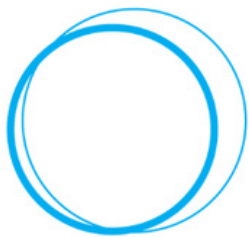


Free Spirit Media NFP

Financial Statements

For the Year Ended
June 30, 2019



FREE SPIRIT MEDIA



IL NFP Audit and Tax, LLP

Free Spirit Media NFP

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IL NFP Audit & Tax, LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Free Spirit Media NFP
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Free Spirit Media NFP, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Free Spirit Media as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

IL NFD Audit & Tax, LLP

Chicago, Illinois

September 15, 2019

Free Spirit Media NFP
Statement of Financial Position
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 753,226	\$ 8,500	\$ 761,726
Investments	83,570	0	83,570
Grants Receivable	0	325,000	325,000
Accounts Receivable, Net	168,383	0	168,383
Prepaid Expenses	17,767	0	17,767
Total Current Assets	1,022,946	333,500	1,356,446
Total Fixed Assets, Net	115,243	0	115,243
Other Assets			
Grants Receivable, Net	0	184,911	184,911
Security Deposit	500	0	500
Funds Held as a Custodian	7,608	0	7,608
Total Other Assets	8,108	184,911	193,019
Total Assets	\$ 1,146,297	\$ 518,411	\$ 1,664,708
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	\$ 75,320	\$ 0	\$ 75,320
Accrued Liabilities	5,555	0	5,555
Accrued Wages	42,577	0	42,577
Accrued Vacation	35,035	0	35,035
Total Current Liabilities	158,487	0	158,487
Total Liabilities	158,487	0	158,487
Total Net Assets	987,810	518,411	1,506,221
Total Liabilities and Net Assets	\$ 1,146,297	\$ 518,411	\$ 1,664,708

Free Spirit Media NFP
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support and Gains			
Grants and Contributions			
Foundations	\$ 594,375	\$ 624,031	\$ 1,218,406
Individuals	199,757	0	199,757
Governments	39,310	0	39,310
Corporations	14,701	0	14,701
Contracted Services	606,196	0	606,196
Special Event Revenue (Net of Cost of Direct Benefits to Donors of \$30,231)	145,344	0	145,344
In-Kind Donations	27,522	0	27,522
Net Investment Return	12,164	0	12,164
Net Assets Released from Restrictions:			
Satisfaction of Other Purpose Restrictions	155,620	(155,620)	0
Expiration of Time Restrictions	212,500	(212,500)	0
Total Revenue, Support and Gains	2,007,489	255,911	2,263,400
Functional Expenses			
Program Services	1,748,618	0	1,748,618
Management and General	205,767	0	205,767
Fundraising	194,893	0	194,893
Total Functional Expenses	2,149,278	0	2,149,278
Change in Net Assets	(141,789)	255,911	114,122
Net Assets,			
Beginning of Year	1,071,788	395,874	1,467,662
Prior Period Adjustment	57,811	(133,374)	(75,563)
Beginning of Year, Restated	1,129,599	262,500	1,392,099
End of Year	\$ 987,810	\$ 518,411	\$ 1,506,221

Free Spirit Media NFP
Statement of Functional Expenses
For the Year Ended June 30, 2019

Functional Expenses	Total Program Services	Management and General	Fundraising	Total
Personnel				
Salaries	\$ 889,345	\$ 117,723	\$ 123,072	\$ 1,130,140
Payroll Taxes	77,626	9,442	8,758	95,826
Employee Benefits	155,513	21,108	16,231	192,852
Total Personnel	1,122,484	148,273	148,061	1,418,818
Advertising and Promotion	5,755	2,670	2,616	11,041
Bank Fees	276	2,858	58	3,192
Conferences and Meetings	12,056	6,319	2,934	21,309
Depreciation	34,352	4,123	4,329	42,804
Dues and Subscriptions	3,271	1,482	1,440	6,193
Insurance	3,917	435	457	4,809
Miscellaneous	4,844	2,074	567	7,485
Occupancy	104,571	10,356	11,249	126,176
Office Supplies	5,307	2,436	539	8,282
Postage and Shipping	1,859	363	1,110	3,332
Printing	1,421	1,439	8,299	11,159
Professional Fees	308,389	11,693	4,601	324,683
Program Event	14,092	409	63	14,564
Program Refreshments	17,823	86	368	18,277
Program Supplies	8,210	44	2	8,256
Program Video Supplies	7,898	46	87	8,031
Program Video Supplies	15,500	1,798	1,996	19,294
Technology Software	21,412	221	99	21,732
Telecommunications	24,841	2,504	2,685	30,030
Travel	13,032	4,664	2,054	19,750
Unemployment Taxes	7,883	758	732	9,373
Vehicle Maintenance	3,588	385	166	4,139
Video Equipment Maintenance	5,837	331	381	6,549
Total Functional Expenses	\$ 1,748,618	\$ 205,767	\$ 194,893	\$ 2,149,278

