI do receive, both in the U.S. and other countries, hundreds of hours of volunteer program-related services and substantial amounts of donated airtime and production and support, which are not recognized in the financial statements because they do not meet the criteria for recognition under U.S. generally accepted accounting principles or cannot be reasonably determined.

NOTE 4 – PENSION PLAN

The Organization maintains 401(k) pension plans for the benefit of its U.S. employees. After six months of employment, all regular U.S. based employees between the ages of 21 and 70 and working more than 20 hours per week are eligible to participate in the plan, which allows employee deferrals and includes employer contributions equal to 8% of the covered employee's compensation. Employer contributions to the pension plan were \$116,068 in 2016 and \$136,045 in 2017.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 – CONCENTRATION OF CASH ON DEPOSIT

The Organization has concentrated its credit risk by maintaining deposits in 1) U.S. financial institutions that, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC), 2) brokerage accounts covered by private insurance, and 3) foreign accounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any unreasonable credit risk to cash.

NOTE 6 – CHARITABLE GIFT ANNUITIES

PI administers several charitable gift annuities (“CGAs”) that provide for payment of distributions to the grantor or other designated beneficiaries over the agreement’s term (usually the designated beneficiary’s lifetime). At the end of the CGA’s term, the remaining assets are available for the Organization’s use. No agreements were established in 2016 or 2017. Charitable gift annuity assets, held in a separate investment account and administered by a third-party trustee, are reported at fair market value (determined by “Level 1” inputs by reference to quoted market prices) in the Organization’s Statement of Financial Position. On an annual basis, the Organization revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$6,470 and \$7,190 at December 31, 2017 and 2016, respectively) is calculated using a discount rate of 1% and applicable mortality tables. “Change in liability – charitable gift annuities” on the Statement of Activities is the change in the present value of the liability (a decrease of \$760 for 2017 and \$790 for 2016) *net of investment income* from the charitable gift annuity assets (\$760 and \$410 for the years ended December 31, 2017 and 2016, respectively).

NOTE 7 – OPERATING LEASES

PMC rents office space under a non-cancelable lease expiring in July 2021. Minimum annual lease payments for 2018 through 2021 (not including allocable common area charges - approximately \$1,700 per month as of 2017) are \$43,525, \$44,615, \$45,729 and \$27,067, respectively. PMC also rents office space in several foreign countries under leases generally with non-cancelable terms under one year. Future minimum lease payments are considered immaterial.

Rent paid on all leases (including other informal rental arrangements) totaled \$189,362 in 2016 and \$176,556 in 2017.

NOTE 8 – RELATED PARTY TRANSACTIONS

The only direct financial transactions (all of which have been eliminated in consolidation) between PMC and PI in 2016 were \$337,331 in grants paid by PMC to PI (including \$108,517 in grants receivable and accounts payable on PI’s and PMC’s Statements of Financial Position at December 31, 2016). There were no direct financial transactions between PMC and PI in 2017.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 9 – TEMPORARILY RESTRICTED AND BOARD-DESIGNATED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31st:

	<u>2017</u>	<u>2016</u>
For PMC National Initiatives in:		
Western hemisphere	\$ 10,633,334	\$ 8,911,496
Nepal	546,111	904,145
Burundi	535,001	175,001
Rwanda	227,575	114,000
Nigeria	191,957	448,068
Democratic Republic of Congo	50,000	249,824
Restricted to future time periods	80,072	-
For specific PI projects	<u>25,562</u>	<u>33,150</u>
	<u>\$ 12,289,612</u>	<u>\$ 10,835,684</u>

\$578,072 of the \$12,289,612 in temporarily restricted net assets at December 31, 2017 (\$958,051 of the \$10,835,684 at December 31, 2016) were represented by amounts in *grants, contributions and bequests receivable* at year-end, as discussed below.

