

FREE SPIRIT MEDIA, NFP
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014
(With summarized comparative information
for the fiscal year ended June 30, 2013)

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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 financial statements of Free Spirit Media, NFP (FSM), an Illinois nonprofit organization, which comprise of the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Spirit Media, NFP as of June 30, 2014, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Prior Year Summarized Comparative Information

The prior year summarized comparative information has been derived from FSM's June 30, 2013 financial statements and, in my report dated August 28, 2013, I expressed an unqualified opinion on those financial statements.

James M. Babic, PC

August 6, 2014

FREE SPIRIT MEDIA, NFP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2014

(With summarized comparative totals as of June 30, 2013)

	June 30, 2014			Total as of June 30, 2013
	Unrestricted	Temporarily Restricted	Total	
<u>ASSETS</u>				
Current assets:				
Cash (Note 5)	\$ 229,071	\$ 205,700	\$ 434,771	\$ 414,163
Investments (Note 6)	5,974	-	5,974	3,913
Grant and contract fees receivable, net of allowance for uncollectible receivables of \$22,400 and \$ZERO as of June 30, 2014 and June 30, 2013, respectively	196,644	43,636	240,280	208,793
Pledge receivable within one year	-	40,000	40,000	100,000
Prepaid expenses and other	20,450	-	20,450	13,553
Total current assets	452,139	289,336	741,475	740,422
Video production and office equipment, net of accumulated depreciation (Note 7)	50,962	-	50,962	44,193
Other assets:				
Certificate of deposit, original term to maturity of two years	132,589	-	132,589	131,568
Office lease security deposit	500	-	500	500
Total other assets	133,089	-	133,089	132,068
Total assets	\$ 636,190	\$ 289,336	\$ 925,526	\$ 916,683
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 80,489	\$ -	\$ 80,489	\$ 74,625
Accrued expenses	20,437	-	20,437	17,977
Deferred revenues (Note 8)	20,000	-	20,000	8,000
Funds held as custodian (Note 9)	725	-	725	28,075
Total current liabilities	121,651	-	121,651	128,677
Net assets	514,539	289,336	803,875	788,006
Total liabilities and net assets	\$ 636,190	\$ 289,336	\$ 925,526	\$ 916,683

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, 2014
 (With summarized comparative totals for the fiscal year ended June 30, 2013)

	Fiscal Year Ended June 30, 2014			Total for Fiscal Year Ended Ended June 30, 2013
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue:				
Public support:				
Grants and contributions (Note 10)	\$ 426,908	\$ 236,836	\$ 663,744	\$ 675,392
Fundraising events, net of direct expenses (Note 11)	79,816	-	79,816	31,389
Total public support	506,724	236,836	743,560	706,781
Net assets released from restrictions upon satisfaction of program requirements	185,671	(185,671)	-	-
Revenue:				
Contract fees and awards (Note 10)	523,513	-	523,513	486,334
Interest income	1,546	-	1,546	1,538
Investments, unrealized gains and dividends	367	-	367	739
Expense reimbursements and other	6,811	-	6,811	2,726
Total revenues	532,237	-	532,237	491,337
Total public support and revenues	1,224,632	51,165	1,275,797	1,198,118
Expenses:				
Program services:				
In-school programs	290,663	-	290,663	264,697
After-school and summer programs	394,286	-	394,286	456,689
FSM Productions	166,710	-	166,710	133,900
Special Projects	252,479	-	252,479	195,405
Total program services expenses	1,104,138	-	1,104,138	1,050,691
Supporting services:				
General management & administration	60,985	-	60,985	44,310
Fund raising	94,805	-	94,805	85,125
Total supporting services expenses	155,790	-	155,790	129,435
Total expenses	1,259,928	-	1,259,928	1,180,126
Net increase in net assets	(35,296)	51,165	15,869	17,992
Net assets:				
Beginning of the year	549,835	238,171	788,006	770,014
End of the year	\$ 514,539	\$ 289,336	\$ 803,875	\$ 788,006

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, 2014
(With comparative totals for the fiscal year ended June 30, 2013)