Free Spirit Media NFP
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services			Total Program Services
	Creative Workforce Development	In-School	After School	
Expenses				
Personnel				
Salaries	\$ 328,615	\$ 195,619	\$ 365,111	\$ 889,345
Payroll Taxes	32,800	17,339	27,487	77,626
Employee Benefits	52,105	31,247	72,161	155,513
Total Personnel	413,520	244,205	464,759	1,122,484
Advertising and Promotion	1,979	731	3,045	5,755
Bank Fees	0	0	276	276
Conferences and Meetings	5,895	2,012	4,149	12,056
Depreciation	14,183	6,640	13,529	34,352
Dues and Subscriptions	1,377	461	1,433	3,271
Insurance	1,788	701	1,428	3,917
Miscellaneous	2,535	692	1,617	4,844
Occupancy	54,520	18,978	31,073	104,571
Office Supplies	2,053	768	2,486	5,307
Postage and Shipping	805	347	707	1,859
Printing	1,026	225	170	1,421
Professional Fees	243,640	7,697	57,052	308,389
Program Event	2,971	300	10,821	14,092
Program Refreshments	7,562	849	9,412	17,823
Program Supplies	2,835	671	4,704	8,210
Program Video Supplies	4,439	180	3,279	7,898
Software	7,028	2,484	5,988	15,500
Student Transportation	12,567	30	8,815	21,412
Telecommunications	11,197	4,230	9,414	24,841
Travel	7,269	1,540	4,223	13,032
Unemployment Taxes	4,203	1,083	2,597	7,883
Vehicle Maintenance	550	351	2,687	3,588
Video Equipment Maintenance	3,714	488	1,635	5,837
Total Expenses	\$ 807,656	\$ 295,663	\$ 645,299	\$ 1,748,618

Free Spirit Media NFP
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows from Operating Activities

Received from Supporters and Other Sources	\$ 2,126,169
Interest Received	2,281
Paid to Vendors	(2,154,081)
Interest Paid	0
Income Taxes Paid	0
	0

Net Cash Used In Operating Activities (25,631)

Cash Flows from Investing Activities

Payments for the Purchase of Fixed Assets	(51,631)
Proceed from Sale of Investments	50,151
	(1,480)

Net Cash Used In Investing Activities (1,480)

Net Decrease in Cash and Cash Equivalents (27,111)

Cash and Cash Equivalents,

Beginning of Year	788,837
End of Year	\$ 761,726

Non-Cash Investing Activities

Donated Investments	\$ 27,522
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Total Non-Cash Investing Activities \$ 27,522

Free Spirit Media NFP
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

**Reconciliation of Change in Net Assets to Net Cash
Used In Operating Activities**

Change in Net Assets	\$	114,122
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operating Activities:		
Depreciation		42,804
Unrealized Gain on Investments		(9,883)
Donated Investments		(27,522)
Changes in Certain Assets and Liabilities:		
Grants Receivable		(232,411)
Accounts Receivable		113,357
Funds Held as a Custodian		(8,722)
Prepaid Expenses		(14,870)
Accounts Payable		17,626
Accrued Liabilities		(30)
Accrued Wages		(20,349)
Accrued Vacation		247
Total Adjustments		(139,753)
Net Cash Used In Operating Activities	\$	(25,631)

Free Spirit Media NFP
Notes to the Financial Statements
For the Year Ended June 30, 2019

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Nature of Activities

Free Spirit Media NFP (the “Organization”) is a not-for-profit corporation incorporated in 2001. The Organization’s mission is to transform media and society by providing opportunities for emerging creators, primarily from communities of color, to produce and distribute original content and to pursue artistic, personal and professional aspirations.