NOTE 10 – CASH, FOREIGN OPERATIONS & CURRENCY TRANSLATIONS

As discussed above, a significant portion of PMC’s activities are conducted outside the U.S. with approximate amounts of direct expenses incurred by PMC staff and consultants (and including amounts wired from the U.S. directly to contractors, radio stations and landlords in foreign countries) as follows:

	<u>2017</u>	<u>2016</u>
Nigeria	\$ 943,000	\$ 636,000
Democratic Republic of Congo	490,000	811,000
Burundi	406,000	482,000
Nepal	285,000	322,000
Ethiopia	249,000	185,000
Rwanda	243,000	-
	<u>\$ 2,616,000</u>	<u>\$ 2,436,000</u>

The Center also has cash on hand as of December 31st as follows:

	<u>2007</u>	<u>2016</u>
Nigeria	\$ 71,726	\$ 603
Burundi	13,856	425
Nepal	11,032	4,964
Hong Kong (for work in Asia)	3,747	66,955
Uganda	8,000	-
Ethiopia	2,821	18,258
Democratic Republic of Congo	<u>2,215</u>	<u>797</u>
	<u>\$ 113,397</u>	<u>\$ 92,002</u>

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10 – CASH, FOREIGN OPERATIONS & CURRENCY TRANSLATIONS (continued)

Currency translation adjustments were immaterial in both 2016 and 2017.

NOTE 11 – GRANTS, CONTRIBUTIONS AND BEQUESTS RECEIVABLE

Unconditional grants, contributions and bequests receivable, which are included in the financial statements, consisted of the following as of December 31st:

	<u>2017</u>	<u>2016</u>
Unrestricted		
Expended and due on conditional grants	\$ 173,423	\$ 221,898
Bequests receivable	166,900	258,793
Other unrestricted	11,030	39,509
Temporarily restricted:		
For work in Rwanda	223,000	52,000
For work in Burundi	125,000	175,000
For work in Guatemala	100,000	100,000
For work in the Democratic Republic of Congo	50,000	349,824
For work in Nepal	-	381,227
For future time periods	<u>80,072</u>	<u>-</u>
Total unconditional promises to give	\$ <u>929,425</u>	\$ <u>1,578,251</u>
Receivable in less than one year	\$ 779,353	\$ 1,578,251
Receivable in one to five years	<u>150,072</u>	<u>-</u>
Total unconditional promises to give	929,425	1,578,251
Less discounts to present value	-	-
Less allowance for uncollectible amounts	<u>(100,000)</u>	<u>(100,000)</u>
Net unconditional promises to give	\$ <u><u>829,425</u></u>	\$ <u><u>1,478,251</u></u>

Conditional promises to give at December 31, 2017 included the balance of funding on a number of reimbursement-type and other conditional grants (from international and U.N. agencies and from major private foundations) – over \$228,000 from two organizations for work in Nigeria and over \$544,000 from two other organizations for work in Burundi. Conditional promises to give are not recorded until the conditions have been substantially met (the funds have been expended pursuant to the conditions of the grant).

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31st:

	<u>2017</u>	<u>2016</u>
Land, buildings and improvements	\$ 1,259,725	\$ 1,890,011
Office furniture, equipment and website	<u>154,356</u>	<u>156,563</u>
Subtotal	1,414,081	2,046,574
Less - accumulated depreciation	<u>(564,578)</u>	<u>(852,339)</u>
Net equipment	<u>\$ 849,503</u>	<u>\$ 1,194,235</u>

Additions to equipment are recorded at cost when purchased and at market value when donated. Depreciation, amounting to \$64,894 for 2016 and \$57,079 for 2017, is recorded on a straight-line basis over the estimated useful lives of the assets (ten to forty years for U.S. buildings and improvements, three to seven years for U.S. equipment and two to three years for all assets in other countries).

In March 2017, Population Institute sold one of its two adjoining townhouses on Capitol Hill recognizing a gain of approximately \$1,062,000 (gross selling price of \$1,520,000 less selling expenses and seller credits of \$164,000 less cost basis of the property (net of accumulated depreciation) of \$294,000).

