

OPEN MEDIA FOUNDATION

Financial Statements

*For the Years Ended
December 31, 2021 and 2020*

INDEX TO FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Board of Directors of
Open Media Foundation

Opinion

We have audited the accompanying financial statements of Open Media Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Open Media Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Open Media Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

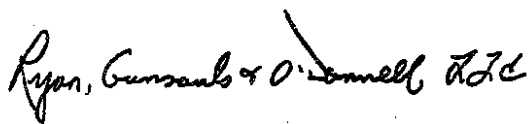
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Open Media Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Open Media Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Open Media Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Denver, Colorado
September 8, 2022

OPEN MEDIA FOUNDATION
Statements of Financial Position
December 31, 2021 and 2020

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 166,163	\$ 105,203
Cash in managed fund, available to spend	270,426	236,836
Restricted cash - board restricted reserves	225,556	458,285
Restricted cash - fiscal sponsorship	-	50,785
Accounts receivable	65,630	136,765
Prepaid expenses	1,368	-
Note receivable	<u>700,000</u>	<u>400,000</u>
Total current assets	<u>1,429,143</u>	<u>1,387,874</u>
Investments:		
Permanent endowment - Community First	<u>432,358</u>	<u>410,787</u>
Total investments	<u>432,358</u>	<u>410,787</u>
Total assets	\$ <u>1,861,501</u>	\$ <u>1,798,661</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 15,029	\$ 16,637
Accrued expenses	25,858	8,339
Accrued payroll liabilities	15,346	16,902
PPP loan payable	<u>96,882</u>	<u>112,625</u>
Total liabilities	<u>153,115</u>	<u>154,503</u>
Net assets:		
Without donor restriction	1,240,255	1,197,598
With donor restriction	<u>468,131</u>	<u>446,560</u>
Total net assets	<u>1,708,386</u>	<u>1,644,158</u>
Total liabilities and net assets	\$ <u>1,861,501</u>	\$ <u>1,798,661</u>

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

OPEN MEDIA FOUNDATION
Statements of Activities
For the Year Ended December 31, 2021 with Summarized Comparative Totals for 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2021 Total</u>	<u>2020 (Summarized)</u>
Revenues from contracts:				
Program revenue (net of discounts):				
Video and production	\$ 355,394	\$ -	\$ 355,394	\$ 448,809
Web and design	305,818	-	305,818	305,193
Access	9,157	-	9,157	46,049
Education and training	3,375	-	3,375	4,792
Total program revenue	<u>673,744</u>	<u>-</u>	<u>673,744</u>	<u>804,843</u>
Other earned revenue	20,205	-	20,205	69,861
Interest income on notes receivable	47,334	-	47,334	22,667
Contributions:				
Contributed in-kind	506,000	-	506,000	743,715
Forgiveness of paycheck protection loan program	91,190	-	91,190	-
Contributions and grants	39,381	-	39,381	142,455
Total contributions	<u>636,571</u>	<u>-</u>	<u>636,571</u>	<u>886,170</u>
Release from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,377,854</u>	<u>-</u>	<u>1,377,854</u>	<u>1,783,541</u>
Program expenses:				
Gov't Accessibility	160,772	-	160,772	158,629
Video and production	291,404	-	291,404	344,016
Web and design	189,609	-	189,609	140,427
Denver Open Media	600,196	-	600,196	838,477
Total program expenses	<u>1,241,981</u>	<u>-</u>	<u>1,241,981</u>	<u>1,481,549</u>
Supporting expenses:				
Management and general	93,262	-	93,262	88,565
Fundraising	48,555	-	48,555	58,543
Total supporting expenses	<u>141,817</u>	<u>-</u>	<u>141,817</u>	<u>147,108</u>
Total expenses	<u>1,383,798</u>	<u>-</u>	<u>1,383,798</u>	<u>1,628,657</u>
Nonoperating income (expense):				
Realized gain (loss) on investments	33,934	21,571	55,505	(104)
Unrealized gain on investments	2,655	-	2,655	61,312
Investment fees	12,012	-	12,012	9,892
Total nonoperating income	<u>48,601</u>	<u>21,571</u>	<u>70,172</u>	<u>71,100</u>
Change in net assets	42,657	21,571	64,228	225,984
Net assets, beginning of year	<u>1,197,598</u>	<u>446,560</u>	<u>1,644,158</u>	<u>1,418,174</u>
Net assets, end of year	<u>\$ 1,240,255</u>	<u>\$ 468,131</u>	<u>\$ 1,708,386</u>	<u>\$ 1,644,158</u>

