

OPEN MEDIA FOUNDATION

Financial Statements

*For the Years Ended
December 31, 2020 and 2019*

INDEX TO FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Board of Directors of
Open Media Foundation

We have audited the accompanying financial statements of Open Media Foundation (a Colorado not-for-profit corporation), which comprise the statement of financial position as of December 31, 2020, 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.

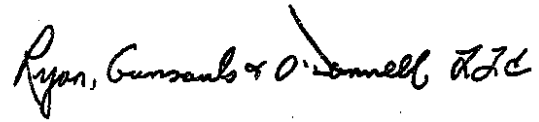
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020, 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

The financial statements of Open Media Foundation, as of and for the year ended December 31, 2019, were audited by other auditors whose report thereon, dated January 22, 2021, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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, Gonsauls & O'Donnell, P.C." in a cursive style.

Denver, Colorado
January 6, 2022

OPEN MEDIA FOUNDATION
Statements of Financial Position
December 31, 2020 and 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 105,203	\$ 155,267
Cash in managed fund, available to spend	236,836	210,902
Restricted cash - board restricted reserves	458,285	462,836
Restricted cash - fiscal sponsorship	50,785	50,785
Accounts receivable, net	136,765	99,418
Note receivable	400,000	200,000
Total current assets	<u>1,387,874</u>	<u>1,179,208</u>
Investments:		
Permanent endowment - Community First	410,787	379,766
Total investments	<u>410,787</u>	<u>379,766</u>
Total assets	\$ <u>1,798,661</u>	\$ <u>1,558,974</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable	\$ 16,637	\$ 22,325
Accrued expenses	8,339	11,040
Accrued payroll liabilities	16,902	10,035
PPP loan payable	112,625	-
Deferred revenue	-	97,400
Total liabilities	<u>154,503</u>	<u>140,800</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,197,598	544,281
Designated for programs	-	458,354
Total net assets without restrictions	<u>1,197,598</u>	<u>1,002,635</u>
With donor restrictions	<u>446,560</u>	<u>415,539</u>
Total net assets	<u>1,644,158</u>	<u>1,418,174</u>
Total liabilities and net assets	\$ <u>1,798,661</u>	\$ <u>1,558,974</u>

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

OPEN MEDIA FOUNDATION
Statements of Activities
For the Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2020 Total</u>	<u>2019 (Summarized)</u>
Revenues from contracts:				
Program revenue (net of discounts):				
Video and production	\$ 448,809	\$ -	\$ 448,809	\$ 350,134
Web and design	305,193	-	305,193	273,760
Access	46,049	-	46,049	68,325
Education and training	4,792	-	4,792	192,482
Total program revenue	<u>804,843</u>	<u>-</u>	<u>804,843</u>	<u>884,701</u>
Other earned revenue	69,861	-	69,861	63,550
Interest income on notes receivable	22,667	-	22,667	12,666
Contributions:				
Contributed in-kind	743,715	-	743,715	825,976
Contributions and grants	130,920	11,535	142,455	215,539
Total contributions	<u>874,635</u>	<u>11,535</u>	<u>886,170</u>	<u>1,041,515</u>
Release from restriction	<u>11,535</u>	<u>(11,535)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,783,541</u>	<u>-</u>	<u>1,783,541</u>	<u>2,002,432</u>
Program expenses:				
Gov't Accessibility	158,629	-	158,629	721,918
Video and production	344,016	-	344,016	437,282
Web and design	140,427	-	140,427	195,595
Denver Open Media	838,477	-	838,477	167,533
Total program expenses	<u>1,481,549</u>	<u>-</u>	<u>1,481,549</u>	<u>1,522,328</u>
Supporting expenses:				
Management and general	88,565	-	88,565	261,060
Fundraising	58,543	-	58,543	114,387
Total supporting expenses	<u>147,108</u>	<u>-</u>	<u>147,108</u>	<u>375,447</u>
Total expenses	<u>1,628,657</u>	<u>-</u>	<u>1,628,657</u>	<u>1,897,775</u>
Nonoperating income (expense):				
Realized (loss) gain on investments	(104)	-	(104)	841
Unrealized gain on investments	30,291	31,021	61,312	70,630
Investment fees	9,892	-	9,892	10,413
Total nonoperating income	<u>40,079</u>	<u>31,021</u>	<u>71,100</u>	<u>81,884</u>
Change in net assets	194,963	31,021	225,984	186,541
Net assets, beginning of year	<u>1,002,635</u>	<u>415,539</u>	<u>1,418,174</u>	<u>1,231,633</u>
Net assets, end of year	\$ <u>1,197,598</u>	\$ <u>446,560</u>	\$ <u>1,644,158</u>	\$ <u>1,418,174</u>