NOTE 13 – INVESTMENTS

The cost, fair market value (determined by “Level 1” inputs by reference to quoted market prices), and unrealized appreciation / (depreciation) of PMC’s investments, by investment class, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
As of December 31, 2017:			
Money funds	\$ 154,738	\$ 154,738	\$ -
Fixed income securities & mutual funds	6,140,728	6,146,258	5,530
Equities & equity mutual funds	<u>933,641</u>	<u>1,242,124</u>	<u>308,483</u>
	<u>\$ 7,229,107</u>	<u>\$ 7,543,120</u>	<u>\$ 314,013</u>
As of December 31, 2016:			
Money funds	\$ 7,581	\$ 7,581	\$ -
Fixed income securities & mutual funds	2,402,079	2,402,275	196
Equities & equity mutual funds	<u>552,746</u>	<u>750,332</u>	<u>197,586</u>
	<u>\$ 2,962,406</u>	<u>\$ 3,160,188</u>	<u>\$ 197,782</u>

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 13 – INVESTMENTS (continued)

Net investment income is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 55,912	\$ 27,805
Realized & unrealized gains / (losses)	189,311	50,830
Investment fees	<u>(12,803)</u>	<u>(7,531)</u>
Net gain (loss) on investments	<u>\$ 232,420</u>	<u>\$ 71,104</u>

NOTE 14 – PMC EDUCATION ENTERTAINMENT IN THE U.S.

In 2010, PMC began developing – as it has done for years overseas – a serial drama for the U.S. market targeting Spanish-speaking youth. The first season of the series was produced in 2012 and began streaming online in 2013 via a major online “content distributor.” PMC’s total development costs for the first season of the serial (“Season One”) were over \$3,000,000. Though U.S. generally accepted accounting principles require entities in the “film and production industry” to capitalize intangible development costs and amortize the costs based on expected future revenue, PMC had no reasonable expectation of significant future revenue and therefore expensed the development costs as incurred.

The revenue return for Season One exceeded expectations. PMC’s royalty revenue has totaled nearly \$3,527,000 through the end of 2017 (\$554,251 for 2017 and \$1,054,817 for 2016 including \$126,742 in net royalties receivable at December 31, 2017 (\$523,228 at December 31, 2016)). PMC also earned royalties on distribution outside the U.S. in 2017 of \$69,451 (all of which was in net royalties receivable at December 31, 2017).

PMC entered into license agreements with a for-profit production company for brokering the distribution of Season One, for producing and brokering the distribution of Season Two and subsequent seasons, and for marketing the distribution of the series overseas. Under the agreements, PMC retains ownership of the intellectual property, creative control and budget rights, and the production company receives a commission on the royalties from advertising revenue. For Seasons Two, Three and Four, the online content distributor has paid, and continues to pay, the majority of production costs. PMC’s expectations for future revenue are much different for Seasons Two, Three and Four. No royalties are due until the online content distributor has recouped all of its production, marketing and distribution costs (estimated at over \$14 million) with eventually approximately 14% of any residual revenue to be received by PMC. Though PMC has incurred nearly \$2,500,000 in pre-production development costs for Seasons Two through Four, due to the nature of the agreement with the online content distributor, PMC believes it has no reasonable expectation of future revenue from Seasons Two through Four and has again expensed the development costs as incurred.

In 2015, PMC began development and production activities on a serial drama based in New York City, incurring direct expenses of approximately \$588,000 in 2017 and \$1,224,000 in 2016. Again, PMC has no reasonable expectation of significant future revenue and therefore has expensed the development costs as incurred.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 15 – CONCENTRATION OF REVENUE

The Organization received \$9,000,000 in contributions from one individual donor (via a donor-advised fund at a community foundation) during 2017 - an amount representing approximately 60% of its total revenue for the year (\$2,000,000 and 26% for 2016).

NOTE 16 – BOARD DESIGNATED NET ASSETS

In 2007, the PMC board of directors established a “board designated endowment” for the long-term benefit of the Center. An opening deposit of \$700,000 was made in early 2008 to the separate investment account that houses the endowment (see Note 13). The balance in the account was \$1,171,055 at December 31, 2017 (\$1,021,269 at December 31, 2016).

In 2017, PI established, using \$1,300,000 in proceeds from the sale of real property discussed in Note 12, its own board designated endowment (for the long-term benefit of the Institute) with funds deposited into a separate investment account (see Note 13). The balance in the account was \$1,343,863 at December 31, 2017.

In 2017, using non-specifically restricted amounts included in the contributions discussed in Note 15, PMC and PI both created “board designated restricted funds” designated for the support of targeted programmatic activities:

- \$2,000,000 fund at PMC created in 2017 is invested in several money market and checking accounts. No amounts were released to operations in 2017.
- \$3,000,000 at PI created in 2017 is also invested in several money market and checking accounts. \$426,351 was released from the fund in 2017.