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

OPEN MEDIA FOUNDATION
Statements of Functional Expenses
For the Year Ended December 31, 2021 with Summarized Comparative Totals for 2020

	<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>2021 Total</u>	<u>2020 (Summarized)</u>
Salaries and related expenses	\$ 105,926	\$ 194,045	\$ 109,055	\$ 99,545	\$ 508,571	\$ 52,602	\$ 13,968	\$ 575,141	\$ 496,786
In-kind expense	-	31,000	27,000	425,000	483,000	3,000	20,000	506,000	743,715
Contract and professional	33,354	19,016	18,996	22,565	93,931	13,235	11,550	118,716	197,956
Occupancy	4,195	20,753	4,198	9,708	38,854	3,812	5	42,671	22,721
Hosting	92	-	20,529	4,914	25,535	-	-	25,535	28,978
Bandwidth, internet	-	11,799	1,414	11,592	24,805	60	-	24,865	25,423
Subscription, membership, licenses	2,088	3,448	384	9,661	15,581	3,744	180	19,505	14,560
Equipment expense	611	1,824	-	3,406	5,841	6,943	-	12,784	2,750
Accounting	2,074	2,136	2,058	2,401	8,669	2,052	1,151	11,872	10,251
Insurance	5,779	710	630	3,998	11,117	173	76	11,366	8,302
Bad debt	5,000	-	2,985	937	8,922	345	1,323	10,590	31,492
Software	938	731	930	1,395	3,994	3,352	65	7,411	3,345
Travel	362	1,928	338	845	3,473	1,381	-	4,854	5,072
Office supplies	-	3,042	-	-	3,042	299	-	3,341	2,302
Telephone	315	644	442	871	2,272	263	214	2,749	1,937
Miscellaneous	30	49	372	508	959	1,411	-	2,370	4,686
Bank and credit card fees	8	279	278	432	997	520	23	1,540	1,156
Fundraising	-	-	-	1,487	1,487	-	-	1,487	4,471
Fiscal sponsorship	-	-	-	931	931	-	-	931	8,261
Donations	-	-	-	-	-	70	-	70	8,193
Underwriting scholarship	-	-	-	-	-	-	-	-	6,300
Total expenses	\$ <u>160,772</u>	\$ <u>291,404</u>	\$ <u>189,609</u>	\$ <u>600,196</u>	\$ <u>1,241,981</u>	\$ <u>93,262</u>	\$ <u>48,555</u>	\$ <u>1,383,798</u>	\$ <u>1,628,657</u>

