

FREE SPIRIT MEDIA, NFP
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010

(With summarized comparative information
for the fiscal year ended June 30, 2009)

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Independent Auditor's Report

Board of Directors
Free Spirit Media, NFP
1817 S. California
Chicago, Illinois 60608-2402

I have audited the accompanying statement of financial position of Free Spirit Media, NFP (FSM), an Illinois not-for-profit organization, as of June 30, 2010, and related statements of activities, functional expenses, and cash flows for the fiscal year then ended. These statements are the responsibility of FSM's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FSM as of June 30, 2010, and the changes in its net assets, and cash flows for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from FSM's June 30, 2009 financial statements and, in my report dated August 27, 2009, I expressed an unqualified opinion on those financial statements.

James M. Babic, PC

August 31, 2010

FREE SPIRIT MEDIA, NFP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2010
(With summarized comparative totals as of June 30, 2009)

	June 30, 2010			Total as of June 30, 2009
	Unrestricted	Temporarily Restricted	Total	
<u>ASSETS</u>				
Current assets:				
Cash (Note 6)	\$ 212,522	\$ 97,000	\$ 309,522	\$ 291,743
Grant and contract fees receivable	60,603	26,000	86,603	76,260
Pledge receivable within one year	-	100,000	100,000	-
Prepaid expenses and other	8,010	-	8,010	4,284
Total current assets	281,135	223,000	504,135	372,287
Video production and office equipment, net of accumulated depreciation (Note 7)	63,836	-	63,836	81,211
Other assets:				
Certificate of deposit, original term to maturity of two years	125,630	-	125,630	-
Total assets	<u>\$ 470,601</u>	<u>\$ 223,000</u>	<u>\$ 693,601</u>	<u>\$ 453,498</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 14,473	\$ -	\$ 14,473	\$ 12,149
Accrued expenses	24,565	-	24,565	18,170
Total current liabilities	39,038	-	39,038	30,319
Net assets	431,563	223,000	654,563	423,179
Total liabilities and net assets	<u>\$ 470,601</u>	<u>\$ 223,000</u>	<u>\$ 693,601</u>	<u>\$ 453,498</u>

The accompanying notes are an integral part of these financial statements

FREE SPIRIT MEDIA, NFP
STATEMENT OF ACTIVITIES
AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With summarized comparative totals for the fiscal year ended June 30, 2009)

	<u>Fiscal Year Ended June 30, 2010</u>			Total for Fiscal Year Ended Ended June 30, 2009
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	
Public support and revenue:				
Public support:				
Grants and contributions (Note 8)	\$ 266,157	\$ 223,000	\$ 489,157	\$ 206,815
Grants and contributions, in-kind (Note 8)	1,833	-	1,833	2,718
Fundraising events, net of direct expenses (Note 9)	46,486	-	46,486	33,494
Total public support	<u>314,476</u>	<u>223,000</u>	<u>537,476</u>	<u>243,027</u>
Net assets released from restrictions upon satisfaction of program requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenue:				
Contract fees and awards (Note 8)	311,193	-	311,193	336,862
Product sales	60	-	60	130
Interest income	2,993	-	2,993	2,692
Expense reimbursements and other	6,690	-	6,690	3,947
Gain on insurance claim (Note 10)	65	-	65	-
Total revenues	<u>321,001</u>	<u>-</u>	<u>321,001</u>	<u>343,631</u>
Total public support and revenues	<u>635,477</u>	<u>223,000</u>	<u>858,477</u>	<u>586,658</u>
Expenses:				
Program services:				
In-school programs	210,737	-	210,737	168,487
After-school and summer programs	310,386	-	310,386	309,405
Other	32,113	-	32,113	36,364
Total program services expenses	<u>553,236</u>	<u>-</u>	<u>553,236</u>	<u>514,256</u>
Supporting services:				
General management & administration	25,942	-	25,942	30,256
Fund raising	47,915	-	47,915	13,773
Total supporting services expenses	<u>73,857</u>	<u>-</u>	<u>73,857</u>	<u>44,029</u>
Total expenses	<u>627,093</u>	<u>-</u>	<u>627,093</u>	<u>558,285</u>
Net increase in net assets	8,384	223,000	231,384	28,373
Net assets:				
Beginning of the year	<u>423,179</u>	<u>-</u>	<u>423,179</u>	<u>394,806</u>
End of the year	<u>\$ 431,563</u>	<u>\$ 223,000</u>	<u>\$ 654,563</u>	<u>\$ 423,179</u>

The accompanying notes are an integral part of these financial statements

FREE SPIRIT MEDIA, NFP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(With comparative totals for the fiscal year ended June 30, 2009)

