

FOUNDATION FOR NATIONAL PROGRESS

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

Armanino McKenna ^{LLP}
Certified Public Accountants & Consultants



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation for National Progress
San Francisco, California

We have audited the accompanying statements of financial position of the Foundation for National Progress (the "Foundation") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Armanino McKenna LLP
ARMANINO MCKENNA LLP

April 20, 2009

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FOUNDATION FOR NATIONAL PROGRESS

Statements of Financial Position

December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets		
Cash and cash equivalents	\$ 310,821	\$ 429,535
Accounts receivable, net	565,826	530,996
Contributions receivable	200,719	220,984
Prepaid expenses	150,501	207,163
Total current assets	<u>1,227,867</u>	<u>1,388,678</u>
Property, plant and equipment, net	104,057	123,199
Other assets	<u>31,037</u>	<u>32,837</u>
 Total assets	 <u>\$ 1,362,961</u>	 <u>\$ 1,544,714</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities		
Line of credit	\$ 200,000	\$ 200,000
Accounts payable	815,186	872,478
Accrued expenses	500,976	614,481
Current portion of notes payable	29,017	2,771
Current portion of deferred subscription revenue	702,078	676,007
Total current liabilities	<u>2,247,257</u>	<u>2,365,737</u>
Notes payable, net	110,308	11,776
Deferred rent	131,081	155,065
Deferred subscription revenue, net	<u>824,349</u>	<u>941,611</u>
 Total liabilities	 <u>3,312,995</u>	 <u>3,474,189</u>
Net assets (deficit)		
Unrestricted	(2,380,835)	(2,415,198)
Temporarily restricted	430,801	485,723
Net assets (deficit)	<u>(1,950,034)</u>	<u>(1,929,475)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 1,362,961</u>	 <u>\$ 1,544,714</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 4,252,120	\$ 2,145,503	\$ 6,397,623
Membership	2,007,859	-	2,007,859
Single issue sales	502,434	-	502,434
List rentals	357,578	-	357,578
Royalties	26,247	-	26,247
Advertising	1,248,671	-	1,248,671
Other	85,771	-	85,771
Net assets released from restrictions	<u>2,200,425</u>	<u>(2,200,425)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>10,681,105</u>	<u>(54,922)</u>	<u>10,626,183</u>
Expenses			
Program activities			
Membership	1,685,303	-	1,685,303
Outreach	385,696	-	385,696
Research and editorial	3,714,475	-	3,714,475
Journal production and distribution	1,158,897	-	1,158,897
Internet - MotherJones.com	748,561	-	748,561
The Media Consortium	458,173	-	458,173
Live from Main Street	<u>233,294</u>	<u>-</u>	<u>233,294</u>
	<u>8,384,399</u>	<u>-</u>	<u>8,384,399</u>
Supporting services			
Development	1,306,675	-	1,306,675
Advertising sales	785,435	-	785,435
General and administrative	<u>170,233</u>	<u>-</u>	<u>170,233</u>
	<u>2,262,343</u>	<u>-</u>	<u>2,262,343</u>
Total expenses	<u>10,646,742</u>	<u>-</u>	<u>10,646,742</u>
Change in net assets	34,363	(54,922)	(20,559)
Beginning net assets (deficit)	<u>(2,415,198)</u>	<u>485,723</u>	<u>(1,929,475)</u>
Ending net assets (deficit)	<u>\$ (2,380,835)</u>	<u>\$ 430,801</u>	<u>\$ (1,950,034)</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 4,239,491	\$ 897,149	\$ 5,136,640
Membership	1,995,428	-	1,995,428
Single issue sales	342,592	-	342,592
List rentals	331,610	-	331,610
Royalties	30,992	-	30,992
Advertising	1,222,460	-	1,222,460
Other	83,826	-	83,826
Net assets released from restrictions	<u>1,091,467</u>	<u>(1,091,467)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>9,337,866</u>	<u>(194,318)</u>	<u>9,143,548</u>
Expenses			
Program activities			
Membership	1,738,596	-	1,738,596
Outreach	401,202	-	401,202
Research and editorial	3,099,570	-	3,099,570
Journal production and distribution	1,081,288	-	1,081,288
Internet - MotherJones.com	566,695	-	566,695
The Media Consortium	209,522	-	209,522
Live from Main Street	16,492	-	16,492
	<u>7,113,365</u>	<u>-</u>	<u>7,113,365</u>
Supporting services			
Development	1,249,378	-	1,249,378
Advertising sales	745,436	-	745,436
General and administrative	184,220	-	184,220
	<u>2,179,034</u>	<u>-</u>	<u>2,179,034</u>
Total expenses	<u>9,292,399</u>	<u>-</u>	<u>9,292,399</u>
Change in net assets	45,467	(194,318)	(148,851)
Beginning net assets (deficit)	<u>(2,460,665)</u>	<u>680,041</u>	<u>(1,780,624)</u>
Ending net assets (deficit)	<u>\$ (2,415,198)</u>	<u>\$ 485,723</u>	<u>\$ (1,929,475)</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS
Statement of Functional Expenses
For the Year Ended December 31, 2008

