

FOUNDATION FOR NATIONAL PROGRESS

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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, 2009 and 2008, 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, 2009 and 2008, 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

August 10, 2010



FOUNDATION FOR NATIONAL PROGRESS

Statements of Financial Position

December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents	\$ 182,263	\$ 310,821
Accounts receivable, net	427,749	565,826
Contributions receivable	91,175	200,719
Prepaid expenses	122,624	150,501
Total current assets	<u>823,811</u>	<u>1,227,867</u>
Property, plant and equipment, net	83,146	104,057
Other assets	<u>30,085</u>	<u>31,037</u>
 Total assets	 <u>\$ 937,042</u>	 <u>\$ 1,362,961</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities		
Line of credit	\$ 200,000	\$ 200,000
Accounts payable	535,446	815,186
Accrued expenses	497,044	500,976
Current portion of notes payable	29,006	29,017
Current portion of deferred subscription revenue	963,303	702,078
Total current liabilities	<u>2,224,799</u>	<u>2,247,257</u>
Notes payable, net	68,910	110,308
Deferred rent	94,256	131,081
Deferred subscription revenue, net	<u>366,573</u>	<u>824,349</u>
 Total liabilities	 <u>2,754,538</u>	 <u>3,312,995</u>
Net assets (deficit)		
Unrestricted	(2,405,404)	(2,380,835)
Temporarily restricted	587,908	430,801
Net assets (deficit)	<u>(1,817,496)</u>	<u>(1,950,034)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 937,042</u>	 <u>\$ 1,362,961</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, 2009

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 3,357,349	\$ 1,425,990	\$ 4,783,339
Membership	3,032,430	-	3,032,430
Single issue sales	365,910	-	365,910
List rentals	208,312	-	208,312
Royalties	20,991	-	20,991
Advertising	870,292	-	870,292
Sponsorships	10,616	-	10,616
Other	89,753	-	89,753
Net assets released from restrictions	<u>1,268,883</u>	<u>(1,268,883)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>9,224,536</u>	<u>157,107</u>	<u>9,381,643</u>
Expenses			
Program activities			
Membership	2,232,546	-	2,232,546
Outreach	123,490	-	123,490
Research and editorial	3,393,304	-	3,393,304
Journal production and distribution	1,070,563	-	1,070,563
Internet - MotherJones.com	517,197	-	517,197
The Media Consortium	<u>301,071</u>	<u>-</u>	<u>301,071</u>
	<u>7,638,171</u>	<u>-</u>	<u>7,638,171</u>
Supporting services			
Development	650,386	-	650,386
Advertising sales	641,601	-	641,601
General and administrative	<u>318,947</u>	<u>-</u>	<u>318,947</u>
	<u>1,610,934</u>	<u>-</u>	<u>1,610,934</u>
Total expenses	<u>9,249,105</u>	<u>-</u>	<u>9,249,105</u>
Change in net assets	(24,569)	157,107	132,538
Beginning net assets (deficit)	<u>(2,380,835)</u>	<u>430,801</u>	<u>(1,950,034)</u>
Ending net assets (deficit)	<u>\$ (2,405,404)</u>	<u>\$ 587,908</u>	<u>\$ (1,817,496)</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	1,306,654	-	1,306,654
Advertising sales	785,435	-	785,435
General and administrative	<u>170,254</u>	<u>-</u>	<u>170,254</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><u>\$ (2,380,835)</u></u>	<u><u>\$ 430,801</u></u>	<u><u>\$ (1,950,034)</u></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, 2009

