

FOSTERING MEDIA CONNECTIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021



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Certified Public Accountants
5000 E. Spring Street Ste. 200
Long Beach, CA 90815
562.420.3100
www.oniskoscholz.com
Info@oniskoscholz.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Fostering Media Connections

Opinion

We have audited the accompanying financial statements of Fostering Media Connections (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fostering Media Connections as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fostering Media Connections and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fostering Media Connections' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fostering Media Connections' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fostering Media Connections' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

O&S CPAs & Business Advisors LLP

O&S CPAs & Business Advisors, LLP

Long Beach, California
May 3, 2023

FOSTERING MEDIA CONNECTIONS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 106,352	\$ 916,582	\$ 1,022,934
Accounts receivable	201,778	40,000	241,778
Prepaid expenses and other current assets	2,130	-	2,130
Total Current Assets	<u>310,260</u>	<u>956,582</u>	<u>1,266,842</u>
Property and equipment, net	<u>26,704</u>	<u>-</u>	<u>26,704</u>
TOTAL ASSETS	<u>\$ 336,964</u>	<u>\$ 956,582</u>	<u>\$ 1,293,546</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 14,717	\$ -	\$ 14,717
Accrued liabilities	132,318	-	132,318
Deferred revenue	235,960	-	235,960
Total Current Liabilities	<u>382,995</u>	<u>-</u>	<u>382,995</u>
TOTAL LIABILITIES	<u>382,995</u>	<u>-</u>	<u>382,995</u>
NET ASSETS			
Without donor restrictions	(46,031)	-	(46,031)
With donor restrictions	<u>-</u>	<u>956,582</u>	<u>956,582</u>
TOTAL NET ASSETS	<u>(46,031)</u>	<u>956,582</u>	<u>910,551</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 336,964</u>	<u>\$ 956,582</u>	<u>\$ 1,293,546</u>

The accompanying notes are an integral part of these financial statements.

FOSTERING MEDIA CONNECTIONS
STATEMENT OF ACTIVITIES
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Subscriptions	\$ 96,026	\$ -	\$ 96,026
Sponsorships	36,227	-	36,227
Donations	63,396	-	63,396
Grants	577,000	1,097,204	1,674,204
Other income	2,261	-	2,261
In-kind	10,800	-	10,800
Net assets released from restrictions	606,334	(606,334)	-
TOTAL SUPPORT AND REVENUE	1,392,044	490,870	1,882,914
EXPENSES			
Program services	904,318	-	904,318
Management and general	334,142	-	334,142
Fundraising	239,348	-	239,348
TOTAL EXPENSES	1,477,808	-	1,477,808
CHANGE IN NET ASSETS	(85,764)	490,870	405,106
NET ASSETS, BEGINNING OF YEAR	39,733	465,712	505,445
NET ASSETS, END OF YEAR	\$ (46,031)	\$ 956,582	\$ 910,551

The accompanying notes are an integral part of these financial statements.

FOSTERING MEDIA CONNECTIONS
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2021

	Program	Management and General	Fundraising	Total
Accounting	\$ -	\$ 27,454	\$ -	\$ 27,454
Advertising	-	4,052	-	4,052
Bank and merchant fees	-	3,002	-	3,002
Benefits	36,597	7,216	7,732	51,545
Consultants	145,517	28,694	30,743	204,954
Depreciation	6,159	1,214	1,301	8,674
Dues and subscriptions	1,052	208	222	1,482
Events	-	-	1,224	1,224
In-kind expenses	7,668	1,512	1,620	10,800
Insurance	-	10,024	-	10,024
Information technology	12,978	2,559	2,742	18,279
Miscellaneous expense	-	4,561	-	4,561
Office supplies	397	78	84	559
Postage and delivery	17,548	3,460	3,707	24,715
Payroll taxes	40,883	15,076	14,581	70,540
Printing	35,418	6,984	7,483	49,885
Rent	7,272	1,434	1,536	10,242
Salaries	590,593	216,173	165,900	972,666
Telephone	1,863	367	394	2,624
Transportation and travel	373	74	79	526
Total expenses	\$ 904,318	\$ 334,142	\$ 239,348	\$ 1,477,808

The accompanying notes are an integral part of these financial statements.

FOSTERING MEDIA CONNECTIONS
STATEMENT OF CASH FLOWS
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (85,764)	\$ 490,870	\$ 405,106
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities			
Depreciation	8,674	-	8,674
PPP loan forgiveness	(299,500)	-	(299,500)
(Increase) decrease in assets:			
Accounts receivable	(113,995)	(40,000)	(153,995)
Prepaid expenses and other current assets	5,180	-	5,180
Increase (decrease) in liabilities:			
Accounts payable	(8,115)	-	(8,115)
Accrued liabilities	132,318	-	132,318
Deferred revenue	235,960	-	235,960
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(125,242)</u>	<u>450,870</u>	<u>325,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	<u>(32,044)</u>	<u>-</u>	<u>(32,044)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(32,044)</u>	<u>-</u>	<u>(32,044)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from PPP loan	<u>167,500</u>	<u>-</u>	<u>167,500</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>167,500</u>	<u>-</u>	<u>167,500</u>
INCREASE IN CASH AND CASH EQUIVALENTS	10,214	450,870	461,084
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>96,138</u>	<u>465,712</u>	<u>561,850</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 106,352</u>	<u>\$ 916,582</u>	<u>\$ 1,022,934</u>

The accompanying notes are an integral part of these financial statements.

