**DEPRODUCTION, INC.: THE
[DENVEREVOLUTION] PRODUCTION GROUP**

Financial Statements
(Audited)

For the Years Ended December 31, 2008 and 2007

INDEX TO FINANCIAL STATEMENTS

Ryan, Gunsauls & O'Donnell

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Deproduction, Inc.: The [denverevolution] Production Group
Denver, Colorado

We have audited the accompanying statements of financial position of Deproduction, Inc.: The [denverevolution] Production Group (a Colorado not-for-profit organization) as of December 31, 2008 and 2007 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Deproduction, Inc.: The [denverevolution] Production Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deproduction, Inc.: The [denverevolution] Production Group as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ryan, Gunsauls & O'Donnell, P.C.
Denver, Colorado
June 25, 2009

DEPRODUCTION, INC.: THE [DENVEREVOLUTION] PRODUCTION GROUP
Statements of Financial Position
December 31, 2008 and 2007

ASSETS

		2008		2007
Current assets:				
Cash and cash equivalents	$	198,610	$	79,278
Accounts receivable		59,630		2,485
Contribution receivable		190,000		25,000
Prepaid expenses		1,925		2,409
Total current assets		**450,165**		**109,172**
Property and equipment (Note 3):				
Computer equipment		51,061		51,061
Production studio equipment		110,838		110,838
		161,899		161,899
Less: accumulated depreciation		(95,396)		(47,698)
Net property and equipment		**66,503**		**114,201**
Other assets (Note 2):				
Permanent endowment		150,000		150,000
Managed fund, long-term		86,984		100,000
Total other assets		**236,984**		**250,000**
Total assets	**$**	**753,652**	**$**	**473,373**

LIABILITIES AND NET ASSETS

		2008		2007
Liabilities:				
Accounts payable	$	5,211	$	892
Accrued expenses		5,320		500
Accrued payroll liabilities		2,668		-
Total liabilities		**13,199**		**1,392**
Net assets (Note 4):				
Unrestricted net assets		313,470		196,981
Temporarily restricted net assets		276,983		125,000
Permanently restricted net assets		150,000		150,000
Total net assets		**740,453**		**471,981**
Total liabilities and net assets	**$**	**753,652**	**$**	**473,373**

See accompanying independent auditors' report and notes to financial statements.

DEPRODUCTION, INC.: THE [DENVEREVOLUTION] PRODUCTION GROUP

Statements of Activities

For the Year Ended December 31, 2008 (with summarized information for the year ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 (Summarized)
Government:					
Capitalized equipment maintenance fund	$ 50,000	$ -	$ -	$ 50,000	$ 50,000
Capitalized internet connection fund	-	-	-	-	25,000
Denver Foundation managed fund	-	-	-	-	100,000
Denver Foundation startup fund	-	-	-	-	50,000
Endowment - City & County of Denver	-	-	-	-	100,000
Endowment - LMCS match	-	-	-	-	50,000
Contributed support:					
Foundation grants	13,700	408,000	-	421,700	15,500
In-kind contributions (Note 5)	300,237	-	-	300,237	495,952
Individual contributions	7,647	-	-	7,647	15,291
Fundraising contributions	3,333	-	-	3,333	1,511
Corporate contributions	3,150	-	-	3,150	12,020
Board contributions	1,270	-	-	1,270	950
Other	-	-	-	-	3,000
Total contributions	**379,337**	**408,000**	**-**	**787,337**	**919,224**
Revenue:					
Production services	159,456	-	-	159,456	51,403
Membership dues	38,069	-	-	38,069	24,493
Equipment rental and surplus sales	15,290	-	-	15,290	13,956
Media education and certification	14,325	-	-	14,325	14,379
Interest income	10,487	-	-	10,487	2,248
Fundraising income	100	-	-	100	-
Total earned revenue	**237,727**	**-**	**-**	**237,727**	**106,479**
Reclassed from restriction	251,911	(251,911)	-	-	-
Total revenue and support	**868,975**	**156,089**	**-**	**1,025,064**	**1,025,703**
Expenses:					
Program services	649,787	-	-	649,787	551,712
General and administrative	77,831	-	-	77,831	35,033
Fundraising	2,298	-	-	2,298	2,674
Total expenses	**729,916**	**-**	**-**	**729,916**	**589,419**
Change in net assets	**139,059**	**156,089**	**-**	**295,148**	**436,284**
Net assets, beginning of year	196,981	125,000	150,000	471,981	35,697
Unrealized loss	(22,832)	(4,106)	-	(26,938)	-
Prior period adjustment (Note 10)	262	-	-	262	-
Net assets, end of year	**$ 313,470**	**$ 276,983**	**$ 150,000**	**$ 740,453**	**$ 471,981**