	Program Activities							Supporting Services			Total
	Membership	Outreach	Research and Editorial	Journal Production and Distribution	Internet - MotherJones.com	The Media Consortium	Live from Main Street	Development	Advertising Sales	General and Administrative	
Salaries and related expenses											
Salaries	\$ 31,056	\$ 216,267	\$ 1,770,203	\$ 96,387	\$ 304,855	\$ -	\$ -	\$ 433,212	\$ 387,811	\$ 119,504	\$ 3,359,295
Payroll benefits	3,936	47,954	412,752	14,912	60,436	-	-	101,941	106,045	30,795	778,771
Total salaries and related expenses	34,992	264,221	2,182,955	111,299	365,291	-	-	535,153	493,856	150,299	4,138,066
Advertising	-	-	850	-	-	-	-	-	8,503	-	9,353
Bad debts	-	-	-	-	-	-	-	-	(2,628)	-	(2,628)
Bank charges	524	44	199	22	67	-	-	18,582	111	4,920	24,469
Conferences/seminars/dues	-	3,738	20,784	145	1,608	4,295	-	3,760	9,292	1,425	45,047
Commissions	7,200	-	-	-	-	-	-	-	113,745	-	120,945
Consultants	105,221	8,431	604	368	217,995	262,922	130,434	303,100	4,776	7,456	1,041,307
Donor/membership communications	940,135	-	-	-	-	-	-	168,776	-	-	1,108,911
Books and subscriptions	-	17	80	9	26	-	-	116	159	137	544
Equipment rental	365	1,732	24,991	1,119	1,946	-	-	2,761	2,943	2,142	37,999
Fulfillment	309,236	-	-	6,557	-	-	-	83,118	-	-	398,911
Insurance	-	436	7,543	-	-	-	-	-	-	2,181	10,160
Interest	-	270	4,027	134	1,538	-	-	671	671	1,208	8,519
Interns	(18)	10,608	209,732	22	283	-	-	384	384	690	222,085
Legal fees	-	495	21,133	-	743	1,684	-	12,751	1,238	2,724	40,768
Lettershop	62,586	-	-	-	-	-	-	-	-	-	62,586
Manuscripts	-	-	636,559	-	-	-	-	-	-	-	636,559
Merge/purge	102,031	-	-	-	-	-	-	-	-	-	102,031
Newsstand	103,605	-	-	-	-	-	-	-	-	-	103,605
Other	(13,409)	19,189	47,115	3,163	20,907	20,858	11,081	(3,403)	4,576	(63,119)	46,958
Paper	-	-	-	354,978	-	-	-	-	-	-	354,978
Postage and freight	-	15,415	52,446	1,597	813	-	1,581	-	5,350	1,844	79,046
Postage and freight - issues	-	-	-	343,537	-	597	-	-	-	-	344,134
Preparation	-	-	-	101,088	-	-	-	-	-	-	101,088
Printing and copying	-	1,395	473	-	-	-	-	62,079	6,133	131	70,211
Printing and copying - issues	-	-	-	222,466	13	-	-	-	-	-	222,479
Production	-	-	-	15	44	-	-	-	-	-	59
Promotions/events	-	21,873	6,281	-	-	-	-	-	18,936	1,265	48,355
Taxes	-	137	2,064	69	207	-	-	344	344	619	3,784
Rent	-	14,209	283,012	7,382	27,003	2,100	-	35,523	35,523	30,875	435,627
Repairs and maintenance	14	119	983	60	119	-	-	148	148	253	1,844
Research and reports	1	2,509	27,085	3	-	20	-	4	40,980	6	70,608
Software licensing	4,879	341	8,510	169	69,686	1,475	-	3,040	1,141	1,520	90,761
Supplies	26,687	3,422	31,139	629	3,646	925	-	13,851	3,708	5,789	89,796
Telephone and on-line services	412	2,082	30,981	461	1,675	471	-	10,436	5,726	3,271	55,515
Travel/entertainment	842	11,476	85,746	1,836	9,927	13,191	3,155	51,059	25,398	7,081	209,711
Website Hosting	-	-	-	-	21,487	12,658	-	-	-	-	34,145
Program	-	-	-	-	-	136,977	87,043	-	-	-	224,020
Depreciation and amortization	-	3,537	29,183	1,769	3,537	-	-	4,422	4,422	7,516	54,386
Total expenses	\$ 1,685,303	\$ 385,696	\$ 3,714,475	\$ 1,158,897	\$ 748,561	\$ 458,173	\$ 233,294	\$ 1,306,675	\$ 785,435	\$ 170,233	\$ 10,646,742

