

GROUNDSPARK, INC.

(A California Non-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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GROUNDSPARK, INC>

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
GroundSpark, Inc.

We have audited the accompanying statement of financial position of GroundSpark, Inc. (a California nonprofit organization) as of December 31, 2012, and were engaged to audit the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. We conducted our audit of the balance sheet 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 balance sheet is 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 on the statement of financial position. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statements activities and cash flows or the consistency of application of accounting principles with the preceding year.

Basis for Disclaimer of Opinion on the Statement of Activities, Cash Flows, and Consistency

Because we were not engaged as auditors until after December 31, 2012, we have not applied audit procedures necessary to obtain sufficient appropriate audit evidence about the classifications and amounts comprising the statement of financial position at December 31, 2011. The classification and amounts and other significant aspects of the statement of financial position at that date materially affect the determination of the statement of activities and cash flows for the year ended December 31, 2012, or the consistency of application of accounting principles between 2012 and 2011.

Opinion on the Statement of Financial Position

In our opinion, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of Independent Media Institute as of December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Bailey and Utley, CPAs

San Leandro, Ca
September 5, 2013

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GROUNDSPARK, INC.**STATEMENT OF FINANCIAL POSITION – DECEMBER 31, 2012**

ASSETS:		
Cash		\$155,238
Accounts receivable-Trade		12,361
Donations receivable		16,271
Inventory		22,802
Prepaid expenses		247
Property and equipment (Note 1):		
Furniture and equipment	\$ 13,678	
Less accumulated depreciation	<u>5,485</u>	8,193
Deposits		<u>2,200</u>
		<u>\$217,312</u>
LIABILITIES:		
Accounts payable		\$ 12,885
Credit card payable		1,192
Accrued expenses		<u>6,122</u>
Total liabilities		\$ 20,199
NET ASSETS (Exhibit B):		
Unrestricted (Note 5)	\$153,201	
Temporarily Unrestricted	<u>43,912</u>	<u>197,113</u>
		<u>\$217,312</u>

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See Notes to the Financial Statements

GROUNDSPARK, INC.**STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Total</u>
Support and Revenue:			
Grants	\$113,500	\$32,000	\$145,500
Contributions	100,878		100,878
Tape Sales and rental net of costs	144,825	0	144,825
Training and consultant fees	78,530	0	78,530
Sponsorship	240	0	240
Interest income	98	0	98
Miscellaneous	1,949	0	1,949
Release from temporarily restricted net assets	<u>43,763</u>	<u>(43,763)</u>	<u>0</u>
TOTAL REVENUE	\$483,783	(\$11,763)	\$472,020
Expenses (Exhibit C):			
Program	\$272,430	\$ 0	\$272,430
Management and general	89,919	0	89,919
Fundraising	<u>47,549</u>	<u>0</u>	<u>47,549</u>
TOTAL EXPENSE	\$409,898	\$ 0	\$409,898
DECREASE IN NET ASSETS	\$ 73,885	(\$11,763)	\$ 62,122
NET ASSETS, beginning of year	<u>\$ 79,316</u>	<u>\$55,675</u>	<u>134,991</u>
NET ASSETS, end of year	<u>\$153,201</u>	<u>\$ 43,912</u>	<u>\$ 197,113</u>

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See Notes to the Financial Statements

GROUNDSPARK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	<u>Program</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 65,727	\$20,817	\$15,983	\$102,527
Consultants	9,732	29,197	9,732	48,661
Education and training	29,773	0	0	29,773
Occupancy	23,064	2,883	2,883	28,830
Marketing	28,364	0	0	28,364
Film Production	28,256	0	0	28,256
Accounting	0	22,250	0	22,250
Film distribution	20,697	0	0	20,697
Film post production	20,289	0	0	20,289
Graphics and design	3,171	0	11,262	14,433
Event fees	13,266	0	0	13,266
Employee benefits	8,222	1,762	1,762	11,746
Payroll taxes	6,205	1,373	1,337	8,915
Bank charges	5,046	0	209	5,255
Insurance	0	3,331	0	3,331
Sales Fulfillment	3,487	0	0	3,487
Printing	0	414	2,733	3,147
Travel	2,973	77	0	3,050
Office expense	0	2,891	0	2,891
Meals and entertainment	2,658	0	0	2,658
Postage	0	826	1,384	2,210
Depreciation	0	1,969	0	1,969
Communications	0	1,658	0	1,658
Workers' compensation				
Insurance	991	213	213	1,417
Payroll processing	237	51	51	339
Conferences and meetings	272	0	0	272
Miscellaneous	<u>0</u>	<u>207</u>	<u>0</u>	<u>207</u>
Total expenses	<u>\$272,430</u>	<u>\$89,919</u>	<u>\$47,549</u>	<u>\$409,898</u>

