

FREE SPIRIT MEDIA, NFP
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

(With summarized comparative information
for the fiscal year ended June 30, 2010)

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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, 2011, 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, 2011, 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, 2010 financial statements and, in my report dated August 31, 2010, I expressed an unqualified opinion on those financial statements.

James M. Babic, PC

August 3, 2011

FREE SPIRIT MEDIA, NFP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011
(With summarized comparative totals as of June 30, 2010)

	June 30, 2011			Total as of June 30, 2010
	Unrestricted	Temporarily Restricted	Total	
<u>ASSETS</u>				
Current assets:				
Cash (Note 6)	\$ 252,434	\$ 117,240	\$ 369,674	\$ 309,522
Grant and contract fees receivable	65,194	87,240	152,434	86,603
Pledge receivable within one year	-	25,000	25,000	100,000
Prepaid expenses and other	13,301	-	13,301	8,010
Total current assets	330,929	229,480	560,409	504,135
Video production and office equipment, net of accumulated depreciation (Note 7)	52,877	-	52,877	63,836
Other assets:				
Certificate of deposit, original term to maturity of two years	128,162	-	128,162	125,630
Pledge receivable within one to two years	-	25,000	25,000	-
Total other assets	128,162	25,000	153,162	125,630
Total assets	<u>\$ 511,968</u>	<u>\$ 254,480</u>	<u>\$ 766,448</u>	<u>\$ 693,601</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 43,082	\$ -	\$ 43,082	\$ 14,473
Accrued expenses	12,619	-	12,619	24,565
Total current liabilities	55,701	-	55,701	39,038
Net assets	456,267	254,480	710,747	654,563
Total liabilities and net assets	<u>\$ 511,968</u>	<u>\$ 254,480</u>	<u>\$ 766,448</u>	<u>\$ 693,601</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, 2011
(With summarized comparative totals for the fiscal year ended June 30, 2010)

	<u>Fiscal Year Ended June 30, 2011</u>			Total for Fiscal Year Ended Ended June 30, 2010
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Public support and revenue:				
Public support:				
Grants and contributions (Note 8)	\$ 276,653	\$ 204,480	\$ 481,133	\$ 489,157
Contributions, in-kind (Note 8)	14,000	-	14,000	1,833
Fundraising events, net of direct expenses (Note 9)	60,573	-	60,573	46,486
Total public support	<u>351,226</u>	<u>204,480</u>	<u>555,706</u>	<u>537,476</u>
Net assets released from restrictions upon satisfaction of program requirements	<u>173,000</u>	<u>(173,000)</u>	<u>-</u>	<u>-</u>
Revenue:				
Contract fees and awards (Note 8)	398,011	-	398,011	311,193
Product sales	105	-	105	60
Interest income	3,854	-	3,854	2,993
Expense reimbursements and other	1,340	-	1,340	6,690
Gain on insurance claim (Note 10)	-	-	-	65
Total revenues	<u>403,310</u>	<u>-</u>	<u>403,310</u>	<u>321,001</u>
Total public support and revenues	<u>927,536</u>	<u>31,480</u>	<u>959,016</u>	<u>858,477</u>
Expenses:				
Program services:				
In-school programs	299,067	-	299,067	210,737
After-school and summer programs	421,419	-	421,419	310,386
Other	73,167	-	73,167	32,113
Total program services expenses	<u>793,653</u>	<u>-</u>	<u>793,653</u>	<u>553,236</u>
Supporting services:				
General management & administration	39,287	-	39,287	25,942
Fund raising	69,892	-	69,892	47,915
Total supporting services expenses	<u>109,179</u>	<u>-</u>	<u>109,179</u>	<u>73,857</u>
Total expenses	<u>902,832</u>	<u>-</u>	<u>902,832</u>	<u>627,093</u>
Net increase in net assets	24,704	31,480	56,184	231,384
Net assets:				
Beginning of the year	<u>431,563</u>	<u>223,000</u>	<u>654,563</u>	<u>423,179</u>
End of the year	<u>\$ 456,267</u>	<u>\$ 254,480</u>	<u>\$ 710,747</u>	<u>\$ 654,563</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, 2011
(With comparative totals for the fiscal year ended June 30, 2010)