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS
Statement of Functional Expenses
For the Year Ended December 31, 2007

	Program Activities							Supporting Services			Total
	Membership	Outreach	Research and Editorial	Journal Production and Distribution	Internet MotherJones.com	The Media Consortium	Live from Main Street	Development	Advertising Sales	General and Administrative	
Salaries and related expenses											
Salaries	\$ 16,251	\$ 132,321	\$ 1,318,730	\$ 71,758	\$ 301,764	\$ 52,227	\$ -	\$ 387,029	\$ 323,732	\$ 101,889	\$ 2,705,701
Payroll benefits	2,218	26,112	302,467	12,884	76,659	-	-	94,170	90,248	31,098	635,856
Total salaries and related expenses	18,469	158,433	1,621,197	84,642	378,423	52,227	-	481,199	413,980	132,987	3,341,557
Advertising	-	-	-	-	-	-	-	-	9,873	-	9,873
Bad debts (recoveries)	1,690	-	-	-	-	-	-	-	21,715	-	23,405
Bank charges	-	75	-	37	112	-	-	17,778	187	3,259	21,448
Conferences/seminars/dues	1	4,525	19,313	1,630	516	9,782	-	8,521	12,342	1,318	57,948
Commissions	-	-	-	-	-	-	-	-	102,607	-	102,607
Consultants	105,929	62,626	4,373	997	16,499	83,688	15,500	229,069	2,590	7,423	528,694
Books and subscriptions	-	9	14	5	14	-	-	58	2,646	45	2,791
Equipment rental	521	7,741	15,310	1,108	1,582	-	-	2,296	2,466	2,207	33,231
Fulfillment	342,054	-	-	7,181	-	-	-	79,866	-	-	429,101
Insurance	-	480	7,295	-	-	949	-	-	-	2,400	11,124
Interest	-	765	5,883	196	588	-	-	980	980	1,765	11,157
Interns	-	16,030	228,757	28	84	-	-	140	651	280	245,970
Legal fees	-	297	35,547	-	629	9,540	-	10,661	742	1,957	59,373
Lettershop	51,048	-	-	-	-	-	-	-	-	-	51,048
Manuscripts	-	-	693,607	-	-	-	-	-	-	-	693,607
Merge/purge	82,346	-	-	-	-	-	-	-	-	-	82,346
Newsstand	58,436	-	-	-	-	-	-	-	-	-	58,436
Other	(20,196)	54,409	(58,684)	5,091	43,319	9,907	992	39,542	33,691	(60,206)	47,865
Paper	-	-	-	325,788	-	-	-	-	-	-	325,788
Postage and freight	242,279	16,247	67,592	2,993	850	-	-	105,500	6,128	1,754	443,343
Postage and freight - issues	-	-	-	338,852	-	-	-	-	-	-	338,852
Preparation	-	-	-	96,997	-	-	-	-	-	-	96,997
Printing and copying	4,386	3,053	2,077	58	-	-	-	96,199	17,976	517	124,266
Printing and copying - issues	-	-	-	201,637	-	-	-	-	-	-	201,637
