

# INDEPENDENT ARTS & MEDIA

## INDEPENDENT ARTS & MEDIA

### Financial Statements

*For the Year Ended*  
December 31, 2016

With Independent Auditors' Report Thereon

# INDEPENDENT ARTS & MEDIA

(A California Not-For-Profit Corporation)  
December 31, 2016

## *CONTENTS*

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Audited Financial Statements:</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 11

**INDEPENDENT ARTS & MEDIA**

P.O. Box 420442  
San Francisco, California 94142  
415-738-4975

***REGALIA & ASSOCIATES***  
CERTIFIED PUBLIC ACCOUNTANTS



Regalia &  
Associates

C E R T I F I E D P U B L I C A C C O U N T A N T S  
1 0 3 T O W N & C O U N T R Y D R I V E , S U I T E K , D A N V I L L E , C A L I F O R N I A 9 4 5 2 6  
D O U G L A S R E G A L I A , C P A D A N A C H A V A R R I A , C P A  
M A R I A N N E R Y A N T R I C I A W I L S O N  
J A N I C E T A Y L O R , C P A W E N D Y T H O M A S , C P A  
L I S A C L O V E N , C P A L I S A P A R K E R , C P A [ i n a c t i v e ]  
J E N N Y S O , C P A J E A N N I N E R E G A L I A , C P A  
J E N N I F E R J E N S E N W W W . M R C P A . C O M O F F I C E : 9 2 5 . 3 1 4 . 0 3 9 0 F A X : 9 2 5 . 3 1 4 . 0 4 6 9

## INDEPENDENT AUDITORS' REPORT

### The Board of Directors Independent Arts & Media

We have audited the accompanying financial statements of Independent Arts & Media (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016 and the related statement of activities and changes in net assets, cash flows and functional expenses 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 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, 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 Independent Arts & Media as of December 31, 2016, 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.

Danville, California  
July 24, 2017

**INDEPENDENT ARTS & MEDIA**

**Statement of Financial Position  
December 31, 2016**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 307,530
Investments	28,273
Grants and pledges receivable	125,880
Prepaid expenses and other assets	1,790
	<hr/>
Total current assets	463,473
	<hr/>
	\$ 463,473
	<hr/>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable and accrued liabilities	\$ 17,040
Unearned revenue	5,770
	<hr/>
Total current liabilities	22,810
	<hr/>
Net assets:	
Unrestricted	242,860
Temporarily restricted	197,803
	<hr/>
Total net assets	440,663
	<hr/>
	\$ 463,473
	<hr/>

**INDEPENDENT ARTS & MEDIA**

**Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<i>Changes in net assets:</i>			
Support:			
Government	\$ 23,442	\$ -	\$ 23,442
Foundation and corporate	271,978	240,700	512,678
Individual	232,991	-	232,991
Other contributed revenue	9,090	-	9,090
In-kind	20,069	-	20,069
Net assets released from restrictions	58,897	(58,897)	-
Total support	616,467	181,803	798,270
Revenue:			
Contract fees	25,546	-	25,546
Fiscal sponsorship fees	69,629	-	69,629
Sales and concessions	28,555	-	28,555
Investment income	3,106	-	3,106
Other	68,625	-	68,625
Total revenue	195,461	-	195,461
Total support and revenue	811,928	181,803	993,731
Expenses:			
Program	754,415	-	754,415
General and Administrative	53,710	-	53,710
Fundraising	5,419	-	5,419
Total expenses	813,544	-	813,544
Increase (decrease) in net assets	(1,616)	181,803	180,187
Net assets at beginning of year	244,476	16,000	260,476
Net assets at end of year	\$ 242,860	\$ 197,803	\$ 440,663

**INDEPENDENT ARTS & MEDIA**

**Statement of Cash Flows  
For the Year Ended December 31, 2016**

*Operating activities:*

Increase in net assets	\$ 180,187
Adjustments to reconcile to cash provided by (used for) operating activities:	
Unrealized gains	(2,269)
Changes in:	
Grants and pledges receivable	(101,309)
Prepaid expenses and other assets	(715)
Accounts payable and accrued liabilities	5,525
Unearned revenue	5,770
	<hr/>
Cash provided by operating activities	87,189

*Investing activities:*

Change in market value of investment	5,648
	<hr/>
Cash provided by investing activities	5,648

Net increase in cash and cash equivalents	92,837
Cash and cash equivalents at beginning of year	214,693
	<hr/>
Cash and cash equivalents at end of year	\$ 307,530

