

FREE SPIRIT MEDIA, NFP
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(With summarized comparative information
for the fiscal year ended June 30, 2011)

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Independent Auditor's Report

Board of Directors
Free Spirit Media, NFP
1327 W. Washington #103B
Chicago, Illinois 60607

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, 2012, 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, 2012, 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, 2011 financial statements and, in my report dated August 3, 2011, I expressed an unqualified opinion on those financial statements.

James M. Babic, PC

August 10, 2012

FREE SPIRIT MEDIA, NFP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012

(With summarized comparative totals as of June 30, 2011)

	June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Total	as of June 30, 2011
<u>ASSETS</u>				
Current assets:				
Cash (Note 5)	\$ 335,183	\$ 118,000	\$ 453,183	\$ 369,674
Grant and contract fees receivable	140,088	91,381	231,469	152,434
Pledge receivable within one year	-	25,000	25,000	25,000
Prepaid expenses and other	14,036	-	14,036	13,301
Total current assets	489,307	234,381	723,688	560,409
Video production and office equipment, net of accumulated depreciation (Note 6)	54,819	-	54,819	52,877
Other assets:				
Certificate of deposit, original term to maturity of two years	130,391	-	130,391	128,162
Office lease security deposit	500	-	500	-
Pledge receivable within one to two years	-	-	-	25,000
Total other assets	130,891	-	130,891	153,162
Total assets	\$ 675,017	\$ 234,381	\$ 909,398	\$ 766,448
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 53,112	\$ -	\$ 53,112	\$ 43,082
Accrued expenses	16,995	-	16,995	12,619
Deferred revenues (Note 7)	56,202	-	56,202	-
Funds held as custodian (Note 8)	13,075	-	13,075	-
Total current liabilities	139,384	-	139,384	55,701
Net assets	535,633	234,381	770,014	710,747
Total liabilities and net assets	\$ 675,017	\$ 234,381	\$ 909,398	\$ 766,448

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, 2012
(With summarized comparative totals for the fiscal year ended June 30, 2011)

	Fiscal Year Ended June 30, 2012			Total for Fiscal Year Ended Ended June 30, 2011
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue:				
Public support:				
Grants and contributions (Note 9)	\$ 325,259	\$ 209,381	\$ 534,640	\$ 481,133
Contributions, in-kind (Note 9)	63,990	-	63,990	14,000
Fundraising events, net of direct expenses (Note 10)	78,979	-	78,979	60,573
Total public support	<u>468,228</u>	<u>209,381</u>	<u>677,609</u>	<u>555,706</u>
Net assets released from restrictions upon satisfaction of program requirements	<u>229,480</u>	<u>(229,480)</u>	<u>-</u>	<u>-</u>
Revenue:				
Contract fees and awards (Note 9)	488,717	-	488,717	398,011
Product sales	-	-	-	105
Interest income	2,951	-	2,951	3,854
Expense reimbursements and other	17,688	-	17,688	1,340
Total revenues	<u>509,356</u>	<u>-</u>	<u>509,356</u>	<u>403,310</u>
Total public support and revenues	<u>1,207,064</u>	<u>(20,099)</u>	<u>1,186,965</u>	<u>959,016</u>
Expenses:				
Program services:				
In-school programs	340,370	-	340,370	299,067
After-school and summer programs	412,594	-	412,594	421,419
FSM Productions	153,800	-	153,800	-
Special Projects	115,727	-	115,727	73,167
Total program services expenses	<u>1,022,491</u>	<u>-</u>	<u>1,022,491</u>	<u>793,653</u>
Supporting services:				
General management & administration	35,161	-	35,161	39,287
Fund raising	70,046	-	70,046	69,892
Total supporting services expenses	<u>105,207</u>	<u>-</u>	<u>105,207</u>	<u>109,179</u>
Total expenses	<u>1,127,698</u>	<u>-</u>	<u>1,127,698</u>	<u>902,832</u>
Net increase (decrease) in net assets	79,366	(20,099)	59,267	56,184
Net assets:				
Beginning of the year	<u>456,267</u>	<u>254,480</u>	<u>710,747</u>	<u>654,563</u>
End of the year	<u>\$ 535,633</u>	<u>\$ 234,381</u>	<u>\$ 770,014</u>	<u>\$ 710,747</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, 2012
(With comparative totals for the fiscal year ended June 30, 2011)