Production	-	31,150	-	-	173	351	-	-	-	-	31,674
Promotions/events	842,962	4,448	7,070	-	-	-	-	52,377	13,498	510	920,865
Taxes	-	148	2,214	74	222	-	-	369	369	662	4,058
Rent	-	14,073	235,486	7,313	26,798	-	-	35,181	35,181	55,808	409,840
Repairs and maintenance	162	324	3,563	162	486	-	-	809	809	1,457	7,772
Research and reports	-	9,716	23,325	-	-	-	-	426	35,090	-	68,557
Software licensing	7,768	77	5,219	383	61,065	8,500	-	1,327	1,004	346	85,689
Supplies	102	2,100	42,817	3,388	5,881	4	-	8,241	4,873	7,781	75,187
Telephone and on-line services	339	1,135	23,129	475	1,827	1,830	-	7,608	2,541	3,050	41,934
Travel/entertainment	300	9,469	71,882	316	2,421	27,760	-	61,553	13,815	2,082	189,598
Website Hosting	-	-	-	-	19,397	4,984	-	-	-	-	24,381
Program	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	3,871	42,584	1,936	5,807	-	-	9,678	9,678	16,818	90,372
Total expenses	\$ 1,738,596	\$ 401,202	\$ 3,099,570	\$ 1,081,288	\$ 566,695	\$ 209,522	\$ 16,492	\$ 1,249,378	\$ 745,436	\$ 184,220	\$ 9,292,399

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS
 Statements of Cash Flows
 For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Change in net assets	\$ (20,559)	\$ (148,851)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	54,386	90,372
Deferred rent	(23,984)	22,995
Changes in operating assets and liabilities		
Accounts receivable	(34,830)	143,282
Contributions receivable	20,265	(86,323)
Prepaid expenses	56,662	(4,524)
Other assets	1,800	(8,466)
Accounts payable	(57,292)	(92,266)
Accrued expenses	(113,505)	95,712
Deferred subscription revenue	(91,191)	(106,554)
Net cash used in operating activities	(208,248)	(94,623)
Cash flows from investing activities		
Purchases of property, plant and equipment	(35,244)	(27,448)
Cash flows from financing activities		
Proceeds from notes payable	182,000	15,000
Payments on notes payable	(57,222)	(453)
Net cash provided by financing activities	124,778	14,547
Net increase (decrease) in cash and cash equivalents	(118,714)	(107,524)
Cash and cash equivalents, beginning of year	429,535	537,059
Cash and cash equivalents, end of year	\$ 310,821	\$ 429,535
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for interest	\$ 14,609	\$ 11,120