	PROGRAM SERVICES				SUPPORTING SERVICES			GRAND TOTALS	
	In-School Programs	After- School and Summer Programs	Special Projects	Total Program Services	General Mgmt. & Admin.	Fund-Raising	Total Supporting Services	2010	2009
Staff salaries	\$ 149,533	\$ 217,813	\$ 22,726	\$ 390,072	\$ 20,550	\$ 38,227	\$ 58,777	\$ 448,849	\$ 374,796
Employer payroll taxes	13,398	19,303	2,226	34,927	1,737	3,225	4,962	39,889	34,392
Staff fringe benefits	13,550	3,393	383	17,326	176	331	507	17,833	11,227
Contract services and stipends	1,056	1,950	2,022	5,028	88	266	354	5,382	18,980
Professional fees	1,831	3,050	151	5,032	369	464	833	5,865	12,746
Program expenses	10,725	20,569	1,280	32,574	-	15	15	32,589	27,404
Facility occupancy (Note 5)	-	-	-	-	-	-	-	-	-
Insurance	2,084	3,019	311	5,414	280	529	809	6,223	3,652
Supplies	489	716	73	1,278	56	132	188	1,466	1,351
Travel	1,925	3,380	919	6,224	189	456	645	6,869	10,488
Equipment rent & maintenance	1,393	13,341	685	15,419	-	-	-	15,419	11,334
Equipment, in-kind (Note 8)	-	1,833	-	1,833	-	-	-	1,833	2,718
Depreciation	9,332	10,932	470	20,734	423	800	1,223	21,957	21,080
Telecommunications	2,218	3,214	331	5,763	298	564	862	6,625	6,172
Postage and courier	397	665	75	1,137	53	136	189	1,326	1,318
Printing and reproduction	311	450	46	807	42	156	198	1,005	1,573
Marketing and media outreach	1,896	2,974	283	5,153	254	2,041	2,295	7,448	13
Conference & meetings	361	492	97	950	172	143	315	1,265	5,297
Van operations, repairs, and maintenance	-	2,977	8	2,985	-	-	-	2,985	2,938
Retraction of pledge	-	-	-	-	-	-	-	-	10,000
Miscellaneous	238	315	27	580	1,255	430	1,685	2,265	806
Total functional expenses	\$ 210,737	\$ 310,386	\$ 32,113	\$ 553,236	\$ 25,942	\$ 47,915	\$ 73,857	\$ 627,093	\$ 558,285

The accompanying notes are an integral part of these financial statements

FREE SPIRIT MEDIA, NFP
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2010 AND JUNE 30, 2009

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 231,384	\$ 28,373
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	21,957	21,080
Gain on insurance claim (Note 9)	(65)	-
(Increase) decrease in:		
Grant and contract fees receivable	(10,343)	26,389
Pledge receivable	(100,000)	20,000
Prepaid expenses and other	(3,726)	(84)
Increase (decrease) in:		
Accounts payable	2,324	(16,687)
Accrued expenses	6,395	3,869
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>147,926</u>	<u>82,940</u>
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of equipment	(8,725)	(42,398)
Purchase certificate of deposit	(125,630)	-
Proceeds from insurance claim	4,208	-
Net cash used in investing activities	<u>(130,147)</u>	<u>(42,398)</u>
NET INCREASE IN CASH	17,779	40,542
CASH, BEGINNING OF THE YEAR	<u>291,743</u>	<u>251,201</u>
CASH, END OF THE YEAR	<u>\$ 309,522</u>	<u>\$ 291,743</u>

The accompanying notes are an integral part of these financial statements

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - HISTORY AND NATURE OF THE ORGANIZATION

Free Spirit Media, NFP (FSM) was incorporated on May 23, 2001 under the 1987 General Not-For-Profit-Act of Illinois. FSM provides disadvantaged Chicago high school students with hands-on video production education.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the accrual basis of accounting.

Basis of presentation

Financial statement presentation follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958-605 and No. 958-205.

Under FASB ASC No. 958-605 contributions are recognized in the period received, or in the period in which an unconditional promise to give is made.

Under FASB ASC 958-205, FSM is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of net assets as unrestricted, temporarily restricted, or permanently restricted is based on the absence or existence of donor imposed restrictions.

Donor-imposed restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, restricted support that is received and fulfilled within the same fiscal year is reported as unrestricted.

Income taxes

FSM is exempt from federal taxes under Section 501(c)3 of the Internal Revenue Code. It qualifies for charitable contributions under Section 170(b)(1)(A), and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles may require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures. Actual results could differ from those estimates.

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board.

Expense allocation

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

Subsequent Events

FSM has evaluated subsequent events through August 31, 2010, the date financial statements were available to be issued.

FREE SPIRIT MEDIA, NFP
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized information presented for comparative purposes. Such comparative information is in total but not by net asset class, and therefore, does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FSM's financial statements for the fiscal year ended June 30, 2009, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2010 are available for the following specific program services:

Broadcast journalism program at Chicago Public Schools	\$	150,000
Support media arts programs at Chicago Public Schools		58,000
After-school and summer programs		15,000
Total temporarily restricted net assets	\$	<u>223,000</u>

NOTE 5 - FACILITY OCCUPANCY AGREEMENT

FSM's primary office space is located within North Lawndale College Preparatory Charter High School (NLCPCHS). Under a verbal agreement between NLCPCHS and FSM, FSM can use designated office space for no charge on a month-to-month basis. Since the value of this office space utilized by FSM cannot be objectively measured, the financial statements do not include a provision for the use of this office space.