To fulfill its mission, the Organization provides the following program services:

Creative Workforce Development - The Organization offers professional development in media through its programs; Real Chi Youth, Free Spirit Pro, and Industry Pathways. Real Chi Youth offers youth reporters new media platforms to engage Chicago teens about local and national issues while practicing solutions-oriented journalism and documentaries. Free Spirit Pro employs young adult media makers to work with staff production professionals to deliver high-quality work and amazing results for clients and partners. Industry pathways support young adult filmmakers and open access to opportunities, resources, and connections with industry professionals who can help them further their goals in development successful, fulfilling careers.

In-School - The Organization teaches young creatives in Chicago high schools to become active consumers and content creators through digital media. The Organization currently offers courses at North Lawndale College Prep’s Christiana and Collins campuses.

After-School - The Organization offers a sports broadcasting program “HoopHigh” and a media arts and journalism program “FSM News Videos”. HoopHigh focuses on providing in-depth instruction and hands-on experience in the art of sports broadcasting to Chicago teens and interested in mastering media. FSM news videos help high school participants gain skills in camera operation, audio engineering, performance, writing, editing and photography.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Method of Accounting and Revenue Recognition

The Organization's accounts are maintained on the accrual basis of accounting. Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions as of June 30, 2019.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Investments and Net Investment Return

Investments are originally recorded at cost if purchased or, if donated, at fair value on the date of donation. Thereafter, investments in marketable equity securities with readily determinable fair values are stated at fair value and real estate investments and equity securities without readily determinable fair values are stated at cost.

Net investment return restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Net investment return consists of interest and dividend income, and when applicable, unrealized gains and losses, realized gains and losses, and investment fees.

Receivables and Allowance for Doubtful Accounts

The Organization records receivables that are expected to be collected within one year at net realizable value. Generally accepted accounting principles prescribe receivables expected to be collected in more than one year to be initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset; in subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Fixed Assets

The Organization records fixed asset additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Interfund Balance

In an effort to increase transparency and to simplify its financial statements, the Organization presents its statement of financial position on a fund basis which comprises of the following funds: Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

As of June 30, 2019, no interfund payables or receivables exists between the Net Assets without Donor Restrictions Fund and the Net Assets with Donor Restrictions Fund.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the financial statements do not include a provision for income taxes. The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates functional expenses mainly on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising costs

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. The Organization had no direct-response advertising during the year ended June 30, 2019. Advertising costs amount to \$11,041.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 - Principal Activity and Significant Accounting Policies (Continued)

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit, when applicable, with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. As of June 30, 2019, the Organization held no deposits above federally insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with receivables and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable donors highly supportive of the Organization's mission. When applicable, although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Note 2 - Investments and Net Investment Return

As of June 30, 2019, investments comprise of the following:

Stocks	\$	83,570
		83,570
		83,570

For the year ended June 30, 2019, net investment return comprises of the following:

Interest and Dividends	\$	2,281
Unrealized Gain on Investments		9,883
Netted Investment Management Fees		0
		12,164
		12,164

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 - Fair Value Measurements and Disclosures

When appropriate, the Organization reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 3 - Fair Value Measurements and Disclosures (Continued)

When appropriate, the Organization utilizes net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain investments e.g. hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. The Organization has no investments valued at net asset value as of June 30, 2019.

The following assets are measured at fair value as of June 30, 2019:

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Stocks	\$ 83,570	\$ 83,570	\$ 0	\$ 0
	<u>\$ 83,570</u>	<u>\$ 83,570</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 4 - Receivables

During the year ended June 30, 2019, grantors to the Organization have made unconditional promises to give totaling \$509,911, net of present value discounts. Additionally, the Organization reports \$168,383 of accounts receivables, net of allowance for doubtful accounts. Receivables due in more than one year have been recorded at the present value of the estimated cash flows using a discount rate of 4%. Receivables are due as follows at June 30, 2019:

Within One Year (Gross Amounts)	\$ 496,383
In More than One Year (Gross Amounts)	200,000
Less: Discount to Net Present Value	(15,089)
Less: Allowance for Doubtful Accounts	(3,000)
Receivables, Net	<u>\$ 678,294</u>

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 - Funds Held as a Custodian

Chicago Youth Voices Network (CYVN) is a collaborative of several organizations, including Free Spirit Media NFP. The Organization has volunteered to act as custodian for the collaborative's cash management duties. Accordingly, revenues and expenses related to CYVN are not included in the Organization's statement of activities and net assets. Funds held as custodian amount to \$7,608.