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2008 and 2007

1. Organization

The Foundation for National Progress (the "Foundation") was organized in 1975 as a nonprofit corporation for charitable, scientific and educational purposes. In furtherance of its objectives, the Foundation accomplishes such objectives by undertaking the following: studies and research concerning problems related to the political and economic progress of American civilization; the relationship between science, technology and social change; the problems of democracy and self-government in the workplace; the relationship among nations, means for promoting peace and reducing causes of war; alternatives to war and peaceful methods for adjusting disputes among nations; the role of law in international affairs; problems of world government; the furtherance of social justice for people of all classes, races and sexual preferences; and related or similar objectives. The Foundation further accomplishes such objectives by facilitating and providing discussions, seminars and publications on all of the above subjects. In all its activities, the Foundation encourages complete independence in the views, outlooks and opinions expressed by all persons participating in its affairs. The Foundation itself does not adopt, sponsor, nor promote any viewpoint or proposal. The results of any studies done under the Foundation's auspices or any of its publications shall be made available to all on a non-discriminatory basis. To achieve its mission, in 1976 the Foundation launched Mother Jones magazine to provide a diverse national audience with investigative journalism and reporting on environmental and social justice concerns, and since the inception of the Mother Jones Internship Program in 1980 the Foundation has provided editorial internships to aspiring journalists providing real-world experience in the essentials of investigative journalism. In 1993, MotherJones.com was created to broaden the reach of the Foundation. With the launch of its website, Mother Jones became the first general-interest magazine on the Internet, and from its inception, MotherJones.com has broadened the reach and impact of the Foundation's studies and research.

A significant amount of the Foundation's grants and contributions is received from a related party (\$1.9 million in 2008 and \$2.2 million in 2007). As the Foundation has experienced recurring losses and negative cash flows, withdrawal of this support would have a significant impact on the financial condition of the Foundation. The related party has the intent to support the Foundation as necessary in 2009.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and changes therein are classified as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions, if any.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions, if any. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. Contribution receivables at December 31, 2008 are expected to be received in the subsequent year.

Donated services and materials

A number of volunteers have made significant contributions of time to the Foundation. The value of this contributed time is not recorded in the accompanying financial statements because it is not susceptible to objective measurement. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the organization.

Donated materials are recorded as contributions based on the estimated fair value at the date the promise is made.

Deferred subscription revenue

Deferred revenue represents unfulfilled subscriptions and deferred advertising revenue at year-end, which are earned as the subscriptions are fulfilled and the advertisements are published.

Cash and cash equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of credit risks

The Foundation established an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of collectibility of outstanding accounts receivable. Receivables are charged against the allowance for doubtful accounts when management believes that collectibility is unlikely. Bad debt recoveries are included in income as realized. Accounts receivable are stated net of an allowance for doubtful accounts of \$7,796 and \$39,075 at December 31, 2008 and 2007, respectively.

FOUNDATION FOR NATIONAL PROGRESS
Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Concentrations of credit risks (continued)

The Foundation maintains cash balances at several financial institutions located in San Francisco. Periodically, such balances may be in excess of federally insured limits.

Property, plant and equipment

Property, plant and equipment are stated at cost or at fair market value at time of donation if contributed. The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets ranging from three to ten years or, if shorter, the term of the related lease. Repairs and maintenance are charged to expenses as incurred. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Deferred rent

The Foundation leases building space in San Francisco, California under an operating lease. The lease contains rental increases at various points throughout the lease term. The Foundation recognizes rent expense on a straight-line basis over the lease term. Deferred rent is provided to reflect the differences between rent recorded in the financial statements and actual rent paid according to the lease terms.

Compensated absences

The Foundation accrues a liability for vested vacations to which employees are entitled.

Allocation of functional expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the various functions based on estimates of time and direct costs.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FOUNDATION FOR NATIONAL PROGRESS
Notes to Financial Statements
December 31, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise tax under California revenue and taxation code 23701(d).

Fair value measurements

The Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, ("SFAS 157") as of January 1, 2008. SFAS 157 clarifies the definition of fair value, describes methods used to appropriately measure fair value, and expands fair value disclosure requirements, but does not change existing guidance as to whether or not an instrument is carried at fair value. In February 2008, the FASB issued FASB Staff Position ("FSP") 157-2, which delays the effective date of SFAS Statement No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until January 1, 2009. The adoption of SFAS No. 157 did not have a significant impact on the Foundation's financial position or results of operations.