	Program Activities						Supporting Services			Total
	Membership	Outreach	Research and Editorial	Journal Production and Distribution	Internet - MotherJones.com	The Media Consortium	Development	Advertising Sales	General and Administrative	
Salaries and related expenses										
Salaries	\$ 312,094	\$ 38,432	\$ 1,790,021	\$ 98,265	\$ 284,060	\$ 22,839	\$ 411,570	\$ 278,198	\$ 146,778	\$ 3,382,257
Payroll benefits	-	10,627	389,526	16,810	51,988	-	86,281	74,786	29,069	659,087
Total salaries and related expenses	312,094	49,059	2,179,547	115,075	336,048	22,839	497,851	352,984	175,847	4,041,344
Advertising	-	-	3,743	-	-	-	-	200	-	3,943
Bad debts	-	-	-	-	-	-	-	38,650	-	38,650
Bank charges	18,455	581	13,417	726	435	200	2,754	2,178	6,603	45,349
Conferences/seminars/dues	-	774	19,454	228	1,035	-	834	3,041	1,606	26,972
Commissions	-	-	-	-	-	-	-	72,776	-	72,776
Consultants	221,345	31,208	5,695	434	57,424	164,916	3,723	1,077	8,237	494,059
Donor/membership communications	567,249	-	-	-	-	-	51,558	-	-	618,807
Books and subscriptions	-	-	235	-	-	-	72	-	-	307
Equipment rental	1,659	759	22,382	1,268	2,000	40	2,173	2,400	2,138	34,819
Fulfillment	240,965	-	-	2,885	-	-	-	-	-	243,850
Insurance	244	122	2,805	-	-	175	-	-	1,098	4,444
Interest	386	193	4,439	193	579	-	579	579	2,123	9,071
Interns	-	12,933	213,141	38	112	-	112	116	339	226,791
Legal fees	24,292	115	16,001	-	344	368	2,012	344	1,146	44,622
Lettershop	91,374	-	-	-	-	-	-	-	-	91,374
Manuscripts	-	-	423,298	-	-	-	-	-	-	423,298
Merge/purge	133,829	-	-	-	-	-	-	-	-	133,829
Newsstand	113,467	-	-	-	-	-	-	-	-	113,467
Other	14,677	155	3,726	10	2,360	19,617	(5,547)	34	244	35,276
Paper	-	-	-	272,928	-	-	-	-	-	272,928
Postage and freight	-	10,461	28,349	1,394	1,024	-	-	4,942	1,972	48,142
Postage and freight - issues	-	-	-	362,861	-	192	-	-	-	363,053
Preparation	-	-	-	79,136	-	-	-	-	-	79,136
Printing and copying	419,230	874	1,157	-	-	-	3,800	4,835	326	430,222
Printing and copying - issues	-	-	-	219,037	109	-	-	-	-	219,146
Production	-	-	-	199	-	356	-	-	-	555
Promotions/events	-	50	5,681	-	-	-	-	25,622	545	31,898
Taxes	190	95	2,187	95	285	-	285	285	1,046	4,468
Rent	25,164	9,439	259,739	9,716	29,977	-	28,316	57,311	82,299	501,961
Repairs and maintenance	92	23	734	92	-	-	-	115	188	1,244
Research and reports	-	3,000	21,988	200	-	-	-	40,691	-	65,879
Software licensing	8,804	182	6,159	182	41,873	295	546	546	1,639	60,226
Supplies	7,172	853	17,568	1,080	2,689	312	6,294	2,900	6,601	45,469
Telephone and on-line services	20,102	957	43,140	866	2,581	1,010	10,297	11,143	5,744	95,840
Travel/entertainment	8,637	877	73,767	1,140	5,353	5,967	42,388	14,933	3,377	156,439
Website Hosting	-	-	-	-	30,630	4,649	-	-	-	35,279
Program	-	-	-	-	-	80,135	-	-	-	80,135
Depreciation and amortization	3,119	780	24,952	780	2,339	-	2,339	3,899	15,829	54,037
Total expenses	\$ 2,232,546	\$ 123,490	\$ 3,393,304	\$ 1,070,563	\$ 517,197	\$ 301,071	\$ 650,386	\$ 641,601	\$ 318,947	\$ 9,249,105

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 (recoveries)	-	-	-	-	-	-	-	-	(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	-	-	-	-	-	130,434	-	113,745	-	251,379
Consultants	105,221	8,431	604	368	217,995	262,922	-	303,100	4,776	7,456	910,873
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	-	-	-	-	-	11,081	-	-	-	114,686
Other	(13,409)	19,189	47,115	3,163	20,907	20,858	-	(3,424)	4,576	(63,098)	35,877
Paper	-	-	-	354,978	-	-	1,581	-	-	-	356,559
Postage and freight	264,787	15,415	52,446	1,597	813	597	-	104,734	5,350	1,844	447,583
Postage and freight - issues	-	-	-	343,537	-	-	-	-	-	-	343,537
Preparation	-	-	-	101,088	-	-	-	-	-	-	101,088
Printing and copying	-	1,395	473	15	-	-	-	62,079	6,133	131	70,226
Printing and copying - issues	-	-	-	222,466	13	-	-	-	-	-	222,479
Production	-	-	-	-	44	-	-	-	-	-	44
Promotions/events	675,348	21,873	6,281	-	-	-	-	64,042	18,936	1,265	787,745
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	3,155	10,436	5,726	3,271	58,670
Travel/entertainment	842	11,476	85,746	1,836	9,927	13,191	-	51,059	25,398	7,081	206,556
Website Hosting	-	-	-	-	21,487	12,658	87,043	-	-	-	121,188
Program	-	-	-	-	-	136,977	-	-	-	-	136,977
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	\$ 1,306,654	\$ 785,435	\$ 170,254	\$ 10,646,742