Note 6 - Fixed Assets

At June 30, 2019, fixed assets comprise of the following:

Computers	\$	141,549
Video Equipment		138,471
Furniture		14,450
Vehicles		5,292
Total Cost		<u>299,762</u>
Less: Accumulated Depreciation		<u>(184,519)</u>
Fixed Assets, Net	\$	<u><u>115,243</u></u>

Depreciation expense amounts to \$42,804 for the year ended June 30, 2019.

Note 7 - Line of Credit

The Organization maintains a \$250,000 line of credit with JP Morgan Chase Bank. Advances bear interest at 1% over the prime rate (5.5% as of June 30, 2019). The line of credit is secured by assets of the Organization. There were no advances or payments during the fiscal year ended June 30, 2019. The line of credit has a \$0 balance as of June 30, 2019.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 - In-Kind Donations

Donated investments are recorded at fair value at the date of donation. The Organization received donated investments of \$27,522 during the year ended June 30, 2019. Donations of investments are recorded within in-kind donations revenue on the statement of activities.

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. For the year ended June 30, 2019, the Organization did not receive any donated services that meet the recognition criteria prescribed by generally accepted accounting principles.

Donated goods are recorded at fair value on the date of donation. No donated goods were received by the Organization during the year ended June 30, 2019.

Donated space is recorded at its estimated fair value on the date of donation. No donated space was received by the Organization during the year ended June 30, 2019.

Note 9 - Retirement Plan

The Organization provides its employees with a Simple IRA retirement plan that is managed by a third party administrator. An employee's compensation must be reasonably expected to be at a minimum of \$5,000 for a calendar year for participation in the plan. Employees that are eligible can make voluntary tax deferred contribution to the plan up to the IRS limits. The Organization matches employee contributions equal to an employee's salary reduction contributions up to a limit of three percent of an employee's compensation for the calendar year. Matching contributions made by the Organization during the year ended June 30, 2019 amount to \$16,607.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 - Grants and Contributions

The Organization received the following grants and contributions for the year ended June 30, 2019:

Advocate Bethany Community Health Fund	\$ 30,000
Bank of America	40,000
Benevity Fund	1,500
Carol Lavin Bernick Family Foundation	5,000
Cellmer/Neal Foundation	50,000
Children's Care Foundation	30,000
City of Chicago	39,310
Forum Fund	25,000
George Lucas Family Foundation	5,000
Harry & Jeanette Weinberg Foundation	2,500
Illinois Arts Council	5,620
Julian Grace Foundation	60,000
Kirkland & Ellis LLP	2,720
Knight Family Foundation	5,000
MacArthur Foundation	650,000
Marshall Field	2,500
McMaster Carr	5,000
National Endowment for the Arts	10,000
Pert Foundation	25,000
Polk Bros Foundation	40,000
Pritzker Pucker Family Foundation	15,000
Robert Rauschenberg Foundation	5,000
Steans Family Foundation	128,500
The Chicago Community Trust	60,000
The Mardi Gras Fund	3,000
The Oppenheimer Family Foundations	2,000
Subtotal Forward	\$ 1,247,650

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 - Grants and Contributions (Continued)

Subtotal Forwarded	\$ 1,247,650
Woods Fund	15,000
Yelp Foundation	40,000
Individual Donations each \$10,000 or more	110,000
Individual Donations under \$10,000	59,524
Total Grants and Contributions	\$ 1,472,174

Note 11 - Lease Commitments

The Organization leases program space in the Chicago's West Loop area on a month to month basis at a monthly rate of \$935. This space functions as a pre-and post-production lab for the Free Spirit Pro program. Total rent expense under this agreement for the year ended June 30, 2019 was \$11,220.

