OPEN MEDIA FOUNDATION

Financial Statements

For the Years Ended
December 31, 2018 and 2017

INDEX TO FINANCIAL STATEMENTS

Ryan, Gunsauls & O'Donnell, LLC
Certified Public Accountants

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, 2018, 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, 2018, 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 2018 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ryan, Gunsauls & O'Connell, LLC

Denver, Colorado
August 8, 2019

OPEN MEDIA FOUNDATION
Statements of Financial Position
December 31, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	$ 85,830	$ 81,369
Cash in managed fund, available to spend	183,733	189,762
Cash in endowment, available to spend	-	45,853
Restricted cash - Board restricted reserves	411,464	505,301
Restricted cash - fiscal sponsorship	41,487	53,235
Accounts receivable, net	176,595	168,199
Note receivable	100,000	50,000
Total current assets	**999,109**	**1,093,719**
Investments:		
Permanent endowment - Community First	335,302	300,000
Total investments	**335,302**	**300,000**
Other assets:		
Contributions and pledges receivable	-	4,000
Total other assets	**-**	**4,000**
Total assets	**$ 1,334,411**	**$ 1,397,719**

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities:		
Accounts payable	$ 6,866	$ 20,934
Accrued expenses	33,717	31,846
Fiscal sponsorship liability	41,487	53,235
Accrued payroll liabilities	12,196	15,178
Deferred revenue	50,000	76,734
Total liabilities	**144,266**	**197,927**
Net assets related to operations:		
Without donor restrictions:		
Unrestricted net assets	789,787	770,253
With donor restrictions	350,000	300,000
Total net assets related to operations	**1,139,787**	**1,070,253**
Comprehensive unrealized gain	50,358	129,539
Total net assets	**1,190,145**	**1,199,792**
Total liabilities and net assets	**$ 1,334,411**	**$ 1,397,719**

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

OPEN MEDIA FOUNDATION
Statements of Activities
For the Year Ended December 31, 2018 with Comparative Totals for 2017

	Without donor restrictions	With donor restrictions	2018 Total	2017 (Summarized)
Government:				
Capitalized equipment maintenance fund	$ 29,128	$ -	$ 29,128	$ 35,005
Contributed support:				
In-kind contributions	1,070,089	-	1,070,089	1,190,876
Foundation grants	27,992	50,000	77,992	32,650
Individual contributions	39,700	-	39,700	56,307
Fundraising contributions	5,797	-	5,797	12,014
Corporate contributions	2,283	-	2,283	6,297
Board contributions	275	-	275	575
Total contributions	**1,175,264**	**50,000**	**1,225,264**	**1,333,724**
Release from restriction	**-**	**-**	**-**	**-**
Earned revenue:				
Web and design	793,106	-	793,106	614,793
Video and production	601,349	-	601,349	639,625
Access	133,387	-	133,387	164,409
Education and training	80,692	-	80,692	90,926
General and administrative	40,440	-	40,440	34,240
Total earned revenue	**1,648,974**	**-**	**1,648,974**	**1,543,993**
Total earned revenue and contributions	**2,824,238**	**50,000**	**2,874,238**	**2,877,717**
Expenses:				
Program services	2,606,234	-	2,606,234	2,802,300
Fundraising	168,177	-	168,177	118,542
General and administrative	98,830	-	98,830	107,252
Total expenses	**2,873,241**	**-**	**2,873,241**	**3,028,094**
Change in net assets due to operations	**(49,003)**	**50,000**	**997**	**(150,377)**
Nonoperating income:				
Realized gain on investments	52,787	-	52,787	9,670
Interest income	15,750	-	15,750	12,497
Total nonoperating income	**68,537**	**-**	**68,537**	**22,167**
Change in net assets	**19,534**	**50,000**	**69,534**	**(128,210)**
Net assets, beginning of year	770,253	300,000	1,070,253	1,198,463
Net assets related to operations	**789,787**	**350,000**	**1,139,787**	**1,070,253**
Unrealized gain on investments	50,358	-	50,358	129,539
Net assets, end of year	**$ 840,145**	**$ 350,000**	**$ 1,190,145**	**$ 1,199,792**

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

OPEN MEDIA FOUNDATION
Statements of Functional Expenses
For the Year Ended December 31, 2018 with Comparative Totals for 2017