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

OPEN MEDIA FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 64,228	\$ 225,984
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Forgiveness of paycheck protection loan program	(91,190)	-
Realized (gain) loss on investments	(55,505)	104
Unrealized gain on investments	(2,655)	(61,312)
(Increase) decrease in operating assets:		
Accounts receivable	71,135	(37,347)
Prepaid expenses	(1,368)	-
(Decrease) increase in operating liabilities:		
Accounts payable	(1,608)	(5,688)
Accrued expenses	17,519	(2,701)
Accrued payroll liabilities	(1,556)	6,867
Deferred revenue	-	(97,400)
	<u> </u>	<u> </u>
Net cash (used in) provided by operating activities	<u>(1,000)</u>	<u>28,507</u>
Cash flows from investing activities:		
Proceeds from sale of investments	15,011	14,145
Reinvestment of earnings	(12,012)	(9,892)
Advances on note receivable	(300,000)	(200,000)
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(297,001)</u>	<u>(195,747)</u>
Cash flows from financing activities:		
Advance on PPP loan payable	96,882	112,625
Payment on paycheck protection loan program	(21,435)	-
	<u> </u>	<u> </u>
Net cash provided by financing activities	<u>75,447</u>	<u>112,625</u>
Net change in cash, cash equivalents and restricted cash	(222,554)	(54,615)
Cash, cash equivalents, and restricted cash, beginning of year	<u>614,273</u>	<u>668,888</u>
Cash, cash equivalents, and restricted cash, end of year	<u>391,719</u>	<u>614,273</u>
Cash and cash equivalents	166,163	105,203
Restricted cash - board restricted reserves	225,556	458,285
Restricted cash - fiscal sponsorship	-	50,785
	<u> </u>	<u> </u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u>391,719</u>	\$ <u>614,273</u>
Supplemental Disclosure of non-cash items:		
Forgiveness of paycheck protection loan program	\$ <u>91,190</u>	\$ <u>-</u>

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

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

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 with U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements have been prepared in accordance with 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, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are 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 statements of activities.

Basis of Accounting

The Foundation's financial statements are 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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly,

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies, continued

Use of Estimates, continued

actual results could differ from those estimates. It is reasonably possible that the Foundation's estimates may change in the near term.

Fair Value

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 \$225,556 and \$458,285 at December 31, 2021 and 2020, respectively.

Restricted Cash – Fiscal Sponsorship

The Foundation acted as a pass-through entity for other non-profit entities in the prior year and held funds for those entities to be dispensed at their discretion as specified in agreements. Restricted cash and the related fiscal sponsorship liability totaled \$-0- and \$50,785 at December 31, 2021 and 2020.

Accounts Receivable

Accounts receivable consists of receivables for services rendered by earned income programs, primarily web and video production clients. The Foundation uses the direct write-off method, which is based upon review of outstanding receivables, historical collection information and existing economic conditions. The Foundation wrote off bad debts of \$10,590 and \$31,492 during the years ended December 31, 2021 and 2020, 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 \$700,000 and \$400,000 as of December 31, 2021 and 2020, respectively.

Revenue and Support

The primary source of revenue for the Foundation is earned income which is derived from

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies, continued

Revenue and Support, continued

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.

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.

Revenue Recognition

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, 2021 and 2020, the Foundation did not have any conditional contribution liability.

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.

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

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

Note 2: Summary of Significant Accounting Policies, continued

Income Taxes, continued

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, 2021 and 2020.

The Foundation has evaluated its tax positions for all open tax years. Currently, the years open for tax authority examination are 2018 through 2020 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, 2021 and 2020.

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, 2020, from which the summarized information was derived.

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 is \$250,000 for interest bearing accounts, per depositor, per institution. As of December 31, 2021 and 2020, the Foundation had \$-0- and \$182,178 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 166,163	\$ 105,203
Cash in managed fund	270,426	236,836
Restricted cash – Board restricted reserves	225,556	458,285
Restricted cash – fiscal sponsorship	-	50,785
Permanent endowment - Community First	432,358	410,787
Accounts receivable	<u>65,630</u>	<u>136,765</u>
Total financial assets at year-end	1,160,133	1,398,661
Less amounts unavailable:		
Restricted cash – Board restricted reserves	225,556	458,285
Restricted cash – fiscal sponsorship	-	50,785

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

Note 4: Availability and Liquidity, continued

Permanent endowment – Community First	432,358	410,787
Total amounts unavailable	657,914	919,857
Financial assets available to meet general expenditures over the next twelve months	\$ 502,219	\$ 478,804

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, 2021, 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, 2021 and 2020 were \$270,426 and \$236,836, respectively. The cumulative change in the investment for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning investment balance	\$ 236,836	\$ 210,902
Interest/dividends	2,931	2,061
Realized gain on investment	3,813	2,081
Unrealized gain on investment	29,425	25,717
Administration and management fees	(2,579)	(3,925)
Ending investment balance	\$ 270,426	\$ 236,836

Permanent Endowment

The Foundation invested the remaining \$100,000 with the Community First Foundation

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

Note 5: Investments, continued

Permanent Endowment, continued

(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, 2021 and 2020, permanent endowment investments totaled \$432,358 and \$410,787 respectively.

