

FREE SPIRIT MEDIA, NFP  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017  
(With summarized comparative information  
for the fiscal year ended June 30, 2016)

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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, 2017, 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, 2017, 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, 2016 financial statements and, in my report dated August 31, 2016, I expressed an unqualified opinion on those financial statements.

**James M. Babic, PC**

September 1, 2017

FREE SPIRIT MEDIA, NFP  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2017  
(With summarized comparative totals as of June 30, 2016)

	June 30, 2017			Total as of June 30, 2016
	Unrestricted	Temporarily Restricted	Total	
<b><u>ASSETS</u></b>				
Current assets:				
Cash (Note 5)	\$ 717,747	\$ 201,000	\$ 918,747	\$ 767,682
Certificate of deposit, original term to maturity of one year or less	50,075	-	50,075	50,000
Investments (Note 6)	17,342	-	17,342	12,078
Grant and contract fees receivable, net of allowance for uncollectible receivables of \$21,625 and \$ZERO as of June 30, 2017 and June 30, 2016, respectively	148,450	70,000	218,450	270,853
Other receivables	3,983	-	3,983	-
Prepaid expenses and other	8,871	-	8,871	7,239
Total current assets	946,468	271,000	1,217,468	1,107,852
Video production and office equipment, net of accumulated depreciation (Note 7)	137,562	-	137,562	116,248
Other assets:				
Office lease security deposit	500	-	500	500
Total assets	<u>\$ 1,084,530</u>	<u>\$ 271,000</u>	<u>\$ 1,355,530</u>	<u>\$ 1,224,600</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current liabilities:				
Accounts payable	\$ 62,667	\$ -	\$ 62,667	\$ 47,126
Accrued expenses	47,499	-	47,499	23,186
Funds held as custodian (Note 8)	636	-	636	636
Total current liabilities	110,802	-	110,802	70,948
Net assets	973,728	271,000	1,244,728	1,153,652
Total liabilities and net assets	<u>\$ 1,084,530</u>	<u>\$ 271,000</u>	<u>\$ 1,355,530</u>	<u>\$ 1,224,600</u>

The accompanying notes are an integral part of these financial statements

FREE SPIRIT MEDIA, NFP  
STATEMENT OF ACTIVITIES  
AND CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(With summarized comparative totals for the fiscal year ended June 30, 2016)

	Fiscal Year Ended June 30, 2017			Total for Fiscal Year Ended June 30, 2016
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue:				
Public support:				
Grants and contributions (Note 9)	\$ 892,789	\$ 271,000	\$ 1,163,789	\$ 1,006,229
Fundraising events, net of direct expenses (Note 10)	96,998	-	96,998	68,729
Total public support	989,787	271,000	1,260,787	1,074,958
Net assets released from restrictions upon satisfaction of program requirements	214,125	(214,125)	-	-
Revenue:				
Contract fees and awards (Note 10)	645,192	-	645,192	591,282
Interest and dividend income	961	-	961	1,058
Investments, unrealized gains and dividends	3,404	-	3,404	538
Expense reimbursements and other	8,826	-	8,826	10,718
Total revenues	658,383	-	658,383	603,596
Total public support and revenues	1,862,295	56,875	1,919,170	1,678,554
Expenses:				
Program services:				
In-school programs	496,151	-	496,151	448,168
After-school and summer programs	338,591	-	338,591	361,157
FSM Productions	254,523	-	254,523	213,493
Special Projects	439,831	-	439,831	392,079
Total program services expenses	1,529,096	-	1,529,096	1,414,897
Supporting services:				
General management & administration	139,228	-	139,228	106,606
Resource development	159,770	-	159,770	122,535
Total supporting services expenses	298,998	-	298,998	229,141
Total expenses	1,828,094	-	1,828,094	1,644,038
Net increase in net assets	34,201	56,875	91,076	34,516
Net assets:				
Beginning of the year	939,527	214,125	1,153,652	1,119,136
End of the year	\$ 973,728	\$ 271,000	\$ 1,244,728	\$ 1,153,652

