

FREE SPIRIT MEDIA, NFP
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
(With summarized comparative information
for the fiscal year ended June 30, 2014)

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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, 2015, 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, 2015, 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, 2014 financial statements and, in my report dated August 6, 2014, I expressed an unqualified opinion on those financial statements.

James M. Babic, PC

August 20, 2015

FREE SPIRIT MEDIA, NFP
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015

(With summarized comparative totals as of June 30, 2014)

	June 30, 2015			Total as of June 30, 2014
	Unrestricted	Temporarily Restricted	Total	
<u>ASSETS</u>				
Current assets:				
Cash (Note 5)	\$ 382,205	\$ 181,875	\$ 564,080	\$ 434,771
Investments (Note 6)	9,992	-	9,992	5,974
Grant and contract fees receivable, net of allowance for uncollectible receivables of \$1,861 and \$22,400 as of June 30, 2015 and June 30, 2014, respectively	283,120	74,500	357,620	240,280
Pledge receivable within one year	-	150,000	150,000	40,000
Prepaid expenses and other	8,150	-	8,150	20,450
Total current assets	683,467	406,375	1,089,842	741,475
Video production and office equipment, net of accumulated depreciation (Note 7)	71,507	-	71,507	50,962
Other assets:				
Certificate of deposit, original term to maturity of two years	133,120	-	133,120	132,589
Office lease security deposit	500	-	500	500
Total other assets	133,620	-	133,620	133,089
Total assets	\$ 888,594	\$ 406,375	\$ 1,294,969	\$ 925,526
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 129,841	\$ -	\$ 129,841	\$ 80,489
Accrued expenses	28,281	-	28,281	20,437
Deferred revenues (Note 8)	17,075	-	17,075	20,000
Funds held as custodian (Note 9)	636	-	636	725
Total current liabilities	175,833	-	175,833	121,651
Net assets	712,761	406,375	1,119,136	803,875
Total liabilities and net assets	\$ 888,594	\$ 406,375	\$ 1,294,969	\$ 925,526

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, 2015
(With summarized comparative totals for the fiscal year ended June 30, 2014)

	<u>Fiscal Year Ended June 30, 2015</u>			Total for Fiscal Year Ended Ended June 30, 2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Public support and revenue:				
Public support:				
Grants and contributions (Note 10)	\$ 765,838	\$ 406,375	\$ 1,172,213	\$ 663,744
Fundraising events, net of direct expenses (Note 11)	69,493	-	69,493	79,816
Total public support	<u>835,331</u>	<u>406,375</u>	<u>1,241,706</u>	<u>743,560</u>
Net assets released from restrictions upon satisfaction of program requirements	<u>289,336</u>	<u>(289,336)</u>	<u>-</u>	<u>-</u>
Revenue:				
Contract fees and awards (Note 10)	516,166	-	516,166	523,513
Interest income	1,177	-	1,177	1,546
Investments, unrealized gains and dividends	2,278	-	2,278	367
Expense reimbursements and other	11,953	-	11,953	6,811
Total revenues	<u>531,574</u>	<u>-</u>	<u>531,574</u>	<u>532,237</u>
Total public support and revenues	<u>1,656,241</u>	<u>117,039</u>	<u>1,773,280</u>	<u>1,275,797</u>
Expenses:				
Program services:				
In-school programs	390,392	-	390,392	290,663
After-school and summer programs	353,965	-	353,965	394,286
FSM Productions	201,314	-	201,314	166,710
Special Projects	320,751	-	320,751	252,479
Total program services expenses	<u>1,266,422</u>	<u>-</u>	<u>1,266,422</u>	<u>1,104,138</u>
Supporting services:				
General management & administration	74,239	-	74,239	60,985
Fund raising	117,358	-	117,358	94,805
Total supporting services expenses	<u>191,597</u>	<u>-</u>	<u>191,597</u>	<u>155,790</u>
Total expenses	<u>1,458,019</u>	<u>-</u>	<u>1,458,019</u>	<u>1,259,928</u>
Net increase in net assets	198,222	117,039	315,261	15,869
Net assets:				
Beginning of the year	<u>514,539</u>	<u>289,336</u>	<u>803,875</u>	<u>788,006</u>
End of the year	<u>\$ 712,761</u>	<u>\$ 406,375</u>	<u>\$ 1,119,136</u>	<u>\$ 803,875</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, 2015
(With comparative totals for the fiscal year ended June 30, 2014)