See Notes to the Financial Statements

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GROUNDSPARK, INC.**STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets (Exhibit B)		\$62,122
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 1,969	
Decrease (increase) in:		
Accounts receivable-Trade	19,821	
Donations receivable	(16,271)	
Inventory	9,840	
Prepaid expenses	6,892	
Increase (decrease) in:		
Accounts payable	(12,048)	
Credit card payable	(6,783)	
Accrued expenses	5,189	
Deferred revenue	<u>(19,875)</u>	<u>(11,266)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES		 \$50,856
 NET INCREASE IN CASH		 \$50,856
 CASH, beginning of year		 <u>104,382</u>
 CASH, end of year		 <u>\$155,238</u>

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See Notes to the Financial Statements

GROUNDSPARK, INC.

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2012

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

The primary purpose of GroundSpark, Inc. is to create visionary films and dynamic educational campaigns that move individuals and communities to take action for a more just world. The Organization produces independent projects. Through national outreach campaigns, the organization provides training and materials relating to their films to the educational market and other community organizations. The Organization also works with non-profit, public interest organizations to produce videos and other communication media that enhance those organization's public education, organizing, fundraising capabilities. In addition, the Organization provides technical assistance to other social change media projects and filmmakers. Approximately, 30% of the Organizations revenue is in the form of foundation grants.

Inventory:

Inventory consists of tapes, discussion and curriculum guides. Inventory is stated at lower of Cost or market determined by first-in, first-out method.

Method of accounting:

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

Financial statement presentation:

The Organization reports 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. The Organization has no permanently restricted net assets.

Revenue Recognition:

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/ or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently 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 in the statement of activities as net assets released from restriction

Depreciation:

Property and equipment is stated at original cost, and are depreciated on a straight line basis over their useful lives. Repairs and maintenance are expense as incurred. Improvements are capitalized as additions. Disposals are recorded by removing the cost and accumulated depreciation, and the resulting gain /loss on sale. Donated property is recorded at the estimated fair value. Such donations are reported as unrestricted support unless donor

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restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash must be used to acquire property and equipment.

Allowance for bad debts:

The Organization uses the allowance method of accounting for bad debts. The Organization believes that all amounts are collectable. Accordingly, no allowance for doubtful accounts has been recorded

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. INCOME TAX STATUS:

Income taxes:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization is not classified as a private organization.

Note 4. NET ASSETS:

Unrestricted Net Assets:

Operating-Support is provided to the Organization primarily from individuals, foundations, and corporations which are available for general operations.

Reserve designated by Board-Represents amount designated by the Board as a general reserve fund for the Organization's own use.

Temporarily Restricted:

Net assets subject to donor –imposed stipulations that may or will be met, either by actions of the Organization and /or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 5. FUNCTIONAL ALLOCATION OF EXPENSES:

GROUNDSPARK, INC.

NOTES TO FINANCIAL STATEMENTS – DECEMBER 31, 2012

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and on the Functional expense schedule. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 6. CONTINGENCIES:

Grant awards require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provision of the grants. The Organization's management is of the opinion that the Organization has complied the terms of the grant.

Note 7 RETIREMENT PALN:

IMI has a 403(b) plan. Employees are eligible to make contributions to the plan . Total Organization contribution for 2012 is \$0.

Note 8. SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through September 5, 2013 the date the financial statements were available to be issued.

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