

**OPEN MEDIA FOUNDATION**

**Financial Statements  
(Audited)**

*For the Years Ended  
December 31, 2014 and 2013*

## **INDEX TO FINANCIAL STATEMENTS**

|                                   | <u>Page</u> |
|-----------------------------------|-------------|
| Independent Auditors' Report      | 1-2         |
| Statements of Financial Position  | 3           |
| Statements of Activities          | 4           |
| Statements of Functional Expenses | 5           |
| Statements of Cash Flows          | 6           |
| Notes to Financial Statements     | 7-15        |



## **Independent Auditors' Report**

To the Board of Directors of  
Open Media Foundation

### **Introductory Paragraph**

We have audited the accompanying financial statements of the Open Media Foundation, a Colorado not-for-profit corporation, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, 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.

### **Auditors' 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 auditors' 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.

5590 East Yale Avenue, Suite 201 | Denver, Colorado 80222  
Tel 303.758.5558 | Fax 303.756.1741 | [www.rgo-cpa.com](http://www.rgo-cpa.com)

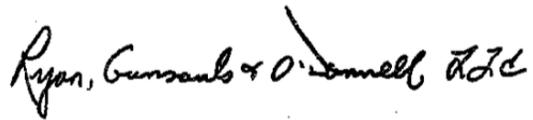
Member of American Institute of Certified Public Accountants | Member of Colorado Society of Certified Public Accountants

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Open Media Foundation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the 2013 financial statements of the Open Media Foundation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, reading "Ryan, Gunzale & O'Donnell, LLC". The signature is written in a cursive, flowing style.

Denver, Colorado

April 29, 2016

**OPEN MEDIA FOUNDATION**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

**ASSETS**

|                                       | <b><u>2014</u></b>         | <b><u>2013</u></b>         |
|---------------------------------------|----------------------------|----------------------------|
| Current assets:                       |                            |                            |
| Cash and cash equivalents             | \$ 336,599                 | \$ 343,148                 |
| Restricted cash                       | 841,316                    | 456,275                    |
| Accounts receivable                   | 49,121                     | 90,634                     |
| Pledges receivable                    | 9,515                      | 2,130                      |
| Prepaid expenses                      | 350                        | -                          |
| <b>Total current assets</b>           | <b><u>1,236,901</u></b>    | <b><u>892,187</u></b>      |
| Investments:                          |                            |                            |
| Managed fund - Denver Foundation      | 20,909                     | 36,708                     |
| Permanent endowment - Community First | 150,000                    | 150,000                    |
| <b>Total investments</b>              | <b><u>170,909</u></b>      | <b><u>186,708</u></b>      |
| <b>Total assets</b>                   | <b>\$ <u>1,407,810</u></b> | <b>\$ <u>1,078,895</u></b> |

**LIABILITIES AND NET ASSETS**

|   |                            |                            |
|---|----------------------------|----------------------------|
| Liabilities:                                  |                            |                            |
| Accounts payable                              | \$ 18,187                  | \$ 6,123                   |
| Accrued expenses                              | 311,508                    | 94,463                     |
| Accrued payroll liabilities                   | 14,654                     | 17,053                     |
| <b>Total liabilities</b>                      | <b><u>344,349</u></b>      | <b><u>117,639</u></b>      |
| Net assets related to operations:             |                            |                            |
| Unrestricted net assets                       | 802,728                    | 688,067                    |
| Temporarily restricted net assets             | 20,909                     | 36,708                     |
| Permanently restricted net assets             | 150,000                    | 150,000                    |
| <b>Total net assets related to operations</b> | <b><u>973,637</u></b>      | <b><u>874,775</u></b>      |
| Cumulative unrealized gain on investments     | 89,824                     | 86,481                     |
| <b>Total net assets</b>                       | <b><u>1,063,461</u></b>    | <b><u>961,256</u></b>      |
| <b>Total liabilities and net assets</b>       | <b>\$ <u>1,407,810</u></b> | <b>\$ <u>1,078,895</u></b> |

