OPEN MEDIA FOUNDATION

Financial Statements
(Audited)

For the Years Ended
December 31, 2009 and 2008

INDEX TO FINANCIAL STATEMENTS

Ryan, Gunsauls & O'Donnell, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Open Media Foundation
Denver, Colorado

We have audited the accompanying statements of financial position of Open Media Foundation (a Colorado not-for-profit organization) as of December 31, 2009 and 2008 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Open Media Foundation'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 Open Media Foundation as of December 31, 2009 and 2008, 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
May 13, 2010

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OPEN MEDIA FOUNDATION

Statements of Financial Position

December 31, 2009 and 2008

ASSETS

		2009		2008
Current assets:				
Cash and cash equivalents	$	320,785	$	198,610
Accounts receivable		21,892		59,630
Contribution receivable		20,485		190,000
Prepaid expenses		953		1,925
Total current assets		**364,115**		**450,165**
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		(117,564)		(95,396)
Net property and equipment		**44,335**		**66,503**
Other assets (Note 2):				
Managed fund, long-term - Denver Foundation		92,911		86,984
Permanent endowment - LCM		150,000		150,000
Total other assets		**242,911**		**236,984**
Total assets	**$**	**651,361**	**$**	**753,652**

LIABILITIES AND NET ASSETS

		2009		2008
Liabilities:				
Accounts payable	$	2,333	$	5,211
Accrued expenses		4,805		5,320
Accrued payroll liabilities		-		2,668
Total liabilities		**7,138**		**13,199**
Net assets (Note 4):				
Unrestricted net assets		306,312		313,470
Temporarily restricted net assets		187,911		276,983
Permanently restricted net assets - LCM		150,000		150,000
Total net assets		**644,223**		**740,453**
Total liabilities and net assets	**$**	**651,361**	**$**	**753,652**

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

OPEN MEDIA FOUNDATION
Statements of Activities
For the Year Ended December 31, 2009 (with summarized information for the year ended December 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 (Summarized)
Government:					
Capitalized equipment maintenance fund	$ 94,580	$ -	$ -	$ 94,580	$ 50,000
Contributed support:					
In-kind contributions (Note 5)	364,169	-	-	364,169	300,237
Individual contributions	28,308	-	-	28,308	7,647
Foundation grants	12,500	-	-	12,500	421,700
Board contributions	7,930	-	-	7,930	1,270
Fundraising contributions	2,943	-	-	2,943	3,333
Corporate contributions	1,545	-	-	1,545	3,150
Total contributions	**511,975**	**-**	**-**	**511,975**	**787,337**
Revenue:					
Equipment rental and surplus sales	152,885	-	-	152,885	15,290
Production services	130,693	-	-	130,693	159,456
Membership dues	31,339	-	-	31,339	38,069
Media education and certification	22,240	-	-	22,240	14,325
Interest income	12,868	-	-	12,868	10,487
Other earned income	5,471	-	-	5,471	-
Underwriting	75	-	-	75	-
Fundraising income	-	-	-	-	100
Total earned revenue	**355,571**	**-**	**-**	**355,571**	**237,727**
Re-classed from restriction	95,000	(95,000)	-	-	-
Total revenue and support	**962,546**	**(95,000)**	**-**	**867,546**	**1,025,064**
Expenses:					
Program services	868,747	-	-	868,747	649,787
General and administrative	62,267	-	-	62,267	77,831
Fundraising	65,119	-	-	65,119	2,298
Total expenses	**996,133**	**-**	**-**	**996,133**	**729,916**
Change in net assets	**(33,587)**	**(95,000)**	**-**	**(128,587)**	**295,148**
Net assets, beginning of year	313,470	276,983	150,000	740,453	472,243
Unrealized gain (loss)	26,429	5,928	-	32,357	(26,938)
Net assets, end of year	**$ 306,312**	**$ 187,911**	**$ 150,000**	**$ 644,223**	**$ 740,453**

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

OPEN MEDIA FOUNDATION

Statements of Functional Expenses

For the Year Ended December 31, 2009 (with summarized information for the year ended December 31, 2008)