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

OPEN MEDIA FOUNDATION
Statements of Functional Expenses
For the Year Ended December 31, 2020 with Summarized Comparative Totals for 2019

	<u>Gov't Accessibility</u>	<u>Video and Production</u>	<u>Web and Design</u>	<u>Denver Open Media</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>2020 Total</u>	<u>2019 (Summarized)</u>
In-kind expense	\$ -	\$ 60,062	\$ 29,737	\$ 626,716	\$ 716,515	\$ 6,261	\$ 20,939	\$ 743,715	\$ 825,976
Salaries and related expenses	106,567	179,076	70,227	73,052	428,922	47,996	19,868	496,786	556,006
Contract and professional	38,539	55,119	13,523	65,813	172,994	9,976	14,986	197,956	183,573
Bad debt	3,000	100	540	16,636	20,276	11,216	-	31,492	17,144
Hosting	307	-	18,910	9,761	28,978	-	-	28,978	34,524
Bandwidth, internet	345	14,732	973	8,971	25,021	352	50	25,423	21,927
Occupancy	2,662	9,805	2,295	5,881	20,643	593	1,485	22,721	31,464
Subscription, membership, licenses	2,515	4,033	779	1,596	8,923	5,429	208	14,560	113,366
Accounting	1,483	1,475	1,514	3,452	7,924	1,765	562	10,251	14,059
Insurance	1,654	2,264	522	3,578	8,018	160	124	8,302	8,480
Fiscal sponsorship	-	-	-	8,261	8,261	-	-	8,261	4,572
Donations	-	-	-	8,043	8,043	150	-	8,193	177
Underwriting scholarship	-	3,800	-	2,500	6,300	-	-	6,300	-
Travel	281	3,285	150	750	4,466	606	-	5,072	12,526
Miscellaneous	-	3,409	397	-	3,806	880	-	4,686	12,850
Fundraising	107	1,551	-	2,153	3,811	660	-	4,471	12,728
Software	518	1,027	362	134	2,041	1,237	67	3,345	1,137
Equipment expense	-	2,750	-	-	2,750	-	-	2,750	35,742
Office supplies	477	1,011	33	43	1,564	730	8	2,302	2,792
Telephone	166	506	454	380	1,506	285	146	1,937	1,992
Bank and credit card fees	8	11	11	757	787	269	100	1,156	6,740
Total expenses	\$ 158,629	\$ 344,016	\$ 140,427	\$ 838,477	\$ 1,481,549	\$ 88,565	\$ 58,543	\$ 1,628,657	\$ 1,897,775

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

OPEN MEDIA FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 225,984	\$ 186,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on investments	104	(841)
Unrealized gain on investments	(61,312)	(70,630)
Decrease (increase) in operating assets:		
Accounts receivable	(37,347)	(58,803)
(Decrease) increase in operating liabilities:		
Accounts payable	(5,688)	(7,269)
Accrued expenses	(2,701)	(2,159)
Accrued payroll liabilities	6,867	-
Deferred revenue	(97,400)	47,400
Net cash provided by operating activities	<u>28,507</u>	<u>94,239</u>
Cash flows from investing activities:		
Proceeds from sale of investments	14,145	-
Distribution from permanent endowment	-	8,537
Withdrawals from investments	-	139,998
Reinvestment of earnings	(9,892)	-
Interest on note receivable	-	(12,666)
Advances on note receivable	(200,000)	(100,000)
Net cash (used in) provided by investing activities	<u>(195,747)</u>	<u>35,869</u>
Cash flows from financing activities:		
Advance on PPP loan payable	112,625	-
Net cash provided by financing activities	<u>112,625</u>	<u>-</u>
Net change in cash, cash equivalents and restricted cash	(54,615)	130,108
Cash, cash equivalents, and restricted cash, beginning of year	<u>668,888</u>	<u>538,780</u>
Cash, cash equivalents, and restricted cash, end of year	<u>614,273</u>	<u>668,888</u>
Cash and cash equivalents	105,203	155,267
Restricted cash - board restricted reserves	458,285	462,836
Restricted cash - fiscal sponsorship	50,785	50,785
Cash, cash equivalents, and restricted cash, end of year	\$ <u>614,273</u>	\$ <u>668,888</u>