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

**OPEN MEDIA FOUNDATION**  
**Statements of Activities**  
**For the Year Ended December 31, 2014 (with Summarized Information for the Year Ended December 31, 2013)**

|  | <u>Unrestricted</u>      | <u>Temporarily<br/>restricted</u> | <u>Permanently<br/>restricted</u> | <u>2014<br/>Total</u>      | <u>2013<br/>(Summarized)</u> |
|--|--------------------------|-----------------------------------|-----------------------------------|----------------------------|------------------------------|
| Government:  |                          |                                   |                                   |                            |                              |
| Capitalized equipment maintenance fund             | \$ 95,000                | \$ -                              | \$ -                              | \$ 95,000                  | \$ 78,995                    |
| Contributed support:                               |                          |                                   |                                   |                            |                              |
| In-kind contributions                              | 481,477                  | -                                 | -                                 | 481,477                    | 266,188                      |
| Individual contributions                           | 52,864                   | -                                 | -                                 | 52,864                     | 27,558                       |
| Foundation grants                                  | 16,064                   | -                                 | -                                 | 16,064                     | 15,764                       |
| Corporate contributions                            | 1,320                    | -                                 | -                                 | 1,320                      | 1,300                        |
| Board contributions                                | <u>-</u>                 | <u>-</u>                          | <u>-</u>                          | <u>-</u>                   | <u>530</u>                   |
| <b>Total governmental and contribution support</b> | <b><u>646,725</u></b>    | <b><u>-</u></b>                   | <b><u>-</u></b>                   | <b><u>646,725</u></b>      | <b><u>390,335</u></b>        |
| Earned revenue:                                    |                          |                                   |                                   |                            |                              |
| Web and design                                     | 471,118                  | -                                 | -                                 | 471,118                    | 500,576                      |
| Video and production                               | 386,495                  | -                                 | -                                 | 386,495                    | 387,729                      |
| Access   | 86,679                   | -                                 | -                                 | 86,679                     | 109,997                      |
| Education and training                             | 50,216                   | -                                 | -                                 | 50,216                     | 45,610                       |
| Other services                                     | 28,415                   | -                                 | -                                 | 28,415                     | 32,251                       |
| Interest income                                    | <u>11,550</u>            | <u>-</u>                          | <u>-</u>                          | <u>11,550</u>              | <u>2,070</u>                 |
| <b>Total earned revenue</b>                        | <b><u>1,034,473</u></b>  | <b><u>-</u></b>                   | <b><u>-</u></b>                   | <b><u>1,034,473</u></b>    | <b><u>1,078,233</u></b>      |
| Re-classed from restriction                        | <u>15,799</u>            | <u>(15,799)</u>                   | <u>-</u>                          | <u>-</u>                   | <u>-</u>                     |
| <b>Total earned revenue and contributions</b>      | <b><u>1,696,997</u></b>  | <b><u>(15,799)</u></b>            | <b><u>-</u></b>                   | <b><u>1,681,198</u></b>    | <b><u>1,468,568</u></b>      |
| Expenses:  |                          |                                   |                                   |                            |                              |
| Program services                                   | 1,461,365                | -                                 | -                                 | 1,461,365                  | 1,296,186                    |
| Fundraising  | 72,072                   | -                                 | -                                 | 72,072                     | 53,761                       |
| General and administrative                         | <u>48,899</u>            | <u>-</u>                          | <u>-</u>                          | <u>48,899</u>              | <u>56,184</u>                |
| <b>Total expenses</b>                              | <b><u>1,582,336</u></b>  | <b><u>-</u></b>                   | <b><u>-</u></b>                   | <b><u>1,582,336</u></b>    | <b><u>1,406,131</u></b>      |
| <b>Change in net assets</b>                        | <b>114,661</b>           | <b>(15,799)</b>                   | <b>-</b>                          | <b>98,862</b>              | <b>62,437</b>                |
| Net assets, beginning of year                      | <u>688,067</u>           | <u>36,708</u>                     | <u>150,000</u>                    | <u>874,775</u>             | <u>812,338</u>               |
| <b>Net assets related to operations</b>            | <b>802,728</b>           | <b>20,909</b>                     | <b>150,000</b>                    | <b>973,637</b>             | <b>874,775</b>               |
| Cumulative unrealized gain on investments          | <u>89,824</u>            | <u>-</u>                          | <u>-</u>                          | <u>89,824</u>              | <u>86,481</u>                |
| <b>Net assets, end of year</b>                     | <b>\$ <u>892,552</u></b> | <b>\$ <u>20,909</u></b>           | <b>\$ <u>150,000</u></b>          | <b>\$ <u>1,063,461</u></b> | <b>\$ <u>961,256</u></b>     |

