

OPEN MEDIA FOUNDATION

Financial Statements

*For the Years Ended
December 31, 2017 and 2016*

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Independent Auditors' Report

To the Board of Directors of
Open Media Foundation

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, 2017, 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 Foundation'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 Foundation'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.

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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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2016 financial statements of the Open Media Foundation, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Denver, Colorado

May 24, 2018

OPEN MEDIA FOUNDATION
Statements of Financial Position
December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 316,984	\$ 388,452
Restricted cash	505,301	607,528
Restricted cash - fiscal sponsorship	53,235	12,758
Accounts receivable, net	168,199	105,276
Note receivable	50,000	-
Total current assets	<u>1,093,719</u>	<u>1,114,014</u>
Investments:		
Managed fund, long-term - Denver Foundation	-	2,073
Permanent endowment - Community First	300,000	250,000
Total investments	<u>300,000</u>	<u>252,073</u>
Other assets:		
Contributions and pledges receivable	4,000	4,000
Total other assets	<u>4,000</u>	<u>4,000</u>
Total assets	\$ <u>1,397,719</u>	\$ <u>1,370,087</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 20,934	\$ 30,422
Accrued expenses	31,846	46,976
Fiscal sponsorship liability	53,235	12,758
Accrued payroll liabilities	15,178	486
Deferred revenue	76,734	-
Total liabilities	<u>197,927</u>	<u>90,642</u>
Net assets related to operations:		
Unrestricted net assets	770,253	946,390
Temporarily restricted net assets	-	2,073
Permanently restricted net assets	300,000	250,000
Total net assets related to operations	<u>1,070,253</u>	<u>1,198,463</u>
Unrealized gain	129,539	80,982
Total net assets	<u>1,199,792</u>	<u>1,279,445</u>
Total liabilities and net assets	\$ <u>1,397,719</u>	\$ <u>1,370,087</u>

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

OPEN MEDIA FOUNDATION
Statements of Activities
For the Year Ended December 31, 2017 with Summarized Comparative Totals for 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 (Summarized)</u>
Government:					
Capitalized equipment maintenance fund	\$ 25,005	\$ -	\$ 10,000	\$ 35,005	\$ 40,763
Contributed support:					
In-kind contributions	1,190,876	-	-	1,190,876	763,634
Foundation grants	32,650	-	-	32,650	95,578
Individual contributions	16,307	-	40,000	56,307	40,660
Fundraising contributions	12,014	-	-	12,014	37,679
Corporate contributions	6,297	-	-	6,297	10,559
Board contributions	<u>575</u>	<u>-</u>	<u>-</u>	<u>575</u>	<u>155</u>
Total contributions	<u>1,283,724</u>	<u>-</u>	<u>50,000</u>	<u>1,333,724</u>	<u>989,028</u>
Release from restriction	<u>2,073</u>	<u>(2,073)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earned revenue:					
Video and production	639,625	-	-	639,625	592,081
Web and design	614,793	-	-	614,793	667,107
Access	164,409	-	-	164,409	198,868
Education and training	90,926	-	-	90,926	89,912
General and administrative	35,422	-	-	35,422	62,202
Interest income	<u>20,985</u>	<u>-</u>	<u>-</u>	<u>20,985</u>	<u>22,181</u>
Total earned revenue	<u>1,566,160</u>	<u>-</u>	<u>-</u>	<u>1,566,160</u>	<u>1,632,351</u>
Total earned revenue and contributions	<u>2,851,957</u>	<u>(2,073)</u>	<u>50,000</u>	<u>2,899,884</u>	<u>2,621,379</u>
Expenses:					
Program services	2,802,300	-	-	2,802,300	2,318,900
Fundraising	118,542	-	-	118,542	97,412
General and administrative	<u>107,252</u>	<u>-</u>	<u>-</u>	<u>107,252</u>	<u>104,848</u>
Total expenses	<u>3,028,094</u>	<u>-</u>	<u>-</u>	<u>3,028,094</u>	<u>2,521,160</u>
Change in net assets	(176,137)	(2,073)	50,000	(128,210)	100,219
Net assets, beginning of year	<u>946,390</u>	<u>2,073</u>	<u>250,000</u>	<u>1,198,463</u>	<u>1,098,244</u>
Net assets related to operations	770,253	-	300,000	1,070,253	1,198,463
Unrealized gain	<u>129,539</u>	<u>-</u>	<u>-</u>	<u>129,539</u>	<u>80,982</u>
Net assets, end of year	\$ <u>899,792</u>	\$ <u>-</u>	\$ <u>300,000</u>	\$ <u>1,199,792</u>	\$ <u>1,279,445</u>

