

Fostering Media Connections

Audited Financial Statements
As of and for the Year Ended June 30, 2022



Fostering Media Connections

Financial Statements
June 30, 2022

Fostering Media Connections

Contents

Independent Auditor's Report	3 - 4
Financial Statements	
Statement of Financial Position	6
Statement of Activities	7
Statement of Functional Expenses	8
Statement of Cash Flows	9
Notes to Financial Statements	10 - 15

Independent Auditor's Report

To the Board of Directors
Fostering Media Connections
Los Angeles, California

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, 2022, and the related statements of activities, functional expenses 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, 2022, 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 Auditor's 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.

Independent Auditor's Report - continued

Auditor's 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2021 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Lewis Sharpstone & Co.

Woodland Hills, California
March 9, 2024

Financial Statements

Fostering Media Connections
Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$ 984,180
Accounts and contributions receivable	504,829
Prepaid expenses and other assets	4,092
Property and equipment	12,689

Total Assets \$ 1,505,790

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 126,247
Deferred revenue	247,829

Total Liabilities 347,076

Net Assets

Without donor restrictions	411,898
With donor restrictions	719,816

Total Net Assets 1,131,714

Total Liabilities and Net Assets \$ 1,505,790

See accompanying notes to financial statements.

Fostering Media Connections
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Subscriptions	\$ 228,614	\$ -	\$ 228,614
Sponsorships	120,849	-	120,849
Contributions	26,955	-	26,955
Grants	-	1,003,000	1,003,500
Other income	1,049	-	1,049
Net assets released from restrictions	1,324,770	(1,324,770)	-
Total Revenue and Support	1,702,237	(321,770)	1,380,467
Expenses:			
Program services	1,368,504	-	1,368,504
Management and general	143,312	-	143,312
Fundraising	247,488	-	247,488
Total Expenses	1,759,304	-	1,759,304
Change in Net Assets	(57,067)	(321,770)	(378,837)
Net Assets, beginning of year – restated (Note 3)	468,965	1,041,586	1,510,551
Net Assets, end of year	\$ 411,898	\$ 719,816	\$ 1,131,714

See accompanying notes to financial statements.

Fostering Media Connections
Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 815,914	\$ 75,786	\$ 206,502	\$ 1,098,202
Employee benefits	45,273	4,326	4,099	53,698
Payroll taxes	64,066	5,465	15,857	85,388
Accounting fees	-	35,090	-	35,090
Advertising	4,522	3,086	5,000	12,608
Consultants	234,766	5,312	9,213	249,291
Information technology	16,115	2,005	385	18,505
Insurance	12,995	5,322	1,437	19,754
Interns	23,268	-	-	23,268
Office	5,935	1,577	1,237	8,749
Postage and delivery	46,239	1,312	17	47,568
Printing	65,529	21	50	65,600
Rent	9,843	1,960	1,210	13,013
Transportation and travel	12,085	557	1,913	14,555
Depreciation	12,205	1,518	292	14,015
Total Expenses	\$ 1,368,504	\$ 143,312	\$ 247,488	\$ 1,759,304

See accompanying notes to financial statements.

Fostering Media Connections
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in net assets	\$	378,837
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation		14,015
Changes in operating assets and liabilities:		
Receivables		336,949
Prepaid expenses and other assets		(1,962)
Accounts payable and accrued expenses		(20,788)
Deferred revenue		11,869

Net cash flows from operating activities	(38,754)
--	----------

Net Change in Cash and Cash Equivalents	(38,754)
--	-----------------

Cash and Cash Equivalents, beginning of year	1,022,934
---	------------------

Cash and Cash Equivalents, end of year	\$ 984,180
---	-------------------

See accompanying notes to financial statements.

Fostering Media Connections

Notes to Financial Statements

June 30, 2022

1. Organization

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 Imprint:** FMC's flagship daily site covering child welfare and juvenile justice news nationally. The Imprint has editorial staff located across the country. Since its inception, The Imprint has run more than 6,000 articles on issues impacting children, youth, and families.
- **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.

2. Significant Accounting Policies

Basis of Accounting

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

Net Asset Classification

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 available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. No such designations existed at June 30, 2022.

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. See Note 7 for details of net assets with donor restrictions.

Revenue Recognition

Contributions and grants, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Grants typically

Fostering Media Connections

Notes to Financial Statements

June 30, 2022

do include restrictions. 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.

Subscription and sponsorship revenues are recognized in the periods to which these items relate.

Cash and Cash Equivalents

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

Accounts and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Subscription and sponsorship receivables are recorded when the related contract is signed by the subscriber or sponsor. All receivables are from third parties with whom the Organization has excellent relationships, and subsequent payments have been received when due. Accordingly, recording an allowance for uncollectible receivables was not deemed necessary by management. Also, a discount would be recorded on contributions receivable due more than one year, if material. Such discount was not considered material by management at June 30, 2022 and accordingly was not recorded.