NOTE 6 - CONCENTRATION OF RISK

Cash consists of demand deposits in financial institutions. In the fall of 2008 the U.S. Congress temporarily increased the basic FDIC insurance coverage limit from \$100,000 to \$250,000, effective through December 31, 2010. At various times during the fiscal year the balances of these demand deposit accounts exceeded the federally insured limit. As of June 30, 2010 FSM's bank balances exceeded the federally insured limit by \$29,811.

NOTE 7 - VIDEO PRODUCTION AND OFFICE EQUIPMENT, net of accumulated depreciation

Purchased video production and office equipment is recorded at cost. Contributed video production and office equipment is recorded at the estimated fair market value on the date of receipt. Depreciation is provided on a straight-line basis over the estimated five-year useful life of the asset. Generally FSM capitalizes asset purchases with a cost or estimated fair market value of \$1,000 or more. As of June 30, 2010 and June 30, 2009 video production and office equipment and related accumulated depreciation were as follows:

		<u>06/30/2010</u>		<u>06/30/2009</u>
Video production and office equipment, at cost	\$	125,683	\$	123,518
Less accumulated depreciation		<u>61,847</u>		<u>42,307</u>
Video production and office equipment at cost, net of accumulated depreciation	\$	<u>63,836</u>	\$	<u>81,211</u>

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - GRANTS AND CONTRIBUTIONS, AND CONTRACT FEES AND AWARDS

FSM recognized grants and contributions, and contract fees and awards from the following benefactors for the fiscal years ended June 30, 2010 and June 30, 2009:

<u>Grants and contributions:</u>	<u>06/30/2010</u>	<u>06/30/2009</u>
Best Buy Children's Foundation	\$ -	\$ 8,000
Chicago Community Trust	50,000	-
Field Foundation of Illinois	15,500	15,000
Illinois Arts Council	5,380	6,680
Issue Lab	5,100	-
Joyce Foundation	20,140	-
Kraft Employees Fund	-	20,000
Mardi Gras Foundation	6,500	5,000
Mayer & Morris Kaplan Family Foundation	20,000	10,000
McCormick Foundation	200,000	50,500
Nike	7,924	-
Polk Bros. Foundation	30,000	25,000
Polsky Foundation	10,000	-
Steans Family Foundation	32,175	15,000
Individual(s), each \$5,000 or more	45,988	33,000
Others under \$5,000 each	40,450	18,635
Total grants and contributions	<u>\$ 489,157</u>	<u>\$ 206,815</u>
<u>Grants and contributions, in-kind:</u>	<u>06/30/2010</u>	<u>06/30/2009</u>
CAN-TV, estimated value of video production equipment		
on loan to FSM	<u>\$ 1,833</u>	<u>\$ 2,718</u>

The estimated value of video production equipment on loan per above is reflected as revenue and a corresponding expenditure, resulting in a zero effect of net assets.

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - GRANTS AND CONTRIBUTIONS AND CONTRACT FEES AND AWARDS (continued)

<u>Contract fees and awards:</u>	<u>06/30/2010</u>	<u>06/30/2009</u>
After School Matters	\$ 113,418	\$ 123,223
Career Builder	23,000	-
Chicago Public Schools	20,262	13,000
Columbia College Chicago	4,174	6,750
Gary Comer College Prep	6,000	-
Gary Comer Youth Center	30,000	-
Metropolitan Planning Council	-	10,000
North Lawndale College Preparatory Charter High School	78,185	93,685
Northwestern University	-	67,602
Power House High School	15,700	-
Umoja Student Development Corporation	-	6,675
Others under \$5,000 each	20,454	15,927
Total contract fees and awards	<u>\$ 311,193</u>	<u>\$ 326,862</u>

NOTE 9 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2010 and June 30, 2009 are as follows:

<u>Revenues:</u>	<u>06/30/2010</u>	<u>06/30/2009</u>
Ticket sales, raffle, and auction	\$ 13,014	\$ 7,150
Sponsorship and contributions (See Note 9-A)	47,330	38,313
Total revenues	60,344	45,463
 <u>Expenses:</u>		
Catering, printing, and other	13,858	11,969
Revenues net of expenses	<u>\$ 46,486</u>	<u>\$ 33,494</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - FUNDRAISING EVENTS, net of direct expenses (Continued from the preceding page)

Note 9-A - Sponsorship and contributions

The below-listed benefactors provided sponsorship and contribution support for fundraising events held by FSM during the fiscal years ended June 30, 2010 and June 30, 2009:

<u>Fundraising Event Sponsorship and Contributions:</u>	<u>06/30/2010</u>	<u>06/30/2009</u>
Northern Trust Company	\$ 5,000	\$ -
United Parcel Service	5,000	-
William Blair & Company Foundation	5,000	-
Others under \$5,000 each (both years)	32,330	38,313
Total fundraising event sponsorship and contributions	<u>\$ 47,330</u>	<u>\$ 38,313</u>

NOTE 10 - GAIN ON INSURANCE CLAIM

During the fiscal year ended June 30, 2010 FSM received a \$4,208 insurance claim reimbursement for stolen video production equipment with a net book value of \$4,143. The net gain realized on this claim was \$65.