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, 2017  
(With comparative totals for the fiscal year ended June 30, 2016)

	PROGRAM SERVICES					SUPPORTING SERVICES			GRAND TOTALS	
	In-School Programs	After- School and Summer Programs	FSM Productions	Special Projects	Total Program Services	General Mgmt. & Admin.	Resource Development	Total Supporting Services	2017	2016
Staff salaries	\$ 316,881	\$ 180,313	\$ 125,406	\$ 243,336	\$ 865,936	\$ 60,837	\$ 80,551	\$ 141,388	\$ 1,007,324	\$ 981,953
Employer payroll taxes	26,492	15,664	11,232	23,621	77,009	4,840	6,417	11,257	88,266	85,232
Employee retirement benefits	5,089	2,357	2,599	4,444	14,489	1,338	1,947	3,285	17,774	17,165
Other employee benefits	48,713	27,054	16,029	32,805	124,601	10,026	10,576	20,602	145,203	109,187
Contract services and stipends	31,644	32,075	37,455	43,981	145,155	216	580	796	145,951	116,168
Professional fees	4,092	2,839	11,731	8,695	27,357	7,168	1,645	8,813	36,170	14,066
Program expenses	14,476	41,443	20,343	31,045	107,307	1,294	2,108	3,402	110,709	138,306
Facility occupancy (Note 11)	16,689	13,678	9,674	18,866	58,907	5,369	10,316	15,685	74,592	46,132
Insurance	5,250	3,475	2,172	6,029	16,926	99	1,615	1,714	18,640	17,819
Supplies	800	385	250	713	2,148	3,191	572	3,763	5,911	7,719
Travel	1,437	1,085	5,143	3,077	10,742	1,390	954	2,344	13,086	13,174
Equipment rent, maintenance and purchases	634	481	262	815	2,192	301	1,126	1,427	3,619	5,137
Depreciation	12,922	7,353	5,114	9,923	35,312	2,481	3,285	5,766	41,078	27,990
Telecommunications	3,835	3,878	3,388	4,947	16,048	1,833	3,089	4,922	20,970	19,076
Postage and courier	105	70	217	98	490	417	1,769	2,186	2,676	1,079
Printing and photocopying	50	33	21	495	599	237	10,675	10,912	11,511	6,739
Marketing and media outreach	1,555	1,313	1,500	1,625	5,993	322	1,500	1,822	7,815	3,555
Conference & meetings	4,012	2,647	1,300	3,912	11,871	2,429	16,972	19,401	31,272	15,917
Van operations, repairs, and maintenance	21	15	9	20	65	1,930	7	1,937	2,002	2,547
Write-off of uncollectible receivables	-	-	-	-	-	29,305	-	29,305	29,305	6,000
Miscellaneous	1,454	2,433	678	1,384	5,949	4,205	4,066	8,271	14,220	9,077
Total functional expenses	<u>\$ 496,151</u>	<u>\$ 338,591</u>	<u>\$ 254,523</u>	<u>\$ 439,831</u>	<u>\$ 1,529,096</u>	<u>\$ 139,228</u>	<u>\$ 159,770</u>	<u>\$ 298,998</u>	<u>\$ 1,828,094</u>	<u>\$ 1,644,038</u>

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, 2017 AND JUNE 30, 2016

	Fiscal Year Ended June 30, 2017	Fiscal Year Ended June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Net increase in net assets	\$ 91,076	\$ 34,516
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	41,078	27,990
Investments, unrealized gains	(3,404)	(538)
(Increase) decrease in:		
Grant and contract fees receivable	52,403	86,767
Pledge receivable within one year	(3,983)	150,000
Prepaid expenses and other	(1,632)	911
Increase (decrease) in:		
Accounts payable	15,541	(82,715)
Accrued expenses	24,313	(5,095)
Deferred revenues	-	(17,075)
Funds held as custodian	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>215,392</u>	<u>194,761</u>
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchases of equipment	(62,392)	(72,730)
Donation of securities	(1,661)	(1,550)
Proceeds, sale of certificate of deposit	-	133,521
Purchase certificate of deposit	-	(50,000)
Dividends reinvested	(199)	-
Purchase certificate of deposit, interest reinvested	(75)	(400)
Net cash provided by (used in) investing activities	<u>(64,327)</u>	<u>8,841</u>
NET INCREASE IN CASH	151,065	203,602
CASH, BEGINNING OF THE YEAR	<u>767,682</u>	<u>564,080</u>
CASH, END OF THE YEAR	<u>\$ 918,747</u>	<u>\$ 767,682</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, 2017