	Program Services	General and Administration	Fund-raising	2018 Total	2017 (Summarized)
Compensation expenses:					
Salaries and wages	$ 631,446	$ 42,342	$ 26,233	$ 700,021	$ 696,383
Officer compensation	69,514	12,525	9,150	91,189	89,928
Payroll taxes	84,679	4,666	1,671	91,016	70,379
Employee benefits	3,588	-	-	3,588	20,123
Total compensation expense	789,227	59,533	37,054	885,814	876,813
Non-compensation expenses:					
In-kind expense	927,776	100,048	42,266	1,070,090	1,190,876
Discounts and grants	617,558	-	-	617,558	574,909
Professional services	126,081	5,554	14,707	146,342	192,004
Bandwidth and internet	34,690	130	106	34,926	52,099
Travel	21,376	282	8	21,666	19,703
Occupancy	24,264	(3,878)	489	20,875	37,130
Staff development	14,156	1,187	915	16,258	12,605
Accounting fees	10,414	1,224	678	12,316	10,733
Supplies	7,004	571	1,457	9,032	13,519
Bank and credit card fees	5,733	791	544	7,068	7,254
Bad debt	5,822	10	-	5,832	9,264
Equipment rental and maintenance	5,521	-	-	5,521	198
Dues and subscriptions	4,142	770	380	5,292	5,959
Insurance	5,964	(804)	51	5,211	13,947
Meals and entertainment	3,110	1,217	10	4,337	6,604
Telephone	1,729	276	133	2,138	2,455
Printing and copying	1,149	186	18	1,353	1,548
Miscellaneous	19	856	11	886	197
Postage and delivery	499	224	3	726	262
Special events	-	-	-	-	15
Total non-compensation expenses	1,817,007	108,644	61,776	1,987,427	2,151,281
Total expenses	**$ 2,606,234**	**$ 168,177**	**$ 98,830**	**$ 2,873,241**	**$ 3,028,094**

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

OPEN MEDIA FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Change in net assets	$	69,534	$	(128,210)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Realized gain on investments		(52,787)		(9,670)
Decrease (increase) in operating assets:				
Accounts receivable, net		(8,396)		(62,923)
Contributions and pledges receivable		4,000		-
(Decrease) increase in operating liabilities:				
Accounts payable		(14,068)		(9,488)
Accrued expenses		1,871		(15,130)
Fiscal sponsorship liability		(11,748)		40,477
Accrued payroll liabilities		(2,982)		14,692
Deferred revenue		(26,734)		76,734
Net cash used in operating activities		**(41,310)**		**(93,518)**
Cash flows from investing activities:				
Contribution to permanent endowment		(50,000)		(50,000)
Distribution from permanent endowment		43,002		-
Earnings on permanent endowment, reinvested		(2,816)		(2,501)
Note receivable to invest in an organization		(50,000)		(50,000)
Net cash used in investing activities		**(59,814)**		**(102,501)**
Net change in cash and cash equivalents		**(101,124)**		**(196,019)**
Cash, beginning of year		639,905		835,924
Cash, end of year		**538,781**		**639,905**
Cash and cash equivalents		85,830		81,369
Restricted cash - Board restricted reserves		411,464		505,301
Restricted cash - fiscal sponsorship		41,487		53,235
Cash and cash equivalents, end of year	**$**	**538,781**	**$**	**639,905**

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

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, but exclusively for nonprofits and governments. The Foundation also trains individuals and nonprofits in media and communications skills, including access to facilities for video and 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 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

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which required 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 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, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions were reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

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 $411,464 and $505,301 at December 31, 2018 and 2017, 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 $41,487 and $53,235 at December 31, 2018 and 2017, respectively.

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, 2018 and 2017, an allowance was created for a potential uncollectable account in the amount of $1,439 and $-0-. The Foundation wrote off bad debts of $5,832 and $9,264 during the years ended December 31, 2018 and 2017, respectively.

Note Receivable

In February 2017, the Foundation entered into a note agreement with another organization for $50,000 and received interest payments monthly at 8% that matured in February 2018. In February 2018, the Foundation loaned an additional $50,000, for a total of $100,000 under the same interest terms with a maturity date in February 2019, and was reinvested through February 2020. In June 2019, the Foundation loaned an additional $100,000 for a total of $200,000 under the same terms with a maturity date in August 2020. The note receivable totaled $100,000 and $50,000 as of December 31, 2018 and 2017, respectively.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

The Foundation's contributions receivable consist of foundation grants awarded 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.

Property and Equipment

From 2006 to December 2018, the Foundation was the exclusive public access provider for the City and County of Denver (the Agency) and received equipment and maintenance support funds from the Agency to provide the contracted services. The equipment remained the property of the Agency and was tracked as in-kind donated equipment lease.

Note 2: Summary of Significant Accounting Policies, continued

Property and Equipment, continued

In December 2018, the Foundation's contract to operate Public Access TV expired and the Agency recovered a significant portion of this equipment. While most of the equipment remains in the possession of the Foundation, ownership of the equipment remains with the Agency. During the years ended December 31, 2018 and 2017, 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 2018, the Foundation recognized deferred revenue on grant funds received for general operations through 2019. The portion of the grant reserved for 2019 operations was deferred. 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, 2018 and 2017 was $50,000 and $76,734, 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.

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.

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, 2018 and 2017.

The Foundation has evaluated its tax positions for all open tax years. Currently, the years open for tax authority examination are 2015 through 2017 by the Internal Revenue Service. However, the Foundation is not currently under audit nor has it been contacted by this taxing authority. Based on

Note 2: Summary of Significant Accounting Policies, continued

Income Taxes, continued

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, 2018 and 2017.

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.

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 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.

Summarized Financial Information for 2017

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, 2017, from which the summarized information was derived.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been retrospectively applied to all periods presented.