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

**OPEN MEDIA FOUNDATION**  
**Statements of Functional Expenses**  
**For the Year Ended December 31, 2014 (with Summarized Information for the Year Ended December 31, 2013)**

|                                  | <u>Program<br/>services</u> | <u>General and<br/>administration</u> | <u>Fund-<br/>raising</u> | <u>2014<br/>Total</u>      | <u>2013<br/>(Summarized)</u> |
|----------------------------------|-----------------------------|---------------------------------------|--------------------------|----------------------------|------------------------------|
| Compensation expenses:           |                             |                                       |                          |                            |                              |
| Salaries and wages               | \$ 364,862                  | \$ 5,947                              | \$ 22,378                | \$ 393,187                 | \$ 437,908                   |
| Officer compensation             | 42,510                      | 12,701                                | 9,826                    | 65,037                     | 63,799                       |
| Payroll taxes                    | 38,364                      | (83)                                  | 1,102                    | 39,383                     | 42,483                       |
| Employee benefits                | 12,978                      | 675                                   | 885                      | 14,538                     | 20,750                       |
| Total compensation expense       | <u>458,714</u>              | <u>19,240</u>                         | <u>34,191</u>            | <u>512,145</u>             | <u>564,940</u>               |
| Non-compensation expenses:       |                             |                                       |                          |                            |                              |
| In-kind expense                  | 440,514                     | 20,384                                | 20,579                   | 481,477                    | 266,187                      |
| Discounts and grants             | 349,238                     | -                                     | -                        | 349,238                    | 382,797                      |
| Professional services            | 70,223                      | 3,657                                 | 6,959                    | 80,839                     | 51,683                       |
| Occupancy                        | 34,601                      | 846                                   | 858                      | 36,305                     | 41,303                       |
| Bandwidth and internet           | 35,685                      | 339                                   | 17                       | 36,041                     | 28,938                       |
| Supplies                         | 24,195                      | (28)                                  | 4,615                    | 28,782                     | 7,508                        |
| Travel                           | 13,008                      | -                                     | -                        | 13,008                     | 7,611                        |
| Accounting fees                  | 9,177                       | 641                                   | 893                      | 10,711                     | 8,980                        |
| Miscellaneous and bad debt       | 4,959                       | 446                                   | 2,432                    | 7,837                      | 11,413                       |
| Insurance                        | 4,677                       | 550                                   | 275                      | 5,502                      | 5,467                        |
| Equipment rental and maintenance | 4,985                       | -                                     | -                        | 4,985                      | 1,047                        |
| Telephone                        | 3,598                       | 355                                   | 359                      | 4,312                      | 4,705                        |
| Dues and subscriptions           | 2,071                       | 1,374                                 | 200                      | 3,645                      | 2,966                        |
| Bank and credit card fees        | 1,976                       | 221                                   | 310                      | 2,507                      | 2,391                        |
| Printing and copying             | 1,823                       | 39                                    | 191                      | 2,053                      | 1,787                        |
| Postage and delivery             | 1,265                       | 228                                   | 123                      | 1,616                      | 692                          |
| Staff development                | 656                         | 607                                   | 70                       | 1,333                      | 2,033                        |
| Fundraising expenses             | -                           | -                                     | -                        | -                          | 13,683                       |
| Total non-compensation expenses  | <u>1,002,651</u>            | <u>29,659</u>                         | <u>37,881</u>            | <u>1,070,191</u>           | <u>841,191</u>               |
| <b>Total expenses</b>            | <b>\$ <u>1,461,365</u></b>  | <b>\$ <u>48,899</u></b>               | <b>\$ <u>72,072</u></b>  | <b>\$ <u>1,582,336</u></b> | <b>\$ <u>1,406,131</u></b>   |