The Organization leases program space at Stage 18 Chicago on a month to month basis that ranges from \$710 to \$1,200. This space functions as the primary location for the Industry Pathway program. Total rent expense under this agreement for the year ended June 30, 2019 was \$10,970.

The Organization leases office and program space at the historic Nichols Tower in Chicago. In March 2015, the Organization entered into a five-year lease agreement. The lease calls for monthly rent payments of \$8,438. Total rent expense under this agreement for the year ended June 30, 2019 was \$101,258. Future minimum lease payments are as follows:

For the Year Ended June 30, 2020 \$ 67,504

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 12 - Net Asset Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to Expenditure for Specific Purpose:	
2019 Summer Youth Program	\$ 8,500
Total Subject to Expenditure for Specific Purpose	<u>8,500</u>
Subject to Passage of Time:	
For the Year Ended June 30, 2020	509,911
Total Subject to Passage of Time	<u>509,911</u>
Total Net Assets with Restrictions	<u><u>\$ 518,411</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions or by the occurrence of the passage of time or other events specified by donors during the year ended June 30, 2019:

Purpose Restrictions Accomplished:	
Workforce Development	\$ 65,000
Youth Media Art Program	40,000
In-School Programs at North Lawndale College Preparatory Charter High School	30,000
Princeton 55 Fellowship	15,000
Summer Youth Program	5,620
Total Purpose Restrictions Accomplished	<u>155,620</u>
Time Restrictions Expired:	
Support for the Year Ended June 30, 2019	212,500
Total Time Restrictions Expired	<u>212,500</u>
Total Restrictions Released	<u><u>\$ 368,120</u></u>

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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 13 - Prior Period Adjustment

The following prior period adjustment was made as of June 30, 2018 to the correct balances in the corresponding accounts as follows:

	Increase (Decrease)		
	Assets	Liabilities	Net Assets
Accounts Receivable	\$ (37,775)	\$ 0	\$ 0
Allowance for Doubtful Accounts	(3,000)	0	0
Fixed Assets	(57,860)	0	0
Accumulated Depreciation	(57,860)	0	0
Accrued Vacation	0	(34,788)	0
Net Assets With Donor Restrictions	0	0	57,811
Net Assets Without Donor Restrictions	0	0	(133,374)

Note 14 - Liquidity

Excluding non-spendable financial assets, the Organization has \$930,109 of financial assets available for general expenditures within one year of the balance sheet date. Of this amount, \$333,500 of financial assets are subject to donor timing or purpose restrictions expiring within one year. Financial assets available within one year of the balance sheet for general expenditures comprise of the following:

Cash and Cash Equivalents	\$ 761,726
Investments	83,570
Grants Receivable	325,000
Accounts Receivable	168,383
	\$ 930,109

No contractual restrictions exist that make current financial assets unavailable for general expenditure within one year of the balance sheet date. As of June 30, 2019, the Organization does not expect that its liquidity will deteriorate.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 15 - Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

The reclassifications corresponding to the retrospective application of ASU 2016-14 are summarized as follows: On the statement of financial position and statement of activities, amounts previously reported as unrestricted net assets have been reclassified to net assets without donor restrictions, and amounts previously reported as temporarily and permanently restricted net assets have been reclassified to net assets with donor restrictions.

Note 16 - Recent Accounting Guidance

Upcoming Accounting Pronouncement - Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending May 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods: retrospectively to each period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Organization has not yet determined which application method it will use. Management has begun analyzing revenue streams that will be impacted and believes that the pattern of revenue recognition could change upon adoption of the pronouncement.

Free Spirit Media NFP
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 16 - Recent Accounting Guidance (Continued)

Upcoming Accounting Pronouncement - Revenue Recognition (Continued)

Management is currently analyzing the disclosures that will be required with this pronouncement.

Upcoming Accounting Pronouncement - Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The reporting of lease-related expenses in the statement of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Organization's statement of financial position.

Note 17 - Reclassifications

Certain prior period amounts on the statement of cash flows have been reclassified to conform to current year presentation.

Note 18 - Subsequent Events

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is September 15, 2019, which is the date on which the financial statements were available to be issued.