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

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2020 and 2019

Note 1: Nature of Operations

Open Media Foundation (the Foundation) was incorporated on June 2, 2004 under the name Deproduction, Inc.: The [denverrevolution] Production Group. In 2009, the name changed 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 audio production, web development, and branding services, similar to a public relations firm or ad agency, but exclusively for nonprofits and governments. The Foundation also trains individuals and nonprofits in media and communications skills, including access to facilities for audio production. Beginning in 2017, the Foundation operates a local FM radio station, and operated Denver's Public Access TV Stations from 2006 to 2018.

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 these financial statements.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. It is reasonably possible that the Foundation estimates may change in the near term.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies, continued

Fair Value of Financial Statements

Financial instruments consist primarily of cash, cash equivalents, restricted cash, receivables, and accounts payable. The amounts reported in the financial statements approximate fair values because of the short maturities of those financial instruments.

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 – Board Restricted Reserves

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 \$458,285 and \$462,836 at December 31, 2020 and 2019, respectively.

Restricted Cash – Fiscal Sponsorship

The Foundation 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 \$50,785 at December 31, 2020 and 2019.

Accounts Receivable

Accounts receivable consists of receivables for services rendered by earned income programs, primarily web and video production clients. The Foundation provides an allowance for doubtful accounts, which is based upon review of outstanding receivables, historical collection information and existing economic conditions. As of December 31, 2020 and 2019, an allowance was created for a potential uncollectable account in the amount of \$-0- and \$100. The Foundation wrote off bad debts of \$31,492 and \$17,144 during the years ended December 31, 2020 and 2019, respectively.

Note Receivable

The Foundation loaned monies to certain individuals under a note agreement since 2017. The loan amount started at \$50,000 with monthly interest payments at 8%. The principal balance has been rolled forward with additional advances. The note is on demand by the Foundation, under the same interest terms. The note receivable totaled \$400,000 and \$200,000 as of December 31, 2020 and 2019, respectively.

Revenue and Support

The primary source of revenue for the Foundation is earned income which is derived from video production, web and design, education and training, and equipment and studio rental. In addition, contributions are received (cash and in-kind) from the Foundation and contributions from individuals and corporations. Revenue is recognized when it is earned.

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies, continued

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional Contribution Liability

In accordance with ASC Sub-Topic 958-605, *Revenue Recognition*, the Foundation must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of release or a promise to transfer assets exist. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of an agreement. Topic 958 prescribes that the Foundation should not consider probability of compliance with the barrier when determining if such contributions are conditional and should be reported as conditional contribution liability until such conditions are met. At December 31, 2020 and 2019, the Foundation did not have any conditional contribution liability.

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 an 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, 2020 and 2019.

The Foundation has evaluated its tax positions for all open tax years. Currently, the years open for tax authority examination are 2017 through 2019 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, 2020 and 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function. Those expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include occupancy related expenses which are allocated on a square-footage basis; certain program specific expenses, such as discounts, bad debt, equipment rental and maintenance that can be directly identified and allocated to the program; certain salaries and wages, benefits, payroll taxes and related personnel expenses, which are allocated

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses, continued

on the basis of estimates of time and effort; and other expenses, which are allocated on the same basis of estimated time and effort as salaries and wages.

Comparative Financial Information

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, 2019, from which the summarized information was derived.

New Accounting Pronouncement

Effective January 1, 2019, the Foundation retroactively changed its accounting methods for revenue recognition and financial instruments as a result of implementing the requirements in the Financial Accounting Standard Board's ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The Foundation adopted the requirements utilizing the modified retrospective method of transition. The Foundation applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition, accounts receivable, and contract liabilities. Though these contracts were not restated, the effect of applying this practical expedient was not significant to the financial statements. The adoption of the new guidance for revenue recognition resulted in no changes to net assets as of January 1, 2019.