	PROGRAM SERVICES					SUPPORTING SERVICES			GRAND TOTALS	
	In-School Programs	After- School and Summer Programs	FSM Productions	Special Projects	Total Program Services	General Mgmt. & Admin.	Fund-Raising	Total Supporting Services	2012	2011
Staff salaries	\$ 245,169	\$ 262,025	63,169	\$ 71,582	\$ 641,945	\$ 25,172	\$ 53,670	\$ 78,842	\$ 720,787	\$ 623,648
Employer payroll taxes	23,154	24,406	6,858	6,135	60,553	2,217	4,608	6,825	67,378	63,737
Staff fringe benefits	12,871	34,555	4,862	6,892	59,180	2,509	5,264	7,773	66,953	43,745
Contract services and stipends	7,440	8,936	6,909	594	23,879	67	171	238	24,117	6,113
Professional fees	2,479	2,714	1,614	882	7,689	221	571	792	8,481	18,955
Consulting, in-kind (Note 9)	-	-	56,000	-	56,000	-	-	-	56,000	14,000
Program expenses	18,724	36,434	5,263	18,440	78,861	-	-	-	78,861	29,043
Facility occupancy (Note 11)	1,429	1,581	385	427	3,822	128	320	448	4,270	-
Insurance	4,358	4,787	1,121	3,793	14,059	388	994	1,382	15,441	12,426
Supplies	588	848	462	176	2,074	1,752	130	1,882	3,956	1,532
Travel	3,352	4,491	1,271	1,231	10,345	205	517	722	11,067	13,052
Equipment rent & maintenance	673	732	1,206	198	2,809	159	159	318	3,127	18,840
Depreciation	9,173	12,218	1,840	1,586	24,817	322	860	1,182	25,999	25,149
Telecommunications	2,814	3,415	724	856	7,809	251	641	892	8,701	6,202
Postage and courier	570	675	122	257	1,624	44	318	362	1,986	1,981
Printing and reproduction	3,827	4,226	1,073	1,139	10,265	342	865	1,207	11,472	3,994
Marketing and media outreach	1,512	4,358	388	449	6,707	134	343	477	7,184	11,668
Conference & meetings	1,314	1,450	312	827	3,903	478	418	896	4,799	2,357
Van operations, repairs, and maintenance	-	3,746	-	-	3,746	-	-	-	3,746	2,670
Miscellaneous	923	997	221	263	2,404	772	197	969	3,373	3,720
Total functional expenses	\$ 340,370	\$ 412,594	\$ 153,800	\$ 115,727	\$ 1,022,491	\$ 35,161	\$ 70,046	\$ 105,207	\$ 1,127,698	\$ 902,832

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, 2012 AND JUNE 30, 2011

	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 59,267	\$ 56,184
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	25,999	25,149
Donation of capitalizable video equipment	(7,990)	-
(Increase) decrease in:		
Grant and contract fees receivable	(79,035)	(65,831)
Pledge receivable within one year	-	75,000
Pledge receivable within one to two years	25,000	(25,000)
Prepaid expenses and other	(735)	(5,291)
Office lease security deposit	(500)	-
Increase (decrease) in:		
Accounts payable	10,030	28,609
Accrued expenses	4,376	(11,946)
Deferred revenues	56,202	-
Funds held as custodian	13,075	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>105,689</u>	<u>76,874</u>
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of equipment	(19,951)	(14,190)
Purchase certificate of deposit	(2,229)	(2,532)
Net cash used in investing activities	<u>(22,180)</u>	<u>(16,722)</u>
NET INCREASE IN CASH	83,509	60,152
CASH, BEGINNING OF THE YEAR	<u>369,674</u>	<u>309,522</u>
CASH, END OF THE YEAR	<u>\$ 453,183</u>	<u>\$ 369,674</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, 2012

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 10, 2012, 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, 2012

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, 2011, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2012 are available for the following specific program services:

Capacity building and field building	\$	50,000
News Literacy Program		50,000
News on the Road		64,381
Media Workshops		2,500
Media Training Program		17,500
After School and Summer Programs		5,000
Arts Initiative and Journalism Training		45,000
Total temporarily restricted net assets	\$	234,381

NOTE 5 - 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, 2012 all of FSM's interest bearing and non-interest bearing demand deposits in financial institutions were fully insured by the FDIC.

NOTE 6 - 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 or donations with a cost or estimated fair market value of \$1,000 or more. As of June 30, 2012 and June 30, 2011 video production and office equipment and related accumulated depreciation were as follows:

		06/30/2012	06/30/2011
Video production and office equipment, at cost	\$	167,814	\$ 139,873
Less accumulated depreciation		112,995	86,996
Video production and office equipment at cost, net of accumulated depreciation	\$	54,819	\$ 52,877

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - DEFERRED REVENUES

Deferred revenues consists entirely of contract proceeds received for contracts in progress as of June 30, 2012 in excess of related direct contract costs incurred through June 30, 2012. These deferred revenues will be recognized as revenue in the succeeding fiscal year as work on these contracts progress, costs are incurred, and the contracts are completed.