*Additional cash flow information:*

State registration taxes paid	\$ 150
	<hr/>
Interest paid	\$ -
	<hr/>

**INDEPENDENT ARTS & MEDIA**

**Statement of Functional Expenses  
Year Ended December 31, 2016**

	<b>PROGRAMS</b>			<b>General and Admin- istrative</b>	<b>Fund- rasing</b>	<b>Total 2016</b>
	<b>IAM Corporate</b>	<b>Fiscally Sponsored Projects</b>	<b>Total Program</b>			
Advertising	\$ -	\$ 2,192	\$ 2,192	\$ -	\$ -	\$ 2,192
Contractors	3,000	165,725	168,725	23,945	1,200	193,870
Fees, dues and subscriptions	-	658	658	1,412	-	2,070
Fiscal sponsorship fees	-	69,629	69,629	-	-	69,629
Insurance	4,025	814	4,839	4,024	-	8,863
Miscellaneous	-	4,523	4,523	1,077	1,464	7,064
Occupancy	-	4,654	4,654	15,040	-	19,694
Model C grant expenses	-	427,627	427,627	-	-	427,627
Postage and delivery	-	3,558	3,558	186	335	4,079
Printing and reproduction	-	4,970	4,970	-	650	5,620
Supplies and materials	-	37,623	37,623	7,164	-	44,787
Telephone and technology	-	6,648	6,648	862	-	7,510
Travel and hospitality	47	18,722	18,769	-	1,770	20,539
<b>Total expenses</b>	<b>\$ 7,072</b>	<b>\$ 747,343</b>	<b>\$ 754,415</b>	<b>\$ 53,710</b>	<b>\$ 5,419</b>	<b>\$ 813,544</b>

Notes to Financial Statements  
December 31, 2016

**1. Organization**

Independent Arts & Media (IAM) is a California non-profit organization founded in 2000. IAM acts as a fiscal sponsor for independent artists, journalists, and media producers for the purpose of building community and civic participation, and facilitating cultural engagement and free expression.

IAM's vision for fiscal sponsorship as a transformative "free speech platform" comes from its own experiences as journalists, artists, and media producers who need better infrastructure for their public-interest work. IAM currently supports over 50 affiliates dedicated to non-commercial work in media and the arts, including publishing, theater, dance, music, visual art, film and video, journalism, history and public-events production.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

The financial statements of IAM have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities and include the accounts of IAM and all fiscally sponsored groups.

*Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, IAM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

*Grants and Pledges Receivable*

Grants and pledges receivable are recorded when the grants and pledges are received and are stated at estimated net realizable value. When applicable, grants and pledges extending beyond one year are discounted to reflect the net present value of the future cash flows.

*Support and Revenue Recognition*

IAM records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions. IAM had no permanently restricted net assets at December 31, 2016.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

*Cash and Cash Equivalents*

IAM considers all highly liquid investments with a maturity commitment of 90 days or less when acquired to be cash equivalents. IAM maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. IAM has not experienced any losses in such accounts.

*Contributed Services and Costs*

Contributions of donated noncash assets (in-kind contributions) are recorded at their fair values in the period received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. IAM recognized \$20,069 of in-kind donations during the year ended December 31, 2016.

*Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, IAM is required to report information regarding its exposure to various tax positions taken by IAM and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that IAM has adequately evaluated its current tax positions and has concluded that as of December 31, 2016, IAM does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

IAM has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. IAM may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, IAM will calculate, accrue and remit the applicable taxes.

*Fair Values*

IAM follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that IAM could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2016. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

*Investments*

Investments are comprised principally of equities. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

**Notes to Financial Statements**

**2. Summary of Significant Accounting Policies *(continued)***

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

*Advertising and Marketing Expense*

Advertising and marketing costs are expensed as incurred. Advertising and marketing expenses amounted to \$2,192 for the year ended December 31, 2016, and are included with advertising on the statement of functional expenses.

*Functional Allocation of Expenses*

The costs of providing IAM's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**3. Cash and Cash Equivalents**

Cash and cash equivalents include all funds in financial institutions (checking and savings) and consist of the following at December 31, 2016:

Checking	\$	22,837
Savings (bearing interest at 0.06% per annum at December 31, 2016)		284,237
Sweep account (bearing interest at 0.01% per annum at December 31, 2016)		456
Total cash and cash equivalents	<u>\$</u>	<u>307,530</u>

At times, the deposits in the various financial institutions may exceed federally insured limits. IAM attempts to limit its credit risk associated with cash and cash equivalents by utilizing financial institutions that are well capitalized and highly rated.