	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	2014	2013
Staff salaries	\$ 199,281	\$ 280,621	\$ 100,052	\$ 174,458	\$ 754,412	\$ 33,784	\$ 53,897	\$ 87,681	\$ 842,093	\$ 804,653
Employer payroll taxes	16,326	21,698	7,978	15,235	61,237	2,686	4,116	6,802	68,039	68,972
Staff fringe benefits	14,787	36,417	9,603	17,043	77,850	6,986	8,140	15,126	92,976	74,703
Contract services and stipends	20,118	1,068	10,023	19,867	51,076	-	-	-	51,076	28,213
Professional fees	5,237	3,891	1,796	2,095	13,019	4,248	6,197	10,445	23,464	32,734
Program expenses	10,179	28,596	9,272	12,691	60,738	414	295	709	61,447	67,815
Facility occupancy (Note 12)	3,807	3,106	1,303	1,528	9,744	142	434	576	10,320	8,485
Insurance	5,988	4,448	2,053	2,395	14,884	473	684	1,157	16,041	13,442
Supplies	575	312	163	168	1,218	620	96	716	1,934	3,791
Travel	2,359	2,383	3,074	1,604	9,420	363	458	821	10,241	11,196
Equipment rent & maintenance	110	190	38	44	382	15	25	40	422	3,502
Depreciation	5,311	3,945	1,821	2,124	13,201	2,891	1,214	4,105	17,306	24,617
Telecommunications	2,760	2,632	966	1,104	7,462	2,703	631	3,334	10,796	10,134
Postage and courier	296	185	180	99	760	287	120	407	1,167	1,886
Printing and reproduction	957	738	328	560	2,583	1,317	4,473	5,790	8,373	4,821
Marketing and media outreach	369	724	3,847	247	5,187	102	947	1,049	6,236	6,187
Conference & meetings	1,069	1,796	363	794	4,022	606	623	1,229	5,251	8,741
Van operations, repairs, and maintenance	271	834	93	108	1,306	286	62	348	1,654	2,457
Write-off of uncollectible receivables	-	-	13,235	-	13,235	1,000	10,500	11,500	24,735	-
Miscellaneous	863	702	522	315	2,402	2,062	1,893	3,955	6,357	3,777
Total functional expenses	\$ 290,663	\$ 394,286	\$ 166,710	\$ 252,479	\$ 1,104,138	\$ 60,985	\$ 94,805	\$ 155,790	\$ 1,259,928	\$ 1,180,126

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, 2014 AND JUNE 30, 2013

	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 15,869	\$ 17,992
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	17,306	24,617
Investments, unrealized gains and dividends	(367)	(739)
(Increase) decrease in:		
Grant and contract fees receivable	(31,487)	22,676
Pledge receivable within one year	60,000	(75,000)
Prepaid expenses and other	(6,897)	483
Increase (decrease) in:		
Accounts payable	5,864	21,513
Accrued expenses	2,460	982
Deferred revenues	12,000	(48,202)
Funds held as custodian	(27,350)	15,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>47,398</u>	<u>(20,678)</u>
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of equipment	(24,075)	(13,991)
Donation of securities	(1,590)	(3,174)
Dividends reinvested	(104)	-
Purchase certificate of deposit, interest reinvested	(1,021)	(1,177)
Net cash used in investing activities	<u>(26,790)</u>	<u>(18,342)</u>
NET INCREASE (DECREASE) IN CASH	20,608	(39,020)
CASH, BEGINNING OF THE YEAR	<u>414,163</u>	<u>453,183</u>
CASH, END OF THE YEAR	<u>\$ 434,771</u>	<u>\$ 414,163</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, 2014

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. The mission of FSM is to cultivate diverse youth voices to transform media and society.

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). FSM's management has determined that FIN 48, which addresses accounting for uncertainty in income taxes, has no effect on its financial statements due to FSM's tax-exempt status.

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.

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 6, 2014, 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, 2014

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, 2013, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 are available for the following specific program services:

Youth Digital Media Development	\$	60,000
Arts Fusion Initiative		55,000
Broadcast Journalism		52,500
Youth Change-Maker Initiative		50,000
Professional Development and Networking, Film and Media Events		43,636
Internships and Scholarships		19,700
After School and Summer Programs		8,500
Total temporarily restricted net assets	\$	<u>289,336</u>

NOTE 5 - CASH

Cash consists of interest bearing and non-interest bearing demand deposits in financial institutions that are insured by the FDIC up to \$250,000. As of June 30, 2014 the uninsured amount interest bearing and non-interest bearing demand deposits in financial institutions was \$159,494. FSM has not experienced a loss, and believes it is not exposed to any significant risk of loss on such bank balances.

NOTE 6 - INVESTMENTS

Investments consist of entirely of unrestricted donations of stock in publicly-traded U.S. based corporations. The donated stock is presented on the statement of financial position at fair market value as of June 30, 2014.