See accompanying independent auditors' report and notes to financial statements.

DEPRODUCTION, INC.: THE [DENVEREVOLUTION] PRODUCTION GROUP

Statements of Functional Expenses

For the Year Ended December 31, 2008 (with summarized information for the year ended December 31, 2007)

	Program Services	General and Administration	Fund-raising	2008 Total	2007 (Summarized)
Compensation expenses:					
Salaries and wages expense	$ 158,250	$ 5,183	$ -	$ 163,433	$ 67,128
Officer compensation	37,800	-	-	37,800	36,000
Payroll taxes and other payroll expenses	18,435	1,852	-	20,287	9,092
Employee benefits	2,076	2,114	-	4,190	2,860
Total compensation expense	216,561	9,149	-	225,710	115,080
Non-compensation expenses:					
In-kind expense (Note 5)	296,237	4,000	-	300,237	334,053
Professional services	48,380	16,508	-	64,888	34,128
Depreciation	47,698	-	-	47,698	47,698
Occupancy	3,745	40,177	-	43,922	38,735
Equipment rental and maintenance	12,464	-	-	12,464	
Bandwidth and internet	7,718	-	-	7,718	4,423
Accounting fees	2,735	4,568	-	7,303	2,038
Travel	3,813	-	-	3,813	2,237
Bank and credit card fees	2,790	140	51	2,981	1,583
Insurance	2,559	-	-	2,559	871
Fundraising expenses	290	-	2,247	2,537	-
Supplies	1,327	1,135	-	2,462	2,239
Telephone	337	1,764	-	2,101	928
Miscellaneous expense	825	-	-	825	1,415
Staff development	1,214	-	-	1,214	85
Dues and subscriptions	845	336	-	1,181	528
Postage and delivery	199	54	-	253	3,143
Conferences, conventions, and meetings	50	-	-	50	235
Total non-compensation expenses	433,226	68,682	2,298	504,206	474,339
Total expenses	**$ 649,787**	**$ 77,831**	**$ 2,298**	**$ 729,916**	**$ 589,419**

See accompanying independent auditors' report and notes to financial statements.

DEPRODUCTION, INC.: THE [DENVEREVOLUTION] PRODUCTION GROUP
Statements of Cash Flows
For the years ended December 31, 2008 and 2007

		2008		2007
Cash flows from operating activities:				
Change in net assets	$	295,148	$	436,284
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		47,698		47,698
Unrealized loss on investment		(26,676)		(161,899)
(Increase) decrease in operating assets:				
Accounts receivable		(57,145)		10,486
Contribution receivable		(165,000)		25,000
Prepaid expenses		484		(2,409)
Increase (decrease) in operating liabilities:				
Accounts payable		4,319		892
Accrued expenses		4,820		(1,629)
Accrued payroll liabilities		2,668		-
Net cash provided by operating activities		**106,316**		**354,423**
Cash flows from investing activities:				
Cash used to purchase investments		-		(300,000)
Realized loss on investment		13,016		-
Net cash provided by (used in) investing activities		**13,016**		**(300,000)**
Net change in cash and cash equivalents		**119,332**		54,423
Cash and cash equivalents, beginning of year		79,278		24,855
Cash and cash equivalents, end of year	**$**	**198,610**	**$**	**79,278**

See accompanying independent auditors' report and notes to financial statements.

Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of Deproduction, Inc.: The [denverevolution] Production Group ("the Group") is presented to assist in understanding the Group's financial statements. The financial statements and notes are representations of the Group's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of financial statements.

Nature of Operations

The Group was incorporated on June 2, 2004 as a Colorado not-for-profit organization, which exists to put the power of media and technology in the hands of the people in order to enable every person to actively engage in their community. The Group provides affordable media and technology equipment access, web and technology development and consulting with top-quality video, new media services, and affordable education in media and technology for all communities with a focus on non-profit organizations and low-income communities.

Basis of Accounting

The Group's financial statements are prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement of Not-For-Profit Organizations.* Under SFAS No. 117, the Group is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. In addition, the Group is required to present a statement of cash flows.

Contributions

The Group accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made.* In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of any donor restrictions.

All other restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished),

Note 1: Summary of Significant Accounting Policies, continued

Contributions, continued

temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Group considers all unrestricted highly liquid investments amounts retained in the investment accounts that are classified as available-to-spend or with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consists of receivables for studio rental fees and reimbursable expenses due in 2009. Based on the judgment of The Group and past collection histories, no allowances for bad debts were deemed necessary at December 31, 2008 and 2007.

Income Taxes

No provision for income taxes is provided, as the Group is exempt under Section 501(c)(3) of the Internal Revenue Code and the Colorado Income Tax Act of 1964 (as amended). As a charitable organization, only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The Group had no unrelated business income tax liability at December 31, 2008 and 2007.

Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing financial statements, management is required to make estimates and assumptions that affect the reported period. Actual results could differ from those estimates.

Revenue and Support

The primary sources of revenue for the Group are contributions (cash and in-kind) from the City & County of Denver, “the Agency”, contributions from individuals and corporations; as well as, earned income derived from membership dues, education and certification fees, production services, and equipment and studio rental. Revenue is recognized when it is earned.

Contributions are recognized at the date of the donation as unrestricted, temporarily restricted or permanently restricted support depending on the nature and/or existence of any donor restrictions.

Note 1: Summary of Significant Accounting Policies, continued

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Indirect expenses are allocated to program and supporting services on the basis of the function and areas benefited and use of the assets. All other costs can be specifically identified with a particular function and are charged directly to that function.

Note 2: Investments

The Group entered into an agreement with the City & County of Denver (the Agency) to provide Public Access TV services, including internet, audio, and television media services to the local public. Subsequently, the Group was approached to exchange one of its three Comcast Cable TV channels (Ch. 59) for a digital-tier channel (Ch. 219). To compensate the Group and the Agency, Comcast contributed $250,000 which was to be invested by the Agency to subsidize the Group's Public Access operations. With approval from City Council, the Group made arrangements to invest the $250,000 with two fund foundations in the local area as described below, with the aim of providing long-term sustainability for Public Access TV operations.

Managed Fund

The Group invested $150,000 with the Denver Foundation. $100,000 was invested at market rates for a 10-year period with disbursements scheduled from 2008 through 2016. The remaining $50,000 was invested as start up funds that will be disbursed in two payments of $25,000 in 2007 and 2008. As of December 31, 2008 and 2007, the Group recognized $0 and $25,000 as contribution receivable for the amount it will receive in 2009 and 2008, respectively. Each quarter in 2008, the Group was allowed to transfer one quarter of one percent for general operations. The Group chose to leave the funds in the investment account until needed. The amount of funds reclassed to available-to-spend at December 31, 2008 was $8,911.

The change in investment from December 31, 2007 to December 3, 2008 is as follows:

Beginning investment balance	$ 100,262
Realized loss on investment	(631)
Unrealized loss on investment	(1,938)
Administration and management fees	(1,800)
Ending investment balance	95,893
Less available to spend balance	8,911
Restricted investment balance	$ 86,984

Note 2: Investments, continued

Permanent Endowment

The Group invested the remaining $100,000 with the LMC Community First Foundation (LMC), which agreed to match $.50 for every $1.00 invested within the first two years of investing. The Group is allowed to use the earnings on the invested amounts to subsidize operations, but the principle and matching contribution amounts are to remain invested in perpetuity with the LMC. LMC guarantees a 5% interest rate on the investment for the first 24 months of investment, after that time the amounts invested will accrue interest and earnings at prevailing market rates. In 2007, the Group received $50,000 in matching contributions from LMC. As of December 31, 2008 and 2007, permanently restricted net assets totaled $150,000 for both years.