	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	2015	2014
Staff salaries	\$ 285,144	\$ 227,123	\$ 116,235	\$ 196,312	\$ 824,814	\$ 46,806	\$ 77,337	\$ 124,143	\$ 948,957	\$ 842,093
Employer payroll taxes	23,696	17,984	10,873	19,095	71,648	3,602	6,372	9,974	81,622	68,039
Staff fringe benefits	18,298	33,739	18,887	27,936	98,860	10,231	11,248	21,479	120,339	92,976
Contract services and stipends	17,636	12,818	26,996	9,985	67,435	-	-	-	67,435	51,076
Professional fees	1,456	1,082	416	29,916	32,870	3,606	332	3,938	36,808	23,464
Program expenses	16,929	32,909	13,927	16,543	80,308	19	210	229	80,537	61,447
Facility occupancy (Note 12)	3,507	3,683	1,002	1,603	9,795	501	802	1,303	11,098	10,320
Insurance	5,074	3,953	1,413	3,863	14,303	1,546	1,215	2,761	17,064	16,041
Supplies	1,280	1,018	507	592	3,397	426	731	1,157	4,554	1,934
Travel	2,000	2,079	6,026	7,385	17,490	296	766	1,062	18,552	10,241
Equipment rent & maintenance	-	-	293	-	293	-	-	-	293	422
Depreciation	6,525	4,847	1,864	2,983	16,219	675	1,493	2,168	18,387	17,306
Telecommunications	3,668	2,724	1,049	1,681	9,122	517	828	1,345	10,467	10,796
Postage and courier	187	184	215	129	715	-	1,841	1,841	2,556	1,167
Printing and reproduction	202	283	99	406	990	79	7,072	7,151	8,141	8,373
Marketing and media outreach	920	853	263	566	2,602	131	3,252	3,383	5,985	6,236
Conference & meetings	1,781	1,331	565	1,110	4,787	2,336	290	2,626	7,413	5,251
Van operations, repairs, and maintenance	108	6,065	9	14	6,196	4	7	11	6,207	1,654
Write-off of uncollectible receivables	-	-	-	-	-	1,861	-	1,861	1,861	24,735
Miscellaneous	1,981	1,290	675	632	4,578	1,603	3,562	5,165	9,743	6,357
Total functional expenses	\$ 390,392	\$ 353,965	\$ 201,314	\$ 320,751	\$ 1,266,422	\$ 74,239	\$ 117,358	\$ 191,597	\$ 1,458,019	\$ 1,259,928

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, 2015 AND JUNE 30, 2014

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 315,261	\$ 15,869
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	18,387	17,306
Investments, unrealized gains and dividends	(2,278)	(367)
(Increase) decrease in:		
Grant and contract fees receivable	(117,340)	(31,487)
Pledge receivable within one year	(110,000)	60,000
Prepaid expenses and other	12,300	(6,897)
Increase (decrease) in:		
Accounts payable	49,352	5,864
Accrued expenses	7,844	2,460
Deferred revenues	(2,925)	12,000
Funds held as custodian	(89)	(27,350)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>170,512</u>	<u>47,398</u>
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of equipment	(38,932)	(24,075)
Donation of securities	(1,576)	(1,590)
Dividends reinvested	(164)	(104)
Purchase certificate of deposit, interest reinvested	(531)	(1,021)
Net cash used in investing activities	<u>(41,203)</u>	<u>(26,790)</u>
NET INCREASE IN CASH	129,309	20,608
CASH, BEGINNING OF THE YEAR	<u>434,771</u>	<u>414,163</u>
CASH, END OF THE YEAR	<u>\$ 564,080</u>	<u>\$ 434,771</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, 2015

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 20, 2015, 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, 2015

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, 2014, from which the summarized information was derived.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 are available for the following specific program services:

Broadcast Journalism	\$	225,000
Journalism Portfolio and Distribution		25,000
Support Programs at North Lawndale College Preparatory Charter High School		85,000
Youth Digital Media Development		16,875
After School and Summer Programs		39,500
Internships		15,000
Total temporarily restricted net assets	\$	<u><u>406,375</u></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, 2015 the uninsured amount of interest bearing and non-interest bearing demand deposits in financial institutions was \$286,405. 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 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, 2015 and 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, 2015 and June 30, 2014 video production and office equipment and related accumulated depreciation were as follows:

	06/30/2015	06/30/2014
Video production and office equipment, at cost	\$ 159,975	\$ 121,043
Less accumulated depreciation	<u>88,468</u>	<u>70,081</u>
Video production and office equipment at cost, net of accumulated depreciation	<u><u>\$ 71,507</u></u>	<u><u>\$ 50,962</u></u>

NOTE 8 - DEFERRED REVENUES

Deferred revenues consists entirely of contract proceeds received for contracts in progress as of June 30, 2015 in excess of related direct contract costs incurred through June 30, 2015. 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.