NOTE 8 - FUNDS HELD AS CUSTODIAN

Chicago Youth Voices Network (CYVN) is a collaborative of several organizations, including FSM. FSM has volunteered to act as custodian of the collaborative's cash management duties. Upon discontinuance of CYVN, unspent funds, if any, will be distributed to CYVN's collaborative organizations. Accordingly, revenues and expenses related to CYVN are not included in FSM's statement of activities and net assets.

NOTE 9 - 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, 2012 and June 30, 2011:

<u>Grants and contributions:</u>	<u>06/30/2012</u>	<u>06/30/2011</u>
Chicago Community Trust, Learning Network - Smart Chicago	\$ 115,572	\$ 64,480
Chicago Community Trust, Searle Funds	50,000	40,000
Chicago Sun-Times Charity Trust	5,000	-
Elizabeth Morse Charitable Trust	-	75,000
Ford Motor Company Fund	7,000	7,000
Illinois Arts Council	11,000	-
Mardi Gras Fund	8,000	6,500
Mayer & Morris Kaplan Family Foundation	-	20,000
McCormick Foundation	150,000	102,500
Polk Bros. Foundation	35,000	35,000
Richard H. Driehaus Foundation	5,000	-
Seabury Foundation	10,000	-
Steans Family Foundation	30,000	40,000
Anonymous	20,000	-
Individuals, each \$5,000 or more	45,000	40,041
Others under \$5,000 each (both years)	43,068	50,612
Total grants and contributions	\$ 534,640	\$ 481,133

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - GRANTS AND CONTRIBUTIONS AND CONTRACT FEES AND AWARDS (continued)

<u>Contributions, in-kind:</u>	<u>06/30/2012</u>	<u>06/30/2011</u>
Taproot Foundation, estimated value of consulting services	\$ 56,000	\$ 14,000
Service Club of Chicago, donation of control room equipment . . .	7,990	-
Total contributions, in-kind	<u>\$ 63,990</u>	<u>\$ 14,000</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 value of donated control room equipment per above was capitalized and is being depreciated over an estimated useful life of five years. Depreciation expense related to this donated equipment for the fiscal year ended June 30, 2012 was \$1,332, accumulated depreciation related to this equipment as of June 30, 2012 was \$1,332.

<u>Contract fees and awards:</u>	<u>06/30/2012</u>	<u>06/30/2011</u>
After School Matters	\$ 70,486	\$ 85,041
Career Builder	-	25,000
Chicago Ideas Week	15,000	-
Chicago Public Schools	15,000	25,000
DePaul University	5,000	-
Gary Comer College Prep	6,000	6,000
Gary Comer Youth Center	31,800	30,000
Goethe Institute, Chicago	19,833	-
Mikva Challenge	9,000	-
MKTG	8,500	-
North Lawndale College Preparatory Charter High School	161,017	141,640
Power House High School	80,061	47,540
Transformers 3	-	11,000
Umoja Student Development Corporation	12,000	-
Window to the World Communications, WTTW Channel 11	28,125	-
World Sport Chicago	8,000	-
Others under \$5,000 each	18,895	26,790
Total contract fees and awards	<u>\$ 488,717</u>	<u>\$ 398,011</u>

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2012 and June 30, 2011 are as follows:

<u>Revenues:</u>	<u>06/30/2012</u>	<u>06/30/2011</u>
Ticket sales, raffle, and auction	\$ 15,579	\$ 21,250
Sponsorship and contributions (See Note 10-A)	87,537	70,155
Total revenues	103,116	91,405
 <u>Expenses:</u>		
Catering, printing, and other	24,137	30,832
Revenues net of expenses	<u>\$ 78,979</u>	<u>\$ 60,573</u>

Note 10-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, 2012 and June 30, 2011:

<u>Fundraising Event Sponsorship and Contributions:</u>	<u>06/30/2012</u>	<u>06/30/2011</u>
BMW Mini	\$ 2,500	\$ 5,000
Chicago Film Studios Holdings, LLC	10,000	-
Commonwealth Edison (an Exelon Company)	5,000	2,500
Illinois Production Alliance	5,000	-
MacArthur Foundation	5,000	-
McCormick Foundation	5,000	-
Northern Trust Company	7,500	5,000
William Blair & Company Foundation	5,000	5,000
Others under \$5,000 each (both years)	42,537	52,655
Total fundraising event sponsorship and contributions	<u>\$ 87,537</u>	<u>\$ 70,155</u>

NOTE 11 - FACILITY OCCUPANCY

FSM leases office space located at 1327 W. Washington, Chicago, IL under a lease agreement that commenced on January 9, 2012, continues through January 8, 2013, requires monthly rent of \$700, and has an option to renew for an additional term of one year. Monthly rent upon renewal, if exercised, will be determined at the time of renewal. FSM utilizes this office space primarily for administrative activities.

FSM utilizes office space located within North Lawndale College Preparatory Charter High School (NLCPCHS) for program-related activities. 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.