	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	2011	2010
Staff salaries	\$ 217,459	\$ 286,286	\$ 32,950	\$ 536,695	\$ 30,553	\$ 56,400	\$ 86,953	\$ 623,648	\$ 448,849
Employer payroll taxes	21,364	29,963	4,408	55,735	3,008	4,994	8,002	63,737	39,889
Staff fringe benefits	7,648	30,531	2,609	40,788	1,272	1,685	2,957	43,745	17,833
Contract services and stipends	712	2,180	2,935	5,827	102	184	286	6,113	5,382
Professional fees	1,908	2,454	13,829	18,191	273	491	764	18,955	5,865
Consulting, in-kind (Note 8)	5,460	7,420	1,120	14,000	-	-	-	14,000	-
Program expenses	10,609	15,352	3,082	29,043	-	-	-	29,043	32,589
Facility occupancy (Note 5)	-	-	-	-	-	-	-	-	-
Insurance	4,349	5,591	745	10,685	622	1,119	1,741	12,426	6,223
Supplies	464	716	80	1,260	98	174	272	1,532	1,466
Travel	4,289	5,001	3,118	12,408	196	448	644	13,052	6,869
Equipment rent & maintenance	5,995	8,317	4,511	18,823	-	17	17	18,840	15,419
Equipment, in-kind (Note 8)	-	-	-	-	-	-	-	-	1,833
Depreciation	9,188	12,559	1,745	23,492	592	1,065	1,657	25,149	21,957
Telecommunications	2,167	2,786	381	5,334	310	558	868	6,202	6,625
Postage and courier	550	874	124	1,548	86	347	433	1,981	1,326
Printing and reproduction	1,357	1,745	232	3,334	194	466	660	3,994	1,005
Marketing and media outreach	4,068	5,231	741	10,040	581	1,047	1,628	11,668	7,448
Conference & meetings	612	629	338	1,579	595	183	778	2,357	1,265
Van operations, repairs, and maintenance	-	2,665	-	2,665	5	-	5	2,670	2,985
Miscellaneous	868	1,119	219	2,206	800	714	1,514	3,720	2,265
Total functional expenses	\$ 299,067	\$ 421,419	\$ 73,167	\$ 793,653	\$ 39,287	\$ 69,892	\$ 109,179	\$ 902,832	\$ 627,093

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, 2011 AND JUNE 30, 2010

	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 56,184	\$ 231,384
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	25,149	21,957
Gain on insurance claim (Note 9)	-	(65)
(Increase) decrease in:		
Grant and contract fees receivable	(65,831)	(10,343)
Pledge receivable within one year	75,000	(100,000)
Pledge receivable within one to two years	(25,000)	-
Prepaid expenses and other	(5,291)	(3,726)
Increase (decrease) in:		
Accounts payable	28,609	2,324
Accrued expenses	(11,946)	6,395
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,874	147,926
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of equipment	(14,190)	(8,725)
Purchase certificate of deposit	(2,532)	(125,630)
Proceeds from insurance claim	-	4,208
Net cash used in investing activities	(16,722)	(130,147)
NET INCREASE IN CASH	60,152	17,779
CASH, BEGINNING OF THE YEAR	309,522	291,743
CASH, END OF THE YEAR	\$ 369,674	\$ 309,522

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, 2011

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 partners with schools and organizations to provide education, access, and opportunity in media production to under-served urban youth.