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 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.

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 September 1, 2017, 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, 2017

**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, 2016, from which the summarized information was derived.

**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2017 are available for the following specific program services:

Youth Journalism Programs	\$ 115,000
Digital Learning Challenge	80,000
Chicago Public Schools Arts Education and Programs	40,000
Real Chicago Youth Project	12,500
Internships	15,000
Summer Youth Employment	8,500
Total temporarily restricted net assets	<u>\$ 271,000</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, 2017 the uninsured amount of interest bearing and non-interest bearing demand deposits in financial institutions was \$632,643. 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, 2017 and June 30, 2016.

**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. Bulk purchases that include items costing less than \$1,000 are also considered for capitalization. As of June 30, 2017 and June 30, 2016 video production and office equipment and related accumulated depreciation were as follows:

	<u>06/30/2017</u>	<u>06/30/2016</u>
Video production and office equipment, at cost	\$ 295,098	\$ 232,706
Less accumulated depreciation	<u>157,536</u>	<u>116,458</u>
Video production and office equipment at cost, net of accumulated depreciation	<u>\$ 137,562</u>	<u>\$ 116,248</u>

FREE SPIRIT MEDIA, NFP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017 and June 30, 2016:

<u>Grants and contributions:</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Alphawood Foundation Chicago . . . . .	\$ 30,000	\$ 30,000
Bank of America . . . . .	10,000	12,000
Blue Cross and Blue Shield of Illinois . . . . .	-	20,000
BMO Harris Bank . . . . .	-	11,000
Chicago Community Foundation, Chicago Hive Fund for Connected Learning .	25,000	50,000
Chicago Community Trust . . . . .	40,100	-
Chicago Community Trust, E. and L. Volwiler Fund . . . . .	-	40,000
Childrens' Care Foundation . . . . .	30,000	30,000
City of Chicago, Dept. of Cultural Affairs and Special Events . . . . .	32,500	57,500
The Crown Family . . . . .	-	75,000
Dr. Scholl Foundation . . . . .	-	10,000
Emerson Collective . . . . .	-	20,000
Field Foundation of Illinois . . . . .	25,000	-
Grainger Foundation . . . . .	25,000	-
Harry and Jeanette Weinberg Foundation, Inc. . . . .	10,000	-
Impact 100 of Chicago, NFP . . . . .	-	100,000
Julian Grace Foundation . . . . .	25,000	-
MHA Labs . . . . .	10,000	-
National Endowment for the Arts . . . . .	10,000	-
Robert R. McCormick Foundation . . . . .	200,000	-
Paul M. Angel Family Foundation . . . . .	50,000	65,000
Pert Foundation . . . . .	25,000	25,000
Polk Bros. Foundation . . . . .	40,000	40,000
Steans Family Foundation . . . . .	67,500	74,000
Susan Crown Exchange, Inc. . . . .	100,000	7,500
Voqal Chicago . . . . .	50,000	-
Woods Fund of Chicago . . . . .	10,000	10,000
Individuals, each \$10,000 or more . . . . .	185,050	190,000
Others under \$10,000 each (both years) . . . . .	163,639	139,229
Total grants and contributions . . . . .	<u>\$ 1,163,789</u>	<u>\$ 1,006,229</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