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, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 132,538	\$ (20,559)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	54,037	54,386
Deferred rent	(36,825)	(23,984)
Forgiveness of notes payable	-	(22,713)
Changes in operating assets and liabilities		
Accounts receivable	138,077	(34,830)
Contributions receivable	109,544	20,265
Prepaid expenses	27,877	56,662
Other assets	952	1,800
Accounts payable	(279,740)	(57,292)
Accrued expenses	(3,932)	(113,505)
Deferred subscription revenue	(196,551)	(91,191)
Net cash used in operating activities	(54,023)	(230,961)
 Cash flows from investing activities		
Purchases of property, plant and equipment	(33,126)	(35,244)
 Cash flows from financing activities		
Proceeds from notes payable	-	182,000
Payments on notes payable	(41,409)	(34,509)
Net cash provided by (used in) financing activities	(41,409)	147,491
 Net decrease in cash and cash equivalents	(128,558)	(118,714)
 Cash and cash equivalents, beginning of year	310,821	429,535
 Cash and cash equivalents, end of year	\$ 182,263	\$ 310,821
 <u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for interest	\$ 9,215	\$ 11,120

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

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2009 and 2008

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, MotherJones.com in 1993, Mother Jones became the first general-interest magazine on the Internet, and from its inception, has broadened the reach and impact of the Foundation's studies and research.

A significant amount of the Foundation's grants and contributions is an unconditional promise received from a related party (\$2.1 million in 2009 and \$2.2 million in 2008). 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 and ability to support the Foundation as necessary in 2010.

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, 2009 and 2008

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. All contributions receivable at December 31, 2009 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 does not meet the requirements for recognition. 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 \$15,009 and \$7,796 at December 31, 2009 and 2008, respectively.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2009 and 2008

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 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, 2009 and 2008

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).

The Foundation has evaluated its current tax positions and has concluded that as of December 31, 2009, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data. The Foundation had no assets or liabilities that required a fair value measurement.

Subsequent events

The Foundation has evaluated subsequent events through August 10, 2010, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2009 and 2008

3. Property, Plant and Equipment

Property, plant and equipment used in operations at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Office furniture and equipment	\$496,873	\$466,866
Leasehold improvements	<u>203,175</u>	<u>203,175</u>
	700,048	670,041
Less accumulated depreciation and amortization	<u>(616,902)</u>	<u>(565,984)</u>
Property and equipment, net	<u>\$ 83,146</u>	<u>\$104,057</u>

Depreciation and amortization expense for 2009 and 2008 was \$54,037 and \$54,386, 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, 2009). 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, 2009. The outstanding balance at December 31, 2009 and 2008 was \$200,000.

5. Notes Payable

During 2008, seven members of the Board of Directors made loans to the Foundation of \$182,000. During 2007, two members of the board made loans to the Foundation of \$15,000. During 2008 notes of \$22,713, were forgiven and recognized as contributions. 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 balances outstanding at December 31, 2009 and 2008 were \$97,916 and \$139,325 respectively. Future minimum annual principal payments due at December 31, 2009 are as follows:

2010	\$29,006
2011	30,188
2012	31,417
2013	<u>7,305</u>
Total	<u>\$97,916</u>

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

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6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009 and 2008 are restricted as follows:

	<u>2009</u>	<u>2008</u>
Purpose of restriction		
Investigative reporting	\$ 29,480	\$175,000
Human Rights reporting	320,723	-
Environmental reporting	100,001	2,000
The Media Consortium	<u>137,704</u>	<u>253,801</u>
Temporarily restricted net assets	<u>\$587,908</u>	<u>\$430,801</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 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Purpose restriction accomplished		
Investigative reporting	\$ 260,520	\$ 375,000
Human Rights reporting	967	-
Maroon Common Wealth	3,000	-
MotherJones 2.0/Venture Fund	568,700	1,157,305
Environmental reporting	151,999	-
The Media Consortium	<u>283,697</u>	<u>668,120</u>
	<u>\$1,268,883</u>	<u>\$2,200,425</u>

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 in 2008, and made no contribution in 2009.

The Foundation extended the bargaining agreement set to expire in 2008 with its union through July 2010, as part of a restructuring cost cutting plan agreed upon with the union. The plan became effective in 2007, and was later revised by adding a bargaining unit member as a trustee on the plan.

FOUNDATION FOR NATIONAL PROGRESS

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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 D.C. 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 \$1,800 per month. Future minimum annual rental commitments at December 31, 2009 are as follows:

2010	\$478,136
2011	<u>374,790</u>
Total	<u>\$852,926</u>

Total rental expense was \$493,131 and \$431,493 for the years ended December 31, 2009 and 2008, 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.