NOTE 17 - SUBSEQUENT EVENTS AND REPORT ISSUANCE DATE

Management has evaluated events subsequent to December 31, 2017 through June 26, 2018 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	PMC	PI	Eliminations	PMC & Subsidiary
ASSETS				
Cash and cash equivalents in the U.S.	\$ 7,762,665	\$ 484,257	\$ -	\$ 8,246,922
Cash - board designated restricted funds	2,000,000	2,573,649	-	4,573,649
Cash in other countries	113,397	-	-	113,397
Certificates of deposit	499,002	-	-	499,002
Prepaid expenses and advances	107,710	10,780	-	118,490
Royalty income receivable	196,194	-	-	196,194
Grants, contributions and bequests receivable	662,525	166,900	-	829,425
Investments	6,199,257	1,343,863	-	7,543,120
Investments - charitable gift annuities	-	8,987	-	8,987
Property and equipment, net of depreciation	27,591	821,912	-	849,503
TOTAL ASSETS	\$ 17,568,341	\$ 5,410,348	\$ -	\$ 22,978,689
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 32,448	\$ 15,093	\$ -	\$ 47,541
Accrued expenses	381,089	13,420	-	394,509
Refundable advances	45,475	-	-	45,475
Liability - charitable gift annuities	-	6,470	-	6,470
Total Liabilities	459,012	34,983	-	493,995
Net Assets:				
Unrestricted:				
Operating	1,646,633	610,379	-	2,257,012
Board designated endowment	1,171,055	1,343,863	-	2,514,918
Board designated restricted funds	2,000,000	2,573,649	-	4,573,649
Investment in property and equipment	27,591	821,912	-	849,503
Temporarily restricted	12,264,050	25,562	-	12,289,612
Permanently restricted	-	-	-	-
Total Net Assets	17,109,329	5,375,365	-	22,484,694
TOTAL LIABILITIES AND NET ASSETS	\$ 17,568,341	\$ 5,410,348	\$ -	\$ 22,978,689

POPULATION MEDIA CENTER, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	PMC			PI			Eliminations	PMC & Subsidiary
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
Support and revenue:								
Contributions, grants and bequests	\$ 3,377,202	\$ 6,283,298	\$ 9,660,500	\$ 3,151,771	\$ 3,250	\$ 3,155,021	\$ -	\$ 12,815,521
Royalty income	623,702	-	623,702	-	-	-	-	623,702
Investment income	188,557	-	188,557	43,863	-	43,863	-	232,420
Interest and other income	164,377	-	164,377	6,169	-	6,169	-	170,546
Gain on the sale of real property	-	-	-	1,062,124	-	1,062,124	-	1,062,124
Net assets released from restrictions:								
Transfers to fulfill purpose restrictions	4,821,782	(4,821,782)	-	10,838	(10,838)	-	-	-
Total support and revenue	9,175,620	1,461,516	10,637,136	4,274,765	(7,588)	4,267,177	-	14,904,313
Expenses and losses:								
Program services:								
National and international initiatives	5,139,781	-	5,139,781	-	-	-	-	5,139,781
Public outreach	153,542	-	153,542	638,671	-	638,671	-	792,213
General program development	973,997	-	973,997	-	-	-	-	973,997
Supporting services:								
Management and general	348,549	-	348,549	156,227	-	156,227	-	504,776
Fundraising	336,930	-	336,930	36,612	-	36,612	-	373,542
Change in CGA liability	-	-	-	-	-	-	-	-
Total expenses and losses	6,952,799	-	6,952,799	831,510	-	831,510	-	7,784,309
Change in net assets	2,222,821	1,461,516	3,684,337	3,443,255	(7,588)	3,435,667	-	7,120,004
Net assets, beginning of the year	2,622,458	10,802,534	13,424,992	1,906,548	33,150	1,939,698	-	15,364,690
Net assets, end of the year	\$ 4,845,279	\$ 12,264,050	\$ 17,109,329	\$ 5,349,803	\$ 25,562	\$ 5,375,365	\$ -	\$ 22,484,694