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

OPEN MEDIA FOUNDATION
Statements of Functional Expenses

For the Year Ended December 31, 2017 with Summarized Comparative Totals for 2016

	Program Services	General and Administration	Fund- raising	2017 Total	2016 (Summarized)
Compensation expenses:					
Salaries and wages	\$ 631,022	\$ 31,272	\$ 34,089	\$ 696,383	\$ 622,197
Officer compensation	68,519	12,321	9,088	89,928	79,753
Payroll taxes	57,896	7,198	5,285	70,379	59,413
Employee benefits	15,725	2,569	1,829	20,123	20,850
Total compensation expense	773,162	53,360	50,291	876,813	782,213
Non-compensation expenses:					
In-kind expense	1,120,187	36,615	34,074	1,190,876	763,634
Discounts and grants	574,909	-	-	574,909	591,741
Professional services	164,526	10,564	16,914	192,004	128,426
Bandwidth and internet	51,278	558	263	52,099	52,859
Occupancy	36,314	-	816	37,130	49,954
Travel	18,321	963	419	19,703	39,456
Miscellaneous and bad debt	12,836	2,913	316	16,065	35,556
Insurance	13,669	139	139	13,947	7,572
Supplies	2,332	9,338	1,849	13,519	11,705
Staff development	11,557	687	361	12,605	9,414
Accounting fees	9,085	1,176	472	10,733	15,122
Bank and credit card fees	5,445	1,050	759	7,254	3,417
Dues and subscriptions	4,864	732	363	5,959	8,731
Telephone	2,173	127	155	2,455	4,567
Printing and copying	1,404	98	46	1,548	3,196
Postage and delivery	40	222	-	262	292
Equipment rental and maintenance	198	-	-	198	4,336
Special events	-	-	15	15	8,969
Total non-compensation expenses	2,029,138	65,182	56,961	2,151,281	1,738,947
Total expenses	\$ 2,802,300	\$ 118,542	\$ 107,252	\$ 3,028,094	\$ 2,521,160

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

OPEN MEDIA FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ (128,210)	\$ 100,219
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in unrealized gains	48,557	13,651
Unrealized loss on investments	2,073	14,477
Decrease (increase) in operating assets:		
Accounts receivable, net	(62,923)	91,401
Contributions and pledges receivable	-	4,965
Prepaid expenses	-	350
(Decrease) increase in operating liabilities:		
Accounts payable	(9,488)	(28,489)
Accrued expenses	(15,130)	(102,805)
Fiscal sponsorship liability	40,477	(15,038)
Accrued payroll liabilities	14,692	(21,674)
Deferred revenue	<u>76,734</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(33,218)</u>	<u>57,057</u>
Cash flows from investing activities:		
Contribution to permanent endowment	(50,000)	(50,000)
Note receivable to invest in an organization	<u>(50,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(100,000)</u>	<u>(50,000)</u>
Net change in cash and cash equivalents	(133,218)	7,057
Cash and cash equivalents, beginning of year	1,008,738	1,001,681
Restricted cash, end of year	<u>(558,536)</u>	<u>(620,286)</u>
Cash and cash equivalents, end of year	\$ <u>316,984</u>	\$ <u>388,452</u>

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

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 1: Nature of Operations

The Open Media Foundation (the Foundation) was incorporated on June 2, 2004 under the name Deproduction, Inc.: The [denverevolution] Production Group. In 2009, the Foundation changed its name to the Open Media Foundation. The Foundation provides communications 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 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 Foundation provides high-end equipment, facilities, and web and TV distribution via Denver Open Media (Denver’s Public Access TV Station) so everyone has 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 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.