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, 2020 and 2019, the Foundation had \$182,178 and \$192,654 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: Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 105,203	\$ 155,267
Cash in managed fund	236,836	210,902
Restricted cash – Board restricted reserves	458,285	462,836
Restricted cash – fiscal sponsorship	50,785	50,785

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2020 and 2019

Note 4: Availability and Liquidity, continued

Permanent endowment - Community First	410,787	379,766
Accounts receivable	<u>136,765</u>	<u>99,418</u>
Total financial assets at year-end	1,398,661	1,358,974
Less amounts unavailable:		
Restricted cash – Board restricted reserves	458,285	462,836
Restricted cash – fiscal sponsorship	50,785	50,785
Permanent endowment – Community First	<u>410,787</u>	<u>379,766</u>
Total amounts unavailable	919,857	893,387
Financial assets available to meet general expenditures over the next twelve months		
	<u>\$ 478,804</u>	<u>\$ 465,587</u>

The Foundation’s goal is generally to maintain financial assets to meet six months of operating expenses. The CapitalOne account was established to maintain the six-month strategic reserve as authorized by the Board of Directors. This reserve may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. As part of its liquidity plan, excess cash is invested in short-term investments, primarily checking and money market accounts and believes it is not exposed to any significant credit risk to cash.

Note 5: Investments

The Foundation entered into an agreement with the City and 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 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, 2020, 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, 2020 and 2019 were \$236,836 and \$210,902, respectively. The cumulative change in the investment for the years ended December 31, 2020 and December 31, 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Beginning investment balance	\$ 210,902	\$ 183,733
Interest/dividends	2,061	-

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2020 and 2019

Note 5: Investments, continued

Managed Fund, continued

	<u>2020</u>	<u>2019</u>
Realized gain on investment	2,081	9,540
Unrealized gain on investment	25,717	17,629
Administration and management fees	<u>(3,925)</u>	<u>-</u>
Ending investment balance	<u>\$ 236,836</u>	<u>\$ 210,902</u>

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. As of December 31, 2020 and 2019, permanent endowment investments totaled \$410,787 and \$379,766 respectively.

The annual changes in the investment for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Beginning investment balance	\$ 379,766	\$ 335,302
Investment income	7,831	-
Realized loss on investment	(2,185)	-
Unrealized gain on investment	43,229	53,001
Investment expenses	(3,709)	-
Earnings disbursement	<u>(14,145)</u>	<u>(8,537)</u>
Restricted investment balance	<u>\$ 410,787</u>	<u>\$ 379,766</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 6: Fair Values of Financial Instruments

The Foundation follows *Fair Value Measurements and Disclosures* guidance, which 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, 2020 and 2019

Note 6: 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 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.

Note 7: 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 purposes of the donor-restricted endowment fund, (2) general economic conditions, (3) the possible effect of inflation and deflation, (4) the expected total return from income and the appreciation of investment, (5) other resources of the Foundation, and (6) 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

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Note 7: Donor-designated Endowments, continued

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

	<u>2020</u>	<u>2019</u>
Unrestricted investment	\$ 236,836	\$ 210,902
Donor restricted endowment	<u>410,787</u>	<u>379,766</u>
Total net endowment assets	<u>\$ 647,623</u>	<u>\$ 590,668</u>

Note 8: Payroll Protection Program Loan

During the year ended December 31, 2020, the Foundation received a payroll protection program loan of \$112,625 from the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the CARES Act) which is recorded as a note payable on the statement of financial position. Based on the provision of the CARES Act, the Foundation borrowed funds for 2 years. However, the loan was designed to be forgiven if the funds are used to predominately pay employees for an 8-week period. The loan was partially forgiven on September 27, 2021 in the amount of \$91,190. The remaining balance of \$21,435 will be paid in full by the Foundation as of December 31, 2021.