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

**OPEN MEDIA FOUNDATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2014 and 2013**

|  | <u><b>2014</b></u>       | <u><b>2013</b></u>       |
|--|--------------------------|--------------------------|
| Cash flows from operating activities:  |                          |                          |
| Change in net assets   | \$ 98,862                | \$ 62,437                |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                          |                          |
| Change in unrealized gains   | 3,343                    | 37,654                   |
| Decrease (increase) in operating assets:   |                          |                          |
| Accounts receivable  | 41,513                   | 113,718                  |
| Pledges receivable   | (7,385)                  | 2,075                    |
| Prepaid expenses   | (350)                    | -                        |
| (Decrease) increase in operating liabilities:  |                          |                          |
| Accounts payable   | 12,064                   | (13,180)                 |
| Accrued expenses   | 217,045                  | (81,745)                 |
| Accrued payroll liabilities  | <u>(2,399)</u>           | <u>4,628</u>             |
| <b>Net cash provided by operating activities</b>   | <u><b>362,693</b></u>    | <u><b>125,587</b></u>    |
| Cash flows from investing activities:  |                          |                          |
| Net change in investments  | <u>15,799</u>            | <u>(1,601)</u>           |
| <b>Net cash provided by (used in) investing activities</b>                                     | <u><b>15,799</b></u>     | <u><b>(1,601)</b></u>    |
| <b>Net change in cash and cash equivalents</b>   | <b>378,492</b>           | <b>123,986</b>           |
| Cash and cash equivalents, beginning of year   | 799,423                  | 675,437                  |
| Restricted cash  | <u>(841,316)</u>         | <u>(456,275)</u>         |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ <u>336,599</u></b> | <b>\$ <u>343,148</u></b> |

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

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 1: Nature of Operations**

The Foundation was incorporated on June 2, 2004 as a Colorado not-for-profit corporation under the name Deproduction, Inc.: The [denverevolution] Production Group. In 2009, the Foundation changed its name to Open Media Foundation (the Foundation). The Foundation provides communication services, training, and tools to individuals, nonprofits, and governments. The Foundation believes communication drives social values, and wants everyone to have a voice in creating the new media conversation. The Foundation offers professional video production, web development, and branding services, similar to a public relations firm or ad agency, but for nonprofits and governments only. For people who want to do it themselves, the Foundation teaches classes such as studio or field video production or animation and video editing. The Foundations provides high-end equipment, facilities, and web and TV distribution via Denver Open Media, Denver's Public Access TV Station, so people have access to the tools they need to make and spread their own media.

**Note 2: Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Foundation is presented to assist in understanding the 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.

**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 topic, *Financial Statements of Not-For-Profit Organizations*. Under this topic, 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.

**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.

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 2: Summary of Significant Accounting Policies, continued**

Restricted Cash

Restricted cash includes unearned equipment fund amounts and a board restricted account held by financial institutions. The carrying value of the restricted cash accounts approximates fair value and total \$841,316 and \$456,275 at December 31, 2014 and 2013, respectively.

Accounts Receivable

Accounts receivable consists of receivables for services rendered by earned income programs, primarily web and video production clients. Based on the judgment of the Foundation and past collection histories, no allowances for bad debts were deemed necessary at December 31, 2014 and 2013. The Foundation wrote off bad debts of \$-0- and \$7,869 during the years ended December 31, 2014 and 2013, respectively.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at fair value. Management evaluates payment history and market conditions to estimate allowances for doubtful pledges, no allowances for bad debts were deemed necessary at December 31, 2014 and 2013. As of December 31, 2014 and 2013, pledge receivables totaled \$9,515, and \$2,130, respectively.

Property and Equipment

The Foundation is the exclusive public access provider for the City and 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, 2014 and 2013, 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.