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015 and June 30, 2014:

<u>Grants and contributions:</u>	<u>06/30/2015</u>	<u>06/30/2014</u>
Alphawood Foundation Chicago	\$ 30,000	\$ -
Annie E. Casey Foundation	75,000	-
Bank of America	10,000	-
BMO Harris Bank	10,000	10,000
Chicago Community Foundation, Chicago Hive Fund	41,000	83,472
Chicago Community Foundation, Small Grants Program	-	25,250
Chicago Community Trust	67,900	40,000
Chicago Community Trust, E. and L. Volwiler Fund	-	30,000
Childrens' Care Foundation	25,000	-
City of Chicago, Dept. of Cultural Affairs and Special Events	-	48,000
The Crown Family	50,000	-
Field Foundation of Illinois	26,250	25,500
Illinois Arts Council	18,400	12,100
Local Initiatives Support Corporation	-	10,000
Robert R. McCormick Foundation	300,000	-
Northern Trust Charitable Trust	15,000	15,000
Pert Foundation	25,000	-
Polk Bros. Foundation	-	84,000
Seabury Foundation	10,000	-
Steans Family Foundation	71,000	77,340
Voqal Chicago	50,000	-
Warner Bros. Entertainment, Inc.	-	5,000
Woods Fund of Chicago	10,000	-
Anonymous	15,000	20,000
Individuals, each \$10,000 or more	220,103	81,250
Others under \$10,000 each (both years)	102,560	96,832
Total grants and contributions	<u>\$ 1,172,213</u>	<u>\$ 663,744</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

<u>Contract fees and awards:</u>	<u>06/30/2015</u>	<u>06/30/2014</u>
After School Matters	\$ 72,341	\$ 72,669
Chicago Public Schools	9,999	10,100
Cities of Peace	18,300	-
City of Chicago, Dept. of Family and Support Services	17,804	13,729
DRW Trading College Prep	15,000	-
Foundation for Homan Square	9,000	12,000
Gary Comer College Prep and Middle Schools	15,995	12,995
Gary Comer Youth Center	43,077	47,269
North Lawndale College Preparatory Charter High School	203,403	206,336
Peace Exchange	12,000	15,000
Snyder's Lance	10,000	-
Time Warner	10,000	-
Others under \$10,000 each, both years	79,247	133,415
Total	<u>\$ 516,166</u>	<u>\$ 523,513</u>

NOTE 11 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2015 and June 30, 2014 are as follows:

<u>Revenues:</u>	<u>06/30/2015</u>	<u>06/30/2014</u>
Ticket sales, raffle, and auction	\$ 12,481	\$ 21,735
Sponsorship and contributions (See Note 11-A)	95,480	75,325
Total revenues	107,961	97,060
<u>Direct expenses:</u>		
Catering, printing, and other	38,468	17,244
Revenues net of expenses	<u>\$ 69,493</u>	<u>\$ 79,816</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015 and June 30, 2014:

<u>Fundraising Event Sponsorship and Contributions:</u>	<u>06/30/2015</u>	<u>06/30/2014</u>
Ariel Investments, LLC	\$ 5,000	\$ 5,000
CineSpace	5,000	-
The Private Bank	5,000	5,000
Google, Inc.	5,000	-
Northern Trust Company	10,000	-
William Blair & Company Foundation	5,000	5,000
Others under \$5,000 each (both years)	60,480	53,000
Total fundraising event sponsorship and contributions	<u>\$ 95,480</u>	<u>\$ 68,000</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 for the fiscal years ended June 30, 2015 and June 30, 2014 was \$835 and \$835, respectively. Total rent expense under this agreement for the fiscal years ended June 30, 2015 and June 30, 2014 was \$10,020 and \$10,020, 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.