<u>Contract fees and awards:</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
After School Matters . . . . .	\$ 69,453	\$ 82,582
Allstate Insurance Company . . . . .	25,000	-
Chicago Community Foundation . . . . .	25,000	-
Chicago Community Trust . . . . .	12,500	32,500
Chicago Park District . . . . .	-	74,984
Chicago Public Schools . . . . .	-	15,000
Cities of Peace . . . . .	-	4,575
City of Chicago, Dept. of Family and Support Services . . . . .	31,560	-
Chicago Department of Public Health . . . . .	14,000	-
Communities United . . . . .	10,000	-
DRW Trading College Prep . . . . .	-	10,000
Emerson Collective . . . . .	107,420	-
Foundation for Homan Square . . . . .	10,000	-
Gary Comer College Prep and Middle Schools . . . . .	-	4,000
Gary Comer Youth Center . . . . .	34,759	35,884
Illinois Humanities Council . . . . .	25,000	-
L. Pucci Wedgewood Society . . . . .	10,000	-
Leadership of Greater Chicago . . . . .	16,155	11,000
North Lawndale College Preparatory Charter High School . . . . .	186,448	192,448
Peace Exchange . . . . .	-	10,000
Others under \$10,000 each, both years . . . . .	67,897	118,309
Total . . . . .	<u>\$ 645,192</u>	<u>\$ 591,282</u>

NOTE 10 - FUNDRAISING EVENTS, net of direct expenses

Revenues and expenses related to fundraising events held during the fiscal years ended June 30, 2017 and June 30, 2016 are as follows:

<u>Revenues:</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Ticket sales, raffle, and auction . . . . .	\$ 12,373	\$ 8,405
Sponsorship and contributions (See Note 10-A) . . . . .	94,323	88,569
Total revenues . . . . .	106,696	96,974
<u>Direct expenses:</u>		
Catering, printing, and other . . . . .	9,698	28,245
Revenues net of expenses . . . . .	<u>\$ 96,998</u>	<u>\$ 68,729</u>

(Continued on the following page)

FREE SPIRIT MEDIA, NFP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - FUNDRAISING EVENTS, net of direct expenses (Continued)

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, 2017 and June 30, 2016:

<u>Fundraising Event Sponsorship and Contributions:</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Blue Cross and Blue Shield of Illinois . . . . .	\$ 5,000	\$ -
AbelCine . . . . .	-	10,600
CineCares Foundation . . . . .	10,000	-
Google, Inc. . . . .	-	5,000
Power Family Foundation . . . . .	5,000	-
The Private Bank . . . . .	5,000	5,000
William Blair & Company Foundation . . . . .	5,000	5,000
Individuals, each \$5,000 or more . . . . .	5,000	-
Others under \$5,000 each (both years) . . . . .	59,323	62,969
Total fundraising event sponsorship and contributions . . . . .	<u>\$ 94,323</u>	<u>\$ 88,569</u>

NOTE 11 - FACILITY OCCUPANCY

FSM leases office space located at 1327 W. Washington, Chicago, Illinois under a lease agreement that commenced on January 9, 2012 and expired on July 31, 2015. Monthly rent under this agreement was \$835. Upon expiration of this lease agreement FSM continued renting this office space on a month-to-month basis at a monthly rent rate of \$835. Total rent expense under this agreement for the fiscal years ended June 30, 2017 and June 30, 2016 was \$10,020 and \$10,020, respectively.

In March, 2016 FSM entered into a five-year lease agreement for additional office space located at 906 S. Homan Ave., Chicago, Illinois. Monthly base rent for the entire five-year term of this agreement is \$4,791. An option to extend the agreement for an additional five years at an annual base rent of \$48,000 is also included in the agreement. Total rent expense under this agreement for the fiscal years ended June 30, 2017 and June 30, 2016 was \$60,343 and \$29,145, respectively.

In addition to the office lease agreements per above, FSM rents program facility space on an as-needed basis. Such rent expense for the fiscal years ended June 30, 2017 and June 30, 2016 was \$1,503 and \$ZERO, respectively.

Aggregate office space rent expense for the fiscal years ended June 30, 2017 and June 30, 2016 was \$71,866 and \$39,165, 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.