	Program Services	General and Administration	Fund-raising	2009 Total	2008 (Summarized)
Compensation expenses:					
Salaries and wages expense	$ 190,433	$ 18,174	$ 30,781	$ 239,388	$ 163,433
Officer compensation	43,600	-	-	43,600	37,800
Payroll taxes and other payroll expenses	19,903	2,344	2,667	24,914	20,287
Employee benefits	2,720	-	-	2,720	4,190
Total compensation expense	256,656	20,518	33,448	310,622	225,710
Non-compensation expenses:					
In-kind expense (Note 5)	328,354	15,567	20,248	364,169	300,237
Professional services	101,667	6,938	114	108,719	64,888
Discounts	76,070	-	-	76,070	-
Occupancy	26,761	7,946	1,717	36,424	43,922
Depreciation	22,168	-	-	22,168	47,698
Travel	20,176	673	456	21,305	3,813
Fundraising expenses	573	693	7,945	9,211	2,537
Bandwidth and internet	6,830	546	-	7,376	7,718
Miscellaneous expense	3,696	3,261	-	6,957	825
Insurance	4,272	1,689	-	5,961	2,559
Accounting fees	5,130	150	-	5,280	7,303
Supplies	4,032	278	425	4,735	2,462
Equipment rental and maintenance	4,009	-	-	4,009	12,464
Telephone	2,602	1,036	252	3,890	2,101
Bank and credit card fees	1,735	1,884	165	3,784	2,981
Dues and subscriptions	1,210	619	190	2,019	1,181
Conferences, conventions, and meetings	1,620	-	-	1,620	50
Printing and copying	630	76	-	706	-
Postage and delivery	356	268	64	688	253
Staff development	200	125	95	420	1,214
Total non-compensation expenses	612,091	41,749	31,671	685,511	504,206
Total expenses	**$ 868,747**	**$ 62,267**	**$ 65,119**	**$ 996,133**	**$ 729,916**

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

OPEN MEDIA FOUNDATION
Statements of Cash Flows
For the years ended December 31, 2009 and 2008

		2009		2008
Cash flows from operating activities:				
Change in net assets	$	(128,587)	$	295,148
Adjustments to reconcile change in net assets				
to net cash provided by operating activities:				
Depreciation		22,168		47,698
Unrealized gain (loss) on investment		32,357		(26,676)
(Increase) decrease in operating assets:				
Accounts receivable		37,738		(57,145)
Contribution receivable		169,515		(165,000)
Prepaid expenses		972		484
Increase (decrease) in operating liabilities:				
Accounts payable		(2,878)		4,319
Accrued expenses		(515)		4,820
Accrued payroll liabilities		(2,668)		2,668
Net cash provided by operating activities		**128,102**		**106,316**
Cash flows from investing activities:				
Withdrawal from investments		(20,240)		-
Net change in investments		14,313		13,016
Net cash (used in) provided by investing activities		**(5,927)**		**13,016**
Net change in cash and cash equivalents		**122,175**		119,332
Cash and cash equivalents, beginning of year		198,610		79,278
Cash and cash equivalents, end of year	**$**	**320,785**	**$**	**198,610**

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

Note 1: Summary of Significant Accounting Policies

This summary of significant accounting policies of Open Media Foundation ("the Foundation") is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation'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 Foundation was incorporated on June 2, 2004 as a Colorado not-for-profit organization under the name Deproduction, Inc.: The [Denverevolution] Production Group. On December 16, 2009 the Foundation changed its name to Open Media Foundation. The Foundation 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 Foundation 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 Foundation'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 (FASB) Accounting Standards Codification (ASC) 958-210-50-2 (formerly SFAS No. 117), *Financial Statements of Not-For-Profit Organizations.* Under FASB ASC 958-210-50-2, the Foundation 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 Foundation is required to present a statement of cash flows.

Contributions

The Foundation accounts for contributions in accordance with the recommendations of the FASB ASC 958-605 (formerly SFAS No. 116), *Accounting for Contributions Received and Contributions Made.* In accordance with FASB ASC 958-605, 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

Note 1: Summary of Significant Accounting Policies, continued

Contributions, continued

nature of the restriction. When the 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 restrictions.