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 or donations with a cost or estimated fair market value of \$1,000 or more. As of June 30, 2014 and June 30, 2013 video production and office equipment and related accumulated depreciation were as follows:

	<u>06/30/2014</u>	<u>06/30/2013</u>
Video production and office equipment, at cost	\$ 121,043	\$ 173,172
Less accumulated depreciation	<u>70,081</u>	<u>128,979</u>
Video production and office equipment at cost, net of accumulated depreciation	<u>\$ 50,962</u>	<u>\$ 44,193</u>

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - DEFERRED REVENUES

Deferred revenues consists entirely of contract proceeds received for contracts in progress as of June 30, 2014 in excess of related direct contract costs incurred through June 30, 2014. 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 9 - 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 10 - 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, 2014 and June 30, 2013:

<u>Grants and contributions:</u>	<u>06/30/2014</u>	<u>06/30/2013</u>
Ariel Investments, LLC	\$ -	\$ 10,000
BMO Harris Bank	10,000	10,000
Chicago Community Foundation, Chicago Hive Fund	83,472	-
Chicago Community Foundation, Small Grants Program	25,250	-
Chicago Community Trust, Cultural Arts Fund	40,000	-
Chicago Community Trust, E. and L. Volwiler Fund	30,000	-
Chicago Community Trust, Smart Chicago Trust Fund	-	59,000
Chicago Community Trust, Learning Network - Smart Chicago ..	-	83,000
Chicago Sun-Times Charity Trust	-	10,000
City of Chicago, Dept. of Cultural Affairs and Special Events ...	48,000	-
Field Foundation of Illinois	25,500	25,000
Illinois Arts Council	12,100	11,000
Local Initiatives Support Corporation	10,000	
Robert R. McCormick Foundation	-	210,000
Northern Trust Charitable Trust	15,000	12,500
Polk Bros. Foundation	84,000	35,000
Steans Family Foundation	77,340	39,700
Warner Bros. Entertainment, Inc.	5,000	15,000
Anonymous	20,000	20,000
Individuals, each \$10,000 or more	81,250	61,600
Others under \$10,000 each (both years)	96,832	73,592
Total grants and contributions	<u>\$ 663,744</u>	<u>\$ 675,392</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - GRANTS AND CONTRIBUTIONS AND CONTRACT FEES AND AWARDS (continued)

<u>Contract fees and awards:</u>	<u>06/30/2014</u>	<u>06/30/2013</u>
After School Matters	\$ 72,669	\$ 75,756
Chicago Public Schools	10,100	16,100
City of Chicago, Dept. of Family and Support Services	13,729	-
Foundation for Homan Square	12,000	12,000
Gary Comer College Prep and Middle Schools	12,995	6,000
Gary Comer Youth Center	47,269	34,155
Global Girl Media	-	16,484
Mozilla	-	39,124
North Lawndale College Preparatory Charter High School	206,336	175,427
Peace Exchange	15,000	-
Others under \$10,000 each, both years	133,415	111,288
Total	<u>\$ 523,513</u>	<u>\$ 486,334</u>

NOTE 11 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2014 and June 30, 2013 are as follows:

<u>Revenues:</u>	<u>06/30/2014</u>	<u>06/30/2013</u>
Ticket sales, raffle, and auction	\$ 21,735	\$ 12,687
Sponsorship and contributions (See Note 11-A)	75,325	43,028
Total revenues	97,060	55,715
 <u>Expenses:</u>		
Catering, printing, and other	17,244	24,326
Revenues net of expenses	<u>\$ 79,816</u>	<u>\$ 31,389</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - FUNDRAISING EVENTS, net of direct expenses (Continued)

Note 11-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, 2014 and June 30, 2013:

<u>Fundraising Event Sponsorship and Contributions:</u>	<u>06/30/2014</u>	<u>06/30/2013</u>
Ariel Investments, LLC	\$ 5,000	\$ -
The Private Bank	5,000	-
Northern Trust Company	-	5,000
William Blair & Company Foundation	5,000	5,000
Others under \$5,000 each (both years)	53,000	33,028
Total fundraising event sponsorship and contributions	<u>\$ 68,000</u>	<u>\$ 43,028</u>

NOTE 12 - FACILITY OCCUPANCY

FSM leases office space located at 1327 W. Washington, Chicago, IL under a lease agreement that commenced on January 9, 2012 and continues through July 31, 2015, as amended on August 1, 2014. Monthly rent under this agreement was \$735 through January, 2013, \$835 for the months of February 2013 through July, 2013, and will be \$845 for the months of August 2014 through July, 2015. Total rent expense under this agreement for the fiscal years ended June 30, 2014 and June 30, 2013 was \$10,020 and \$8,485, respectively.

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.