Note 9: Net Assets with Donor Restrictions

At December 31, 2020 and 2019, certain net assets have been classified as with donor restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Community First – Endowment	\$ 410,787	\$ 379,766
Drupal fiscal sponsorship program	<u>35,773</u>	<u>35,773</u>
Total net assets with donor restrictions	<u>\$ 446,560</u>	<u>\$ 415,539</u>

Note 10: Recognition of Revenue from Contracts

The Foundation recognizes revenue in accordance with U.S. GAAP, when all of the following conditions are satisfied:

- There is persuasive evidence that an arrangement exists;
- The product has been delivered or the services performed;
- The amount of fees to be paid by members and customers are fixed or determinable;
- The collection of fees is reasonably assured.

The Foundation recognizes revenues based upon the satisfaction of the performance of services as determined in contracts with members and program participants. Determining whether and when

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Note 10: Recognition of Revenue from Contracts, continued

these criteria have been satisfied involved exercising judgment and using estimates and assumptions that can have a significant impact on the timing and amount of revenue that the Foundation recognizes.

The Foundation derives revenues from web and design, video and production, marketing and communications consulting, software-as-a-service (SAAS), and education and training. The Foundation generates substantial amounts of revenues from providing video and production and web and design services to customers. A single contract could have one or multiple performance obligations. For those contracts that have multiple performance obligations, if any, the Foundation allocates the total transaction price to each performance obligation based on the relative standalone selling price, which is determined by the Foundation's pricing objectives, taking into consideration market conditions and other factors.

Revenues are recognized when control of goods and services are provided to the Foundations' customers in amount that reflects the consideration the Foundation expects to be entitled to in an exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligation, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as to when the Foundation satisfies the performance obligation.

The Foundation typically satisfies its performance obligation over time or a point in time as the related services are provided. The performance obligation related to service fees are typically satisfied evenly over the course of the service period and is a faithful depiction of how the Foundation transfers control of goods and services to its customers.

There are no variable considerations in contracts as there are no discounts, financial assistance, or refunds. For the years ended December 31, 2020 and 2019, the Foundation received total revenues from contracts of \$804,843 and \$884,701, respectively. As of December 31, 2020 and 2019, the Foundation had \$-0- and \$97,400, respectively, of remaining performance obligations under contracts entered into during the year. The Foundation expects to fully recognize the outstanding performance obligation amounts in the next fiscal year. Actual revenue recognition could differ from these amounts as a result of adjustments or other factors. Receivables and contract liability balances from contracts with customers for the years ended December 31, 2020 and 2019, were as follows:

	Receivables		Contract Liabilities	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 99,418	\$ 176,595	\$ 97,400	\$ 50,000
End of year	\$ 136,765	\$ 99,418	\$ -	\$ 97,400

Note 11: 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

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Note 11: In-Kind Contributions and Expense, continued

provided by donation. In-kind donations of equipment and services recognized for the years ending December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Advertising	\$ 500,000	\$ 500,000
Equipment	235,349	288,318
Professional services	6,566	37,658
Other	<u>1,800</u>	<u>-</u>
Total	<u>\$ 743,715</u>	<u>\$ 825,976</u>

Note 12: 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 Foundation's programs and activities.

	<u>2020</u>	<u>2019</u>
In-kind donations (43% and 41%)	\$ 743,715	\$ 825,976
Video and production (23% and 18%)	\$ 448,809	\$ 350,134
Web and design (18% and 14%)	\$ 305,193	\$ 273,760
Contributions and grants (8% and 11%)	\$ 142,455	\$ 215,539

Note 13: Commitments – Operating Leases

The Foundation leased office space under a month-to-month lease agreement. Rental expense for the years ending December 31, 2020 and 2019 was \$13,344 and \$31,464, respectively.

In September 2020, the Foundation leased space under a non-cancelable operating lease. The straight-line aggregate rent expense for the year ended December 31, 2020 totaled \$6,291. Rent is payable monthly at \$2,097 through the lease expiration in September 2025. Future operating lease commitments are as follows for the year ending December 31:

2021	\$ 25,165
2022	25,165
2023	25,165
2024	25,165
2025	<u>18,874</u>
	<u>\$ 119,534</u>

Note 14: Reclassification

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. Total change in net assets and total net assets were unchanged due to these reclassifications.

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Note 15: Evaluation of Subsequent Events

The Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through the date at which the financial statements were available to be issued, which is the date of the independent auditors' report, and determined no events occurred that required disclosure.