The annual changes in the investment for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning investment balance	\$ 410,787	\$ 379,766
Investment income	9,081	7,831
Realized gain (loss) on investment	51,692	(2,185)
Unrealized (loss) gain on investment	(19,948)	43,229
Investment expenses	(4,243)	(3,079)
Earnings disbursement	<u>(15,011)</u>	<u>(14,145)</u>
Restricted investment balance	<u>\$ 432,358</u>	<u>\$ 410,787</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:

- 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

OPEN MEDIA FOUNDATION
Notes to Financial Statements
December 31, 2021 and 2020

Note 6: Fair Values of Financial Instruments, continued

- Level 3 –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 U.S. GAAP, 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. The endowment net asset composition for donor-designated endowment funds as of December 31, is as follows:

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Note 7: Donor-designated Endowments, continued

	<u>2021</u>	<u>2020</u>
Unrestricted investment	\$ 270,426	\$ 236,836
Donor restricted endowment	<u>432,358</u>	<u>410,787</u>
 Total net endowment assets	 <u>\$ 702,784</u>	 <u>\$ 647,623</u>

Note 8: Paycheck Protection Program Loans

During the year ended December 31, 2021, the Foundation received a payroll protection program loan of \$96,882 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 5 years. However, the loan was designed to be forgiven if the funds are used to predominately pay employees for an 8-week period. The Foundation submitted for loan forgiveness in July 2022, and is expected to be fully forgiven.

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 was paid in full by the Foundation as of December 31, 2021.

Note 9: Net Assets with Donor Restrictions

At December 31, 2021 and 2020, certain net assets have been classified as with donor restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
Community First – Endowment	\$ 432,358	\$ 410,787
Drupal fiscal sponsorship program	<u>35,773</u>	<u>35,773</u>
 Total net assets with donor restrictions	 <u>\$ 468,131</u>	 <u>\$ 446,560</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, 2021 and 2020, the Foundation received total revenues from contracts of \$673,744 and \$804,843, respectively. As of December 31, 2021 and 2020, the Foundation had no 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, 2021 and 2020, were as follows:

	Receivables		Contract Liabilities	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 136,765	\$ 99,418	\$ -	\$ 97,400
End of year	\$ 65,630	\$ 136,765	\$ -	\$ -

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Advertising	\$ 500,000	\$ 500,000
Equipment	-	235,349
Professional services	<u>6,000</u>	<u>8,366</u>
Total	<u>\$ 506,000</u>	<u>\$ 743,715</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>2021</u>	<u>2020</u>
In-kind donations (37% and 43%)	\$ 506,000	\$ 743,715
Video and production (26% and 23%)	\$ 355,394	\$ 448,809
Web and design (22% and 18%)	\$ 305,818	\$ 305,193

Note 13: Commitments – Operating Leases

The Foundation leases office space under a month-to-month lease agreement. Rental expense for the years ending December 31, 2021 and 2020 was \$13,344, respectively.

In September 2020, the Foundation entered into a lease for space under a non-cancelable operating lease. The straight-line aggregate rent expense for the years ended December 31, 2021 and 2020 totaled \$25,165 and \$6,291, respectively. 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:

2022	\$ 25,165
2023	25,165
2024	25,165
2025	<u>18,874</u>
	<u>\$ 94,369</u>

Note 14: Reclassification

Certain reclassifications have been made to the 2020 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 15: 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.