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 Statements of Not-For-Profit Organizations* guidance. Under the guidance, 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.

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 \$505,301 and \$607,528 at December 31, 2017 and 2016, respectively.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies, continued

Restricted Cash – Fiscal Sponsorship

The Organization acts as a pass-through entity for other non-profit entities and holds funds for these entities to be dispensed at their discretion as specified in agreements. Restricted cash and the related fiscal sponsorship liability totaled \$53,235 and \$12,758 at December 31, 2017 and 2016, 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, 2017. As of December 31, 2017 and 2016, an allowance was created for a potential uncollectable account in the amount of \$-0- and \$2,693. The Foundation wrote off bad debts of \$9,264 and \$12,793 during the years ended December 31, 2017 and 2016, respectively.

Note Receivable

In February 2017, the Organization entered into a note agreement with another organization for \$50,000 and received interest payments monthly at 8% with a maturity date in February 2018.

In February 2018, the Organization loaned an additional \$50,000, for a total of \$100,000 under the same interest terms with a maturity date in February 2019. The note receivable totaled \$50,000 and \$-0- as of December 31, 2017 and 2016, respectively.

Contributions and Pledges Receivable

Under *Accounting for Contributions Received and Contributions Made*, contributions are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions and Pledges Receivable, continued

The Foundation's contributions receivable consist of foundation grants award and not yet received, which have historically proven to be fully collectible. Pledge receivables are unconditional promises to give and are recognized in revenues in the period they are earned. Accordingly, an allowance for bad debts is not considered necessary and the direct write-off method is used for recognizing bad debts. Using the direct write-off method does not result in a material difference from the allowance method.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies, continued

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 expends 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, 2017 and 2016, 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.

Deferred Revenue

During 2017, management recognized deferred revenue on one contract where payments were received, but not all the services under the contract had been performed. Consequently, management recognized the unearned portion of revenue as deferred revenue. Deferred revenue at December 31, 2017 and 2016 was \$76,734 and \$-0-, respectively.

Revenue and Support

The primary source of revenue for the Foundation is earned income which is derived from membership dues, education and certification fees, production services, and equipment and studio rental. In addition, contributions are received (cash and in-kind) from the Agency and contributions from individuals and corporations. Revenue is recognized when it is earned. The Foundation accounts for contributions in accordance with the recommendations of the guidance for *Accounting for Contributions Received and Contributions Made*. In accordance with the guidance, 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.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies, continued

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, 2017 and 2016.

The Foundation has evaluated its tax positions for all open tax years. Currently, the years open for tax authority examination are 2014 through 2016 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, 2017 and 2016.

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.

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 2016

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, 2016, from which the summarized information was derived.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 3: 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, 2017 and 2016, the Foundation had \$250,571 and \$417,958 in excess of FDIC limits, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Note 4: 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.

Managed Fund

The Foundation invested \$125,000 with the Denver Foundation at market rates for a 10-year period with disbursements scheduled from 2008 through 2017. 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, 2017, 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, 2017 and 2016 were \$189,762 and \$163,683, respectively. These amounts are included in cash and cash equivalents.

The cumulative change in investment from December 31, 2016 to December 31, 2017 is as follows:

Beginning investment balance	\$ 165,756
Realized gain on investment	3,573
Unrealized gain on investment	20,805
Administration and management fees	<u>(373)</u>
Ending investment balance	189,762
Less available to spend balance	<u>(189,762)</u>
Restricted investment balance	\$ <u> -</u>

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 2: Summary of Significant Accounting Policies, continued

Permanent Endowment

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. During 2017 and 2016, an additional \$40,000 was contributed to the endowment with an additional \$10,000 matching contribution for each year. As of December 31, 2017 and 2016, permanent endowment investments totaled \$300,000 and \$250,000, respectively.