Cash and Cash Equivalents

The Foundation 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 services rendered by earned income programs, primarily web and video production clients, due in 2010. Based on the judgment of the Foundation and past collection histories, no allowances for bad debts were deemed necessary at December 31, 2009 and 2008. The Foundation wrote off bad debts of $6,077 and $0 during the years ended December 31, 2009 and 2008, respectively.

Income Taxes

No provision for income taxes is provided, as the Foundation 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 Foundation had no unrelated business income tax liability at December 31, 2009 and 2008.

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 Foundation 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.

Note 1: Summary of Significant Accounting Policies, continued

Revenue and Support, continued

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.

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 Foundation 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 Foundation was approached to exchange one of its three Comcast Cable TV channels (Ch. 59) for a digital-tier channel (Ch. 219). To compensate the Foundation and the Agency, Comcast contributed $250,000 which was to be invested by the Agency to subsidize the Foundation's Public Access operations. With approval from City Council, the Foundation made arrangements to invest $200,000 with two fund foundations in the local area as described below, with the aim of providing long-term sustainability for Public Access TV operations. The remaining $50,000 was used according to contract requirements in 2007 and 2008.

Managed Fund

The Foundation invested $100,000 with the Denver Foundation at market rates for a 10-year period with disbursements scheduled from 2008 through 2016. The Foundation agreed upon a disbursement option where as the Foundation is allowed to transfer a percentage of the quarterly balance as defined in the agreement for general operations. As of December 31, 2009, the Foundation chose to leave the funds in the investment account until needed. The amount of funds reclassed to available-to-spend at December 31, 2009 and 2008 were $18,820 and $8,911, respectively.

The cumulative change in investment from 2008 to December 31, 2009 is as follows:

Beginning investment balance	$ 100,000
Realized gain on investment	936
Unrealized gain on investment	14,593
Administration and management fees	(3,798)
Ending investment balance	111,731
Less available to spend balance	18,820
Restricted investment balance	$ 92,911

Note 2: Investments, continued

Permanent Endowment

The Foundation 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 total invested in the permanent endowment is $150,000. The Foundation 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. As of December 31, 2009 and 2008, permanently restricted net assets totaled $150,000.

Note 3: Property and Equipment

The Foundation is the exclusive public access provider for the City & County of Denver (the “Agency”) and receives equipment and maintenance support funds specifically designated for that equipment annually from the Agency 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 Foundation has the option to take ownership of the purchased equipment. During the years ended December 31, 2009 and 2008, the Foundation did not take ownership of any equipment.

It is the Foundation’s policy to capitalize property and equipment received from the Agency over the Foundation’s expected useful lives of the assets. Property and equipment are stated at market value, 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, 2009 and 2008 was $22,168 and $47,698, respectively.

Note 4: Restrictions on Net Assets

At December 31, 2009 and 2008, certain net assets have been classified as permanently or temporarily restricted for the following purposes:

Temporarily Restricted:	2009	2008
Denver Foundation	$ 92,911	$ 95,894
Knight Foundation	190,000	190,000
Re-classed to unrestricted	(95,000)	(8,911)
Total	$ 187,911	$ 276,983

Note 4: Restrictions on Net Assets, continued

Permanently Restricted:	2009	2008
LMC Community First – Endowment	$ 100,000	$ 100,000
LMC Match – Endowment	50,000	50,000
Total	$ 150,000	$ 150,000

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, 2009 and 2008 are as follows:

	2009	2008
Professional services	$ 91,588	$ 99,922
Equipment, leased	251,467	196,900
Equipment, consumable	21,114	3,415
Total	$ 364,169	$ 300,237

Note 6: Concentrations and Risk

Concentration

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

Note 7: Commitments – Operating Lease

The Foundation leases office space in Denver, Colorado under an operating lease agreement. Rental expense for the years ending December 31, 2009 and 2008 was $36,424 and $41,044 respectively. The lease ended on December 31, 2009, however no new lease has been made and the Foundation is now leasing the office space on a month to month basis.

Note 8: Related Party Transactions

As of December 31, 2009 and 2008, $7,930 and $1,270 of unconditional contributions were contributed from Board members of the Foundation. These amounts were included in contributions reported in the statements of activities during the years the pledges were received.