**4. Grants and Pledges Receivable**

Grants and pledges receivable of \$125,880 at December 31, 2016, are comprised of written commitments from a variety of donors, including government agencies, foundations, individuals and other organizations.

IAM uses the direct write-off method with regard to receivables deemed uncollectible. During the year ended December 31, 2016, IAM recognized no bad debts. Management has evaluated the receivables as of December 31, 2016 and has determined that such amounts are fully collectible based on the financial strength of the donors involved.

**Notes to Financial Statements**

**5. Leases**

IAM leases office space in San Francisco under an operating lease agreement which expires March 31, 2017. The leases require a monthly rental payment of \$430 as of December 31, 2016. IAM subleases a portion of its office space. During the year ended December 31, 2016, IAM recognized \$4,065 in rental income, none of which is considered to be unrelated business income.

Certain of IAM’s affiliates also lease office space under separate rental agreements. Total rent expense amounted to \$15,040 for the year ended December 31, 2016 and is included in occupancy expense on the statement of functional expenses. Future minimum lease payments are \$6,930 for the year ending December 31, 2017.

**6. Investments and Fair Value Measurements**

Investments consist of the following at December 31, 2016:

	<b>Cost</b>	<b>Fair Value</b>
Equities	\$ 26,877	\$ 28,273

Investment income (interest and dividends) amounted to \$838 for the year ended December 31, 2016. Net unrealized gains amounted to \$2,269 for the year ended December 31, 2016.

In accordance with fair value measurement accounting, IAM has classified certain current assets at December 31, 2016 as follows:

	<b>Totals</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equities	\$ 28,273	\$ 28,273	\$ -	\$ -
Grants and pledges receivable	125,880	-	125,880	-
<b>Totals</b>	<b>\$ 154,153</b>	<b>\$ 28,273</b>	<b>\$ 125,880</b>	<b>\$ -</b>

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company’s own estimates and pricing models. IAM had no assets classified as Level 3 at December 31, 2016.

**7. Unearned Revenue**

Unearned revenue of \$5,770 at December 31, 2016 represents funds received under binding contracts in advance for future activities to be performed during the following fiscal year. Such amounts have been reflected as short-term liabilities and will be classified as earned revenue on the statement of activities and changes in net assets in the subsequent fiscal period.

**Notes to Financial Statements**

**8. Temporarily Restricted Net Assets**

IAM recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at December 31, 2016:

*Restricted for:*

Fiscally sponsored projects	\$	172,803
Support for future periods		25,000
	<u>\$</u>	<u>197,803</u>

During the year ended December 31, 2016, additions to temporarily restricted net assets amounted to \$240,700. During the year ended December 31, 2016, net assets released from restrictions amounted to \$58,897, and such amounts were transferred to unrestricted net assets.

**9. In-kind Contributions (Donated Services and Materials)**

During the year ended December 31, 2016 IAM was the recipient of a substantial amount of in-kind contributions and these donated services, materials, and facilities were recorded at their estimated fair values as program and supporting revenues and expenses. The estimated values of these contributions are summarized as follows:

Program supplies and materials	\$	13,401
Office supplies and equipment		3,600
Postage and delivery		2,900
Other		168
Total in-kind donations reflected as contributions	<u>\$</u>	<u>20,069</u>

Several unpaid volunteers have made significant contributions of time to IAM. The value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

**10. Fiscal Sponsorship**

As described in Footnote 1, IAM acts as a fiscal sponsor for independent artists, journalists, and media producers. IAM offers two types of sponsorship, Model A and Model C. Model A affiliates and IAM are legally considered one and the same and the affiliate is an integral part of IAM. Model C affiliates are grantees of IAM and have a legal identity separate from IAM. For affiliates approved for sponsorship in 2016, IAM earned an administrative fee of 12% of all funds received on behalf of Model A affiliates and an administrative fee of 10% of all charitable contributions received on behalf of Model C affiliates. During the year ended December 31, 2016, IAM received \$69,629 in fiscal sponsorship fees which is included in revenue in the statement of activities and changes in net assets. During the year ended December 31, 2016, IAM's affiliates paid \$69,629 in fiscal sponsorship fees to IAM which is included in the statement of functional expenses as fiscal sponsorship fees.

Notes to Financial Statements

**11. Commitments and Contingencies**

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future performances, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate IAM to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the IAM's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

**12. Subsequent Events**

In compliance with ASC 855, *Subsequent Events*, IAM has evaluated subsequent events through July 24, 2017, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.