3. Property, Plant and Equipment

Property, plant and equipment used in operations at December 31, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Office furniture and equipment	\$466,866	\$433,019
Leasehold improvements	<u>203,175</u>	<u>201,336</u>
	670,041	634,355
Less accumulated depreciation and amortization	<u>(565,984)</u>	<u>(511,156)</u>
Property and equipment, net	<u>\$104,057</u>	<u>\$123,199</u>

Depreciation and amortization expense for 2008 and 2007 was \$54,386 and \$90,372, respectively.

4. Line of Credit

The Foundation has a line of credit in the amount of \$200,000 which is payable in full on demand. The loan is secured primarily by accounts receivable, equipment and fixtures, and bears interest at the bank's base rate plus 1.0% (4.25% at December 31, 2008). Additionally, it is guaranteed by a member of the Board of Directors. Interest is payable monthly. The agreement also contains certain covenants, which the Foundation was in compliance with at December 31, 2008. The outstanding balance at December 31, 2008 and 2007 was \$200,000.

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Notes to Financial Statements

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5. Notes Payable

During 2008, seven members of the Board of Directors issued notes payable to the Foundation. During 2007, two members of the board issued notes. During 2008, one of the notes issued in the prior year was forgiven and recognized as a contribution. The notes are payable in monthly installments including interest at 4% per annum with all accrued interest and principal due through March 1, 2013. The balance outstanding at December 31, 2008 was \$139,325. Future minimum annual loan commitments at December 31, 2008 are as follows:

2009	\$ 29,017
2010	31,971
2011	33,274
2012	34,629
2013	<u>10,434</u>
Total	<u>\$139,325</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2008 and 2007 are restricted as follows:

	<u>2008</u>	<u>2007</u>
Purpose of restriction		
Investigative reporting	\$175,000	\$ 50,000
MotherJones 2.0/Venture Fund	-	308,880
Environmental reporting	2,000	-
The Media Consortium/ Live from Main Street Project	<u>253,801</u>	<u>126,843</u>
Temporarily restricted net assets	<u>\$430,801</u>	<u>\$485,723</u>

Management believes that sufficient resources will be available to meet these purpose restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified or the expiration of time restrictions. The total amount of net assets released from restrictions during 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Purpose restriction accomplished		
Investigative reporting	\$ 375,000	\$ 465,677
MotherJones 2.0/Venture Fund	1,157,305	418,108
The Media Consortium/ Live from Main Street Project	<u>668,120</u>	<u>207,682</u>
	<u>\$2,200,425</u>	<u>\$1,091,467</u>

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7. Employee Benefit Plan

The Foundation has a defined contribution plan covering employees who have completed one year of service or 1,000 hours of service, and who are actively employed as of December 31, and have entered the plan prior to that date. The Foundation contributed \$118,005 and \$96,284 in 2008 and in 2007, respectively.

The Foundation extended the bargaining agreement set to expire in 2008 with its union through July 2009, as part of a restructuring cost cutting plan agreed upon with the union. The plan became effective in 2007 and revised the current Foundation defined contribution plan as well as added a bargaining unit member as a trustee on the plan.

8. Commitments and Contingencies

The Foundation leases office space in San Francisco, California. The lease runs through October 2011 with monthly rental payments of approximately \$23,000 to \$34,000 (increased each year) over the life of the lease. The Foundation also leases an office location in Washington DC in 2008 through June 2011 with rent payments ranging from \$5,744 to \$6,212. In addition, the Foundation rents a monthly office location in New York for \$1,350 per month. Future minimum annual rental commitments at December 31, 2008 are as follows:

2009	\$ 464,847
2010	478,136
2011	<u>374,790</u>
Total	<u>\$1,317,773</u>

Total rental expense was \$431,493 and \$405,982 for the years ended December 31, 2008 and 2007, respectively.

The Foundation is involved in legal actions arising in the normal course of business including copyright matters. In the opinion of management, such matters will not have a material effect upon the financial position of the Foundation.