The cumulative change in investment from inception to December 31, 2017 is as follows:

Beginning investment balance	\$ 150,000
Donor contributions	120,000
Matching grant	30,000
Investment income	51,048
Realized gain on investment	32,221
Unrealized gain on investment	73,764
Earnings disbursement	(95,852)
Administration and management fees	<u>(15,329)</u>
Ending investment balance	345,853
Less available to spend balance	<u>(45,853)</u>
Restricted investment balance	<u>\$ 300,000</u>

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 5: Fair Values of Financial Instruments

The Foundation follows *Fair Value Measurements and Disclosures* guidance. This guidance defines fair values, establishes a consistent framework for measuring fair value, and expands disclosure requirements. 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:

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 5: Fair Values of Financial Instruments, continued

- 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.

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, 2017 and 2016 are \$300,000 and \$252,073, respectively. The Foundation does not have any Level 2 or Level 3 investments.

Note 6: 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.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 6: Donor-designated Endowments, continued

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 10% 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>2017</u>	<u>2016</u>
Unrestricted	\$ 235,615	\$ 172,814
Temporarily restricted	-	2,073
Permanently restricted	<u>300,000</u>	<u>250,000</u>
Total net endowment assets	\$ <u>535,615</u>	\$ <u>424,887</u>

Note 7: Restrictions on Net Assets

At December 31, 2017 and 2016, certain net assets have been classified as permanently or temporarily restricted for the following purposes:

<u>Temporarily Restricted:</u>	<u>2017</u>	<u>2016</u>
Denver Foundation	\$ _____ -	\$ _____ 2,073
Total	\$ _____ -	\$ _____ 2,073
 <u>Permanently Restricted:</u>		
Community First – Endowment	\$ 220,000	\$ 180,000
Community First Match – Endowment	<u>80,000</u>	<u>70,000</u>
Total	\$ <u>300,000</u>	\$ <u>250,000</u>

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

Note 8: 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Advertising	\$ 500,000	\$ 440,000
Equipment, leased	646,455	276,000
Equipment, consumable	22,544	14,397
Professional services	8,036	25,002
Other	<u>13,841</u>	<u>8,235</u>
Total	<u>\$1,190,876</u>	<u>\$ 763,634</u>

Note 9: Concentration

The Foundation's 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.

	<u>2017</u>	<u>2016</u>
In-kind donations (42% and 29%)	\$ 1,190,876	\$ 763,634
Of which is donated equipment	646,455	276,000
Of which is donated advertising	500,000	440,000
Web and design (20% and 25%)	\$ 614,793	\$ 667,107
Of which is development	243,870	279,365
Video and production (23% and 23%)	\$ 639,625	\$ 592,081
Of which is government	217,723	199,187
Of which is other nonprofit groups	421,902	392,884

Note 10: Commitments – Operating Lease

The Foundation leased office space under a month-to-month lease agreement. Rental expense for the years ending December 31, 2017 and 2016 was \$37,130 and \$49,954, respectively

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Note 11: Related Party Transactions

As of December 31, 2017 and 2016, \$-0- and \$155 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 12: Significant Changes in Net Assets

As was noted in last year's audit, changes in the Foundation's relationship operating Public Access TV for the City and County of Denver has resulted in the related departments suffering significant losses. In 2017, the Foundation's Board elected to dedicate a portion of the reserves to sustain Public Access operations while the mediation process took its course. The issue has not yet been resolved and the Foundation is still in mediation a year later. With its first year-end operating loss, the Foundation's Board voted in 2018 to cease subsidizing Public Access TV, which should address the cause of loss in 2017.

Provided that the Foundation either alters the funding arrangement with the City of Denver for Public Access TV, or terminates their contract to continue operating Public Access TV, the Foundation's Board and management are confident that the Foundation will return to the pattern of positive annual changes in net assets they enjoyed for over a decade before facing Public Access TV funding cuts from the City and County of Denver.

Note 13: Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through May 24, 2018, 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.