Deferred Revenue

When subscribers and sponsors sign agreements, amounts are recorded to receivables and deferred revenue. The amounts relating to future periods is reported as deferred revenue.

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.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Salaries and expenses that can be identified with a specific program or support service are

Fostering Media Connections

Notes to Financial Statements

June 30, 2022

allocated directly according to their natural expenditure classification. Salaries and expenses 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States can require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Risks and concentrations

Custodial credit risk is the risk that the Organization will not be able to (a) recover deposits if the depository financial institution fails, b) recover the value of investments or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails or c) recover receivables from third parties.

Financial instruments that potentially subject the Organization to credit risk include cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. The Organization's cash balances exceed this limit at of times during the year. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Credit risk associated with receivables is considered to be limited due to high historic collection rates and

Fostering Media Connections
Notes to Financial Statements
June 30, 2022

the reputation of the entities with which the Organization extends credit.

For the year ended June 30, 2022, two grantors comprised 43% of the Organization's total revenue and support, and four receivable balances comprised 83% of accounts and contributions receivable.

Various claims, generally incidental to the conduct of normal business, are pending or threatened against the Organization from time to time. While the ultimate liability, if any, is presumably indeterminable, in the opinion of management, the ultimate resolution will not have a materially adverse effect on the financial condition of the Organization.

Beginning in March 2020, the US economy faced considerable uncertainty related to the impact of the COVID-19 virus. Management is continuing to evaluate the impact these continued uncertainties may have on its risk assessments.

Recent Accounting Pronouncements

On February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet 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 income statement. Fostering Media Connections is in the process of evaluating the impact of adoption on its financial statements.

3. Restatement

During the year ended June 30, 2022 FMC identified two accounting errors in its 2021 financial statements.

1. FMC identified three grants that had not been recognized in the 2021 financial statements. FMC understated their 2021 revenue by \$600,000 for unconditional grants received in fiscal year 2021. Two of these grants are restricted by donors, and the third carries no donor restrictions.
2. FMC determined funds previously reported as restricted were likely either utilized and released prior to June 30, 2021, or should never have previously been reported as restricted. In making this determination, FMC was able to recreate a detailed schedule supporting the restated net assets with donor restrictions balance at June 30, 2021. No such detailed schedule previously existed.

A summary of the net assets restatement at June 30, 2021 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Opening net assets as previously reported	\$ (46,031)	\$ 956,582	\$ 910,551
Correction of issues noted above			
Issue 1 above	100,000	500,000	600,000
Issue 2 above	414,996	(414,996)	-
Opening net assets - restated	\$ 468,965	\$ 1,041,586	\$ 1,510,551

Fostering Media Connections
Notes to Financial Statements
June 30, 2022

4. Receivables

Receivables as of June 30, 2022 comprised the following:

Subscriptions receivable	\$	63,102
Sponsorships receivable		21,727
Contributions receivable		<u>420,000</u>
Total receivables	\$	<u>504,829</u>

Total contributions receivable at June 30, 2022, are scheduled to be received as follows:

2023	\$	320,000
2024		<u>100,000</u>
Total receivables	\$	<u>420,000</u>

5. Property and Equipment

Property and equipment as of June 30, 2022 is summarized as follows:

Furniture and equipment	\$	8,036
Chronicle-imprint website		<u>70,298</u>
Total property and equipment - cost		78,334
Less: accumulated depreciation		<u>(65,645)</u>
Property and equipment - net	\$	<u>12,689</u>

Depreciation expense totaled \$14,015 for the year ended June 30, 2022.

6. Deferred revenue

Deferred revenue as of June 30, 2022 comprised the following:

Deferred revenue related to subscriptions	\$	235,779
Deferred revenue related to sponsorships		<u>12,050</u>
Total deferred revenue	\$	<u>247,829</u>

Fostering Media Connections
Notes to Financial Statements
June 30, 2022

7. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions as of and for the year ended June 30, 2022 are as follows:

	Balance as of June 30, 2022	Released, for the year ended June 30, 2022
The Imprint	\$ 399,907	\$ 808,359
Youth Voice Program	212,050	314,770
Fostering Families Today	95,358	179,142
Restricted as to time only	<u>12,501</u>	<u>22,499</u>
 Total net assets with donor restrictions	 \$ <u>719,816</u>	 \$ <u>1,324,770</u>

8. 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:

Cash and cash equivalents	\$ 984,180
Receivables	<u>504,829</u>
 Total financial assets available	 1,489,009
 Less cash unavailable for expenditure within one year due to: Net assets restricted by donors	 <u>(719,816)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 \$ <u>769,193</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.

9. Subsequent Events

Management has evaluated subsequent events through March 9, 2024, which is the date the financial statements were available to be issued.