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 3, 2011, 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, 2011

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, 2010, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2011 are available for the following specific program services:

Capacity building and field building	\$	100,000
Broadcast journalism program at Chicago Public Schools		50,000
News on the Road		60,000
Arts Infusion Initiative		40,000
Teen Peer-to-Peer		4,480
Total temporarily restricted net assets	\$	254,480

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 - CASH

Cash consists of interest bearing and non-interest bearing demand deposits in financial institutions. Interest bearing demand deposits are insured by the FDIC up to \$250,000. Non-interest bearing demand deposits are insured in full by the FDIC through December 31, 2012. As of June 30, 2011 all of FSM's interest bearing and non-interest bearing demand deposits in financial institutions were fully insured by the FDIC.

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, 2011 and June 30, 2010 video production and office equipment and related accumulated depreciation were as follows:

	06/30/2011	06/30/2010
Video production and office equipment, at cost	\$ 139,873	\$ 125,683
Less accumulated depreciation	86,996	61,847
Video production and office equipment at cost, net of accumulated depreciation	\$ 52,877	\$ 63,836

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011 and June 30, 2010:

<u>Grants and contributions:</u>	<u>06/30/2011</u>	<u>06/30/2010</u>
Chicago Community Trust	\$ 104,480	\$ 50,000
Elizabeth Morse Charitable Trust	75,000	-
Field Foundation of Illinois	500	15,500
Ford Motor Company Fund	7,000	-
Illinois Arts Council	-	5,380
Issue Lab	-	5,100
Joyce Foundation	-	20,140
Mardi Gras Foundation	6,500	6,500
Mayer & Morris Kaplan Family Foundation	20,000	20,000
McCormick Foundation	102,500	200,000
Nike	-	7,924
Polk Bros. Foundation	35,000	30,000
Polsky Foundation	-	10,000
Steans Family Foundation	40,000	32,175
Individuals, each \$5,000 or more	40,041	45,988
Others under \$5,000 each (both years)	50,112	40,450
Total grants and contributions	<u>\$ 481,133</u>	<u>\$ 489,157</u>
<u>Contributions, in-kind:</u>	<u>06/30/2011</u>	<u>06/30/2010</u>
Taproot Foundation, estimated value of consulting services	\$ 14,000	\$ -
CAN-TV, estimated value of video production equipment on loan to FSM	-	1,833
Total contributions, in-kind	<u>\$ 14,000</u>	<u>\$ 1,833</u>

The estimated value of consulting services per above is reflected as revenue and a corresponding expenditure, resulting in a zero effect of net assets.

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, 2011

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

<u>Contract fees and awards:</u>	<u>06/30/2011</u>	<u>06/30/2010</u>
After School Matters	\$ 85,041	\$ 113,418
Career Builder	25,000	23,000
Chicago Public Schools	25,000	20,262
Gary Comer College Prep	6,000	6,000
Gary Comer Youth Center	30,000	30,000
North Lawndale College Preparatory Charter High School	141,640	78,185
Power House High School	47,540	15,700
Transformers 3	11,000	-
Others under \$5,000 each	26,790	24,628
Total contract fees and awards	<u>\$ 398,011</u>	<u>\$ 311,193</u>

NOTE 9 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2011 and June 30, 2010 are as follows:

<u>Revenues:</u>	<u>06/30/2011</u>	<u>06/30/2010</u>
Ticket sales, raffle, and auction	\$ 21,250	\$ 13,014
Sponsorship and contributions (See Note 9-A)	70,155	47,330
Total revenues	91,405	60,344
 <u>Expenses:</u>		
Catering, printing, and other	30,832	13,858
Revenues net of expenses	<u>\$ 60,573</u>	<u>\$ 46,486</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 to fundraising events held by FSM during the fiscal years ended June 30, 2011 and June 30, 2010:

<u>Fundraising Event Sponsorship and Contributions:</u>	<u>06/30/2011</u>	<u>06/30/2010</u>
BMW Mini	\$ 5,000	\$ -
Northern Trust Company	5,000	5,000
United Parcel Service	-	5,000
William Blair & Company Foundation	5,000	5,000
Others under \$5,000 each (both years)	<u>55,155</u>	<u>32,330</u>
Total fundraising event sponsorship and contributions	<u>\$ 70,155</u>	<u>\$ 47,330</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.