**FOSTERING MEDIA CONNECTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Fostering Media Connections (the “Organization”) was established in 2010 and is based in Los Angeles, California. Fostering Media Connections’ mission is to use the power of media and journalism to lead the conversation about children, youth and families in America. Fostering Media Connections was founded with the goal of using journalism to drive reform that positively affects vulnerable children and families. Fostering Media Connections publishes media to lead the conversation about children, youth, and families in America:

- ***The Chronicle of Social Change (CSC)***: FMC's flagship daily site covering child welfare and juvenile justice news nationally. *The Chronicle* has editorial staff in California, New York, Michigan, Arizona, and Wyoming.
- ***Fostering Families Today (FFT)***: is an award-winning bi-monthly print and digital magazine that is distributed to resource families and kin caregivers across the country.
- ***Youth Voices Rising***: launched in 2016 as a journalism/media training program for young people with lived experience in the foster care or juvenile justice systems. To date, they have published hundreds of personal reflections and opinion pieces from young people.
- ***The Imprint***: is an online news publication covering child welfare and juvenile justice news nationally. Since its inception, The Imprint has run more than 6,000 articles on issues impacting children, youth, and families.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions – Net assets without donor restrictions are net assets that are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

FOSTERING MEDIA CONNECTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

- Net assets with donor restrictions – Net assets with donor restrictions are net assets resulting from contributions or other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to the restrictions. When a donor-specified restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. There were net assets with donor restrictions of \$956,582 as of June 30, 2021.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Prepays and Other Current Assets

Prepays and other current assets are comprised primarily of prepaid rent. The Organization's lease for office space included terms for prepayment of certain rent and rent escalations. Rent expense is recognized on a straight-line basis over the term of the lease.

Property and Equipment

Expenditures for the acquisition of property and equipment in excess of \$1,000 are capitalized at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets, which range from four to seven years. Leasehold improvements are recorded at cost and amortized over the shorter of the life of the lease or the estimated useful life of the asset.

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Long-Lived Assets

The Organization reviews long-lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and may not be recoverable. No circumstances have occurred during the years to cause the Organization to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

FOSTERING MEDIA CONNECTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

The Organization is the recipient of grants, subscriptions, and sponsorships that require expenditure for specified activities before the Organization can recognize the revenue. Certain grantors and clients pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on costs is reported as unearned revenue or prepaids.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Salaries and related expenses, such as medical insurance, taxes, and benefits, which are not directly attributable to a function, are allocated based on management's estimate of time and effort.

Income Taxes

The Organization is a nonprofit private corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions. The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Fair Value of Financial Instruments

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).
- Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

The Organization's financial instruments, including accounts receivable, accounts payable, and accrued liabilities are carried at cost, which approximates fair value because of the short-term nature of these instruments.

FOSTERING MEDIA CONNECTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Leases (Topic 840). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. In July 2018, the FASB issues ASU 2018-11, Leases (Topic 842), which allows entities to initially apply the new lease standard as of the adoption date instead of at the beginning of the earliest period presented in the financial statements. The new lease standard requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The ASU is effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets and liquidity resources available within one year for general expenditure, reduced by amounts not available for general use because of donor-imposed restrictions, were as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 106,352
Accounts receivable	<u>201,778</u>
	<u><u>\$ 308,130</u></u>

In addition to financial assets available to meet general expenditures over the year, the Organization operated with a balanced budget and anticipates covering its general expenditures by collection of the sufficient subscriptions, sponsorships, and contributions. The Organization reviews its cash position on a regular basis to ensure adequate funds are on hand to meet expenses.

**FOSTERING MEDIA CONNECTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Furniture and equipment	\$	8,036
Chronicle-imprint website		70,298
		78,334
Accumulated depreciation		(51,630)
		\$ 26,704

Depreciation expense totaled \$8,674 for the year ended June 30, 2021.

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30, 2021:

Accrued payroll	\$	85,248
Accrued paid time off		45,236
Accrued retirement		1,834
		\$ 132,318

NOTE 6 – COMPENSATED ABSENCES

It is the Organization’s policy to accrue paid time off pay for its employees. Employees accrue hours based on employee length of service. The liability for such absences is the part of the accrued liabilities on the statement of financial position.

NOTE 7 – PPP LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act was signed into law including the Payroll Protection Program (PPP), a forgivable loan product offered through the SBA. In April 2020, the Organization received a PPP loan in the amount of \$132,000. Any loan amounts not forgiven are repayable over two years with interest at 1.00%. The loan was wholly forgiven in May 2021. In March 2021, the Organization received a second PPP loan in the amount of \$167,500. See Note 13.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for:

The Chronical of Social Change	\$	288,972
Youth Voice Program		184,554
Fostering Families Today		45,000
The Imprint		201,213
Time Restricted – General Operations and Development		236,843
		\$ 956,582

FOSTERING MEDIA CONNECTIONS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NOTE 10 – RISK AND UNCERTAINTIES

Retirement Plan

The Organization provides an IRA retirement plan for all eligible employees. The Organization makes matching contributions of 1%. The Organization made \$6,933 in contributions to the plan for the year ended June 30, 2021.

Business Risks Associated with the Impact of COVID-19

The spread of the coronavirus has resulted in federal, state and local governments mandating various restrictions on public gatherings and stay-at-home orders. Because of the severity and global nature of the COVID-19 pandemic, the impact on the Organization's business could be significant and have a material impact on its financial position and operating results. Certain events and programming have been postponed or rescheduled to accommodate remote attendance. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and financial statements.

NOTE 11 – CONCENTRATIONS

Cash

The Organization maintains its cash balances in financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the bank that were over the FDIC limit. At June 30, 2021, the uninsured cash balance was \$701,563.

NOTE 12 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended June 30, 2021, the Organization paid no income taxes or interest.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2023, the date the financial statements were available to be issued. In October 2021, the Organization received notice its second PPP loan was fully forgiven.