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 2: Summary of Significant Accounting Policies, continued**

Revenue and Support

The primary sources of revenue for the Foundation is earned income which is derived from web and design, video and production, and in-kind contributions from government, companies, and individuals. Revenue is recognized when it is earned. The Foundation accounts for contributions in accordance with the recommendations of the topic, *Accounting for Contributions Received and Contributions Made*. In accordance with this topic, 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 a 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.

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 a charitable organization, only unrelated business income, as defined by Section 509(a)(2) of the Internal Revenue Code, is subject to federal income tax. The Foundation had no unrelated business income tax liability at December 31, 2014 and 2013.

The Foundation has evaluated its tax positions for all open tax years. Currently, the years open for tax authority examination are 2011 through 2013 by the Internal Revenue Service. However, the Foundation is not currently under audit nor has it been contacted by this taxing authority. Based on the evaluation of the Foundation's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended December 31, 2014 and 2013.

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.

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 2: Summary of Significant Accounting Policies, continued**

Off Balance Sheet Credit Risk

The Foundation maintains its cash balances with financial institutions which at times may exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount was \$250,000 for interest bearing accounts, per depositor, per institution. As of December 31, 2014, the Foundation had funds in excess of FDIC limits of \$480,798. As of December 31, 2013, the Company had no funds in excess of FDIC limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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.

Summarized Financial Information for 2013

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2013, from which the summarized information was derived.

**Note 3: Investments**

The Foundation entered into an agreement with 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 for a digital-tier channel. 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 \$225,000 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 \$25,000 was used according to contract requirements in 2007 and 2008.

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 3: Investments, continued**

Managed Fund – Denver Foundation

The Foundation invested \$125,000 with the Denver Foundation at market rates for a 10-year period with disbursements scheduled from 2008 through 2018. The Foundation agreed upon a disbursement option where the Foundation is allowed to transfer a percentage of the quarterly balance as defined in the agreement for general operations. As of December 31, 2014, the Foundation chose to leave the funds in the investment account until needed. The amount of Denver Foundation funds considered available-to-spend at December 31, 2014 and 2013 were \$142,278 and \$119,050, respectively. These amounts are included in cash and cash equivalents.

The cumulative change in this investment account from inception:

|                                    |                  |
|------------------------------------|------------------|
| Beginning investment balance       | \$ 125,000       |
| Realized gain on investment        | 14,922           |
| Unrealized gain on investment      | 36,649           |
| Administration and management fees | <u>(13,384)</u>  |
| Ending investment balance          | 163,187          |
| Less available to spend balance    | <u>(142,278)</u> |
| Restricted investment balance      | <u>\$ 20,909</u> |

Permanent Endowment – Community First

The Foundation invested the remaining \$100,000 with the Community First Foundation (Community First), 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 Community First. Community First guarantees a 5% interest rate on the investment for the first 24 months of investment. After 24 months, the amounts invested will accrue interest and earnings at prevailing market rates. As of December 31, 2014 and 2013, permanently restricted net assets totaled \$150,000.

The cumulative change in this investment account from inception is as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Beginning investment balance       | \$ 150,000        |
| Investment income                  | 37,517            |
| Realized gain on investment        | 15,959            |
| Unrealized gain on investment      | 53,175            |
| Earnings disbursement              | (95,852)          |
| Administration and management fees | <u>(8,943)</u>    |
| Ending investment balance          | 151,856           |
| Less available to spend balance    | <u>(1,856)</u>    |
| Restricted investment balance      | <u>\$ 150,000</u> |

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 3: Investments, continued**

Unrealized Gains and Losses

The unrealized gains and losses recognized on the above investments are presented as a non-operating line item on the statement of activities. The Foundation intends to track the fluctuations of these investments directly to net assets as they do not represent the core functions of the Foundation.

**Note 4: Fair Values of Financial Instruments**

Effective July 1, 2008, the Foundation adopted the topic, *Fair Value Measurements and Disclosures*. This topic defines fair values, establishes a consistent framework for measuring fair value, and expands disclosure requirements.

Under this topic, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect the Foundation's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques.

Under this topic, the Foundation bases fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for assets and liabilities where there exists limited or no observable market data and, therefore, are based primarily upon the Foundation's estimates, are often calculated based on current pricing policy, the economic and competitive environment, the characteristics of the asset or liability and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of current or future values.