Note 3: Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2018:

	2018	2017
Financial assets at year-end:		
Cash and cash equivalents	$ 85,830	$ 81,369
Cash in managed fund	183,733	189,762
Cash in endowment	-	45,853
Restricted cash – Board designated reserves	411,464	505,301
Restricted cash – fiscal sponsorship	41,487	53,235
Investments	335,302	300,000
Receivables	276,595	218,199
Total financial assets at year-end	1,334,411	1,393,719
Less amounts unavailable:		
Fiscal sponsor cash	41,487	53,235
Investments	350,000	300,000
Total amounts unavailable	391,487	353,235
Financial assets available to meet general expenditures over the next twelve months	$ 942,924	$ 1,040,484

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.

Note 4: 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, 2018 and 2017, the Foundation had $192,654 and $250,571 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 5: 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.

Note 5: Investments, continued

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, 2018, 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, 2018 and 2017 were $183,733 and $189,762, respectively. The cumulative change in investment from December 31, 2017 to December 31, 2018 is as follows:

	2018	2017
Beginning investment balance	$ 189,762	$ 165,759
Realized gain on investment	10,109	3,573
Unrealized (loss) gain on investment	(12,736)	20,805
Administration and management fees	(3,402)	(375)
Ending investment balance	$ 183,733	$ 189,762

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 2018 and 2017, an additional $40,000 was contributed to the endowment with an additional $10,000 matching contribution for each year. As of December 31, 2018 and 2017, permanent endowment investments totaled $335,302 and $300,000, respectively.

The cumulative change in investment from inception to December 31, 2018 is as follows:

	2018	2017
Beginning investment balance	$ 150,000	$ 150,000
Donor contribution	160,000	120,000
Matching grant	40,000	30,000
Investment income	58,171	51,048
Realized gain on investment	77,276	32,221
Unrealized gain on investment	7,319	73,764
Earnings disbursement	(138,854)	(95,852)
Administration and management fees	(18,610)	(15,328)
Ending investment balance	335,302	345,853
Less available to spend	-	(45,853)
Underwater portion of endowment	14,698	-
Restricted investment balance	$ 350,000	$ 300,000

Note 5: 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 6: Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor, or the Uniform Prudent Management of Institutional Funds Act (UPMIFA), requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in the endowment fund which has an original gifts of $350,000; a current fair value of $335,302; and a deficiency of $14,698 as of December 31, 2018. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the annual withdrawal of earnings on the endowment.

The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. Management appropriated $43,002 for expenditure before the endowment went underwater. As a result, of the investment performance, the Board of Directors amended the policy to appropriate up to 4% annually of the endowment balance.

Note 7: 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:

- 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. Fair value measurements for assets recorded at fair value on a recurring basis at December 31, 2018 and 2017 are $519,035 and $535,615, respectively. The Foundation does not have any Level 2 or Level 3 investments.

Note 8: 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 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:

	2018	2017
Unrestricted investment	$ 183,733	$ 235,615
Donor restricted endowment	335,302	300,000
Total net endowment assets	$ 519,035	$ 535,615

Note 9: Net Assets with Donor Restrictions

At December 31, 2018 and 2017, certain net assets have been classified as with donor restrictions for the following purposes:

	2018	2017
Community First – Endowment	$ 260,000	$ 220,000
Community First Match – Endowment	90,000	80,000
Total	$ 350,000	$ 300,000

Note 10: 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, 2018 and 2017 are as follows:

	2018	2017
Advertising	$ 500,000	$ 500,000
Equipment, leased	433,521	646,455
Equipment, consumable	361	22,544
Professional services	91,074	8,036
Other	45,133	13,841
Total	$ 1,070,089	$ 1,190,876

Note 11: 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.

	2018	2017
In-kind donations (36% and 42%)	$ 1,070,089	$ 1,190,876
Of which is donated equipment	433,521	646,455
Of which is donated advertising	500,000	500,000
Web and design (27% and 20%)	$ 793,106	$ 614,793
Of which is development	193,311	243,870
Video and production (20% and 23%)	$ 601,349	$ 639,625
Of which is government	211,440	217,723
Of which is other nonprofit groups	389,169	421,902

Note 12: Commitments – Operating Lease

The Foundation leased office space under a month-to-month lease agreement. Rental expense for the years ending December 31, 2018 and 2017 was $20,875 and $37,130, respectively

Note 13: 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 Agency 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 contract with the Agency ended in December 2018 and was not renewed. 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 and subsequent contract cancellation from the Agency.

Note 14: Contingent Loss

In December 2018, the Agency authorized a transfer of $168,680 out of the managed fund. The withdrawal was stopped and the fund balance was maintained. The Foundation, its Board, its legal counsel, and the fund managers believe the Agency is not entitled to any of the managed fund balance. In April 2019, the Agency offered a settlement of 45.5% of the fund balance. The offer was rejected by the Board. The Foundation believes the managed fund will be retained by the Foundation.

Note 15: Reclassification

Certain reclassifications have been made to the 2017 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.

Note 16: 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.