Note 3: Property and Equipment

The Group is the exclusive public access provider for the City & County of Denver and receives funds annually from the Agency to purchase equipment necessary to provide the contracted services. This purchased equipment remains the property of the Agency until it extends its useful life or becomes obsolete and the Agency decides to surplus the equipment. At this time, the Group has the option to take ownership of the purchased equipment. During the years ended December 31, 2008 and 2007, the Group took ownership of equipment totaling $0 and $161,899, respectively.

It is the Group's policy to capitalize property and equipment received from the Agency over the Group's expected useful lives of the assets. Property and equipment is stated at cost, and depreciation is calculated using the straight-line method. Audio video equipment is depreciated over 5 years and computer and software equipment is depreciated over 2 years.

Gains and losses on fixed assets are recognized in the year of disposal. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred. Depreciation expense for the years ending December 31, 2008 and 2007 was $47,698 and $47,698, respectively.

Note 4: Restrictions on Net Assets

At December 31, 2008 and 2007, certain net assets have been classified as permanently or temporarily restricted for the following purposes:

Permanently Restricted:	2008	2007
City & County of Denver –Endowment	$ 100,000	$ 100,000
LMC Match – Endowment	50,000	50,000
Total	$ 150,000	$ 150,000

Note 4: Restrictions on Net Assets, continued

Temporarily Restricted:

	2008	2007
Denver Foundation Managed Fund	$ 95,894	$ 100,000
Denver Foundation Startup Fund	-	50,000
Knight Foundation	190,000	-
Reclassed to unrestricted	(8,911)	(25,000)
Total	$ 276,983	$ 125,000

Note 5: In-Kind Contributions and Expense

Donated equipment is recorded at estimated fair value as revenue and expense, or capitalized assets, depending on the nature of the donation. The contribution of services is recognized if the services received either create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In-Kind Contributions

In-kind donations of equipment and services recognized for the years ending December 31, 2008 and 2007 are as follows:

	2008	2007
Professional services	$ 99,922	$ 223,935
Equipment, capitalized (Note 3)	-	161,899
Equipment, leased	196,900	92,886
Equipment, consumable	3,415	17,232
Total	$ 300,237	$ 495,952

In-Kind Expense

In-kind expenses of equipment and services recognized for the years ending December 31, 2008 and 2007 are as follows:

	2008	2007
Professional services	$ 99,922	$ 223,935
Equipment lease	196,900	92,886
Equipment consumable	3,415	17,232
Total	300,237	334,053
Equipment, capitalized in Property and equipment	-	161,899
Total	$ -	$ 495,952

Note 7: Concentrations and Risk

Concentration

The Group enjoys broad based support from individuals, businesses and various granting agencies in the community. In any year, it may receive large gifts and grants from donors who vary from year to year.

Off Balance Sheet Credit Risk

The Group places its cash receipts and investments with financial institutions and attempts to limit the amount of credit exposure to the Group. On occasion throughout the year, the Group's cash on deposit with its financial service providers may have exceeded the insurance limit established by the Federal Deposit Insurance Corporation. The Group has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 8: Commitments – Operating Lease

The Group leases office space in Denver, Colorado under an operating lease agreement. Rental expense for the years ending December 31, 2008 and 2007 was $41,044 and $38,735 respectively. Future minimum lease payments under this lease are $28,105 as of December 31, 2009.

Note 9: Related Party Transactions

As of December 31, 2008 and 2007, $1,270 and $950 of unconditional contributions were contributed from Board members of the Group. These amounts were included in contributions reported in the statements of activities during the years the pledges were received.

Note 10: Prior Period Adjustment

The Group has a prior period adjustment to the financial statements for the year ended December 31, 2007. The interest earned on the managed fund was not recorded. The adjustment increased retained earnings by $262.