Fair value measurements for assets recorded at fair value on a recurring basis at December 31, 2014 and 2013 are \$170,909 and \$186,708, respectively. The Foundation does not have any Level 2 or Level 3 investments.

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 5: Donor-designated Endowments**

The Foundation's permanent endowment consists of one individual fund and earnings and appreciations thereof. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investment, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, including fixed-income securities, equity securities, and alternative investments. The asset mix is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to grow the funds if possible. Therefore, the Foundation expects its endowment asset, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition for donor-designated endowment funds as of December 31 is as follows:

|                            | <u>2014</u>       | <u>2013</u>       |
|----------------------------|-------------------|-------------------|
| Unrestricted               | \$ 144,134        | \$ 136,985        |
| Temporarily restricted     | 20,909            | 36,708            |
| Permanently restricted     | <u>150,000</u>    | <u>150,000</u>    |
| Total net endowment assets | \$ <u>315,043</u> | \$ <u>323,693</u> |

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 6: Restrictions on Net Assets**

At December 31, 2014 and 2013, certain net assets have been classified as permanently or temporarily restricted for the following purposes:

| <u>Temporarily Restricted:</u>     | <u>2014</u>       | <u>2013</u>       |
|------------------------------------|-------------------|-------------------|
| Denver Foundation                  | \$ 36,708         | \$ 35,107         |
| Re-classed to unrestricted         | <u>(15,799)</u>   | <u>1,601</u>      |
| Total                              | \$ <u>20,909</u>  | \$ <u>36,708</u>  |
| <br><u>Permanently Restricted:</u> |                   |                   |
| Community First – Endowment        | \$ 100,000        | \$ 100,000        |
| Community First Match – Endowment  | <u>50,000</u>     | <u>50,000</u>     |
| Total                              | \$ <u>150,000</u> | \$ <u>150,000</u> |

**Note 7: In-Kind Contributions and Expense**

Donated equipment is recorded at estimated fair value as revenue and expense or as 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 donations of equipment and services recognized for the years ending December 31, 2014 and 2013 are as follows:

|                       | <u>2014</u>       | <u>2013</u>       |
|-----------------------|-------------------|-------------------|
| Professional services | \$ 80,639         | \$ 22,515         |
| Advertising           | 120,000           | -                 |
| Equipment, leased     | 259,884           | 234,102           |
| Equipment, consumable | 11,653            | 9,263             |
| Other                 | <u>9,301</u>      | <u>308</u>        |
| Total                 | \$ <u>481,477</u> | \$ <u>266,188</u> |

**OPEN MEDIA FOUNDATION**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

**Note 8: Concentrations**

The Foundation has certain concentrations in specific categories; these concentrations represent 10% or more of total revenues. If a significant reduction in the level of these revenue sources occurs, it may have an effect on the Organization's program and activities.

|                                    | <b><u>2015</u></b> | <b><u>2014</u></b> |
|------------------------------------|--------------------|--------------------|
| In-kind donations (29% and 18%)    | \$ 481,477         | \$ 266,188         |
| Of which is donated equipment      | 259,884            | 234,102            |
| Web and design (28% and 34%)       | \$ 471,118         | \$ 500,576         |
| Of which is development            | 154,006            | 263,973            |
| Video and production (23% and 26%) | \$ 386,495         | \$ 387,729         |
| Of which is government             | 225,921            | 160,636            |
| Of which is other nonprofit groups | 150,534            | 226,518            |

**Note 9: Commitments – Operating Lease**

The Foundation leased office space under a month-to-month lease agreement. Rental expense for the years ending December 31, 2014 and 2013 was \$34,176 and \$41,304, respectively

**Note 10: Related Party Transactions**

As of December 31, 2014 and 2013, \$-0- and \$530 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.

**Note 11: Evaluation of Subsequent Events**

The Foundation has evaluated subsequent events through April 29, 2016, the date at which the financial statements were available to be issued, and determined that no events have occurred subsequent to that date that required disclosure.