



**TRANS WORLD RADIO *and*
TRANS WORLD RADIO PACIFIC**

COMBINED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2008 and 2007

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Trans World Radio and
Trans World Radio Pacific
Cary, North Carolina

We have audited the accompanying combined statements of financial position of Trans World Radio and Trans World Radio Pacific as of December 31, 2008 and 2007, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined 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 of the effectiveness of the organization'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 combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Capin Crouse LLP

Atlanta, Georgia
June 22, 2009

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Combined Statements of Financial Position

	December 31,							
	2008				2007			
	Operating	Specified Purpose	Life Income and Endowment	Total	Operating	Specified Purpose	Life Income and Endowment	Total
ASSETS:								
Current assets:								
Cash and cash equivalents	\$ 2,189,522	\$ 4,677,114	\$ 852,243	\$ 7,718,879	\$ 4,060,781	\$ 5,047,651	\$ 562,037	\$ 9,670,469
Receivables (Note 3)	2,731,985	-	-	2,731,985	3,127,899	-	-	3,127,899
Prepaid expenses and other assets (Note 4)	970,984	-	-	970,984	873,765	-	-	873,765
Investments (Note 5)	1,241,841	494,210	2,857,461	4,593,512	1,073,009	280,174	4,017,061	5,370,244
	7,134,332	5,171,324	3,709,704	16,015,360	9,135,454	5,327,825	4,579,098	19,042,377
Long-term investments and other assets (Note 6)	2,538,925	-	200,365	2,739,290	2,774,167	-	210,769	2,984,936
Trust assets (Note 10)	-	-	2,489,590	2,489,590	-	-	4,711,135	4,711,135
Land, buildings, and equipment, at cost-net (Note 7)	8,960,609	-	-	8,960,609	9,984,664	-	-	9,984,664
Perpetual trusts held by others (Note 2)	-	-	3,352,523	3,352,523	-	-	4,981,629	4,981,629
Due to/from other funds (Note 9)	(889,676)	-	889,676	-	-	-	-	-
	7,134,332	5,171,324	3,709,704	16,015,360	9,135,454	5,327,825	4,579,098	19,042,377
Total Assets	\$17,744,190	\$ 5,171,324	\$ 10,641,858	\$33,557,372	\$21,894,285	\$ 5,327,825	\$ 14,482,631	\$41,704,741

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Combined Statements of Financial Position
(continued)

	December 31,							
	2008				2007			
	Operating	Specified Purpose	Life Income and Endowment	Total	Operating	Specified Purpose	Life Income and Endowment	Total
LIABILITIES AND NET ASSETS:								
Current liabilities:								
Trade payables	\$ 1,606,980	\$ -	\$ -	\$ 1,606,980	\$ 2,138,970	\$ -	\$ -	\$ 2,138,970
Accrued expenses	339,490	-	-	339,490	613,581	-	-	613,581
Currency exchange contract liability (Note 5)	695,279	-	-	695,279	-	-	-	-
Current portion of:								
Notes payable (Note 8)	273,474	-	-	273,474	247,017	-	-	247,017
Annuities payable (Note 9)	-	-	626,078	626,078	-	-	630,924	630,924
Employee benefit obligations (Note 14)	820,890	-	-	820,890	765,392	-	-	765,392
Amounts held for missionaries	26,551	-	-	26,551	33,974	-	-	33,974
Deferred revenue	431,001	-	-	431,001	480,215	-	-	480,215
	<u>4,193,665</u>	<u>-</u>	<u>626,078</u>	<u>4,819,743</u>	<u>4,279,149</u>	<u>-</u>	<u>630,924</u>	<u>4,910,073</u>
Long-term liabilities:								
Notes payable (Note 8)	89,834	-	-	89,834	183,696	-	-	183,696
Annuities payable (Note 9)	-	-	3,106,931	3,106,931	-	-	3,096,148	3,096,148
Trust obligations (Note 10)	-	-	1,829,998	1,829,998	-	-	3,537,554	3,537,554
Employee benefit obligations (Note 14)	7,817,089	-	-	7,817,089	8,070,963	-	-	8,070,963
Total liabilities	<u>12,100,588</u>	<u>-</u>	<u>5,563,007</u>	<u>17,663,595</u>	<u>12,533,808</u>	<u>-</u>	<u>7,264,626</u>	<u>19,798,434</u>

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO
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**Combined Statements of Financial Position
(continued)**

	December 31,							
	2008			2007				
	Operating	Specified Purpose	Life Income and Endowment	Total	Operating	Specified Purpose	Life Income and Endowment	Total
LIABILITIES AND NET ASSETS, continued:								
Net assets (Note 11):								
Unrestricted:								
Undesignated	(3,139,675)	-	-	(3,139,675)	(349,450)	-	-	(349,450)
Designated	-	-	792,129	792,129	-	-	773,255	773,255
Equity in land, buildings, and equipment	8,783,277	-	-	8,783,277	9,709,927	-	-	9,709,927
	<u>5,643,602</u>	<u>-</u>	<u>792,129</u>	<u>6,435,731</u>	<u>9,360,477</u>	<u>-</u>	<u>773,255</u>	<u>10,133,732</u>
Temporarily restricted:								
Specified purpose	-	5,171,324	-	5,171,324	-	5,327,825	-	5,327,825
Life income (Note 11)	-	-	859,957	859,957	-	-	1,384,350	1,384,350
	<u>-</u>	<u>5,171,324</u>	<u>859,957</u>	<u>6,031,281</u>	<u>-</u>	<u>5,327,825</u>	<u>1,384,350</u>	<u>6,712,175</u>
Permanently restricted:								
Perpetual trusts and other endowments	-	-	3,426,765	3,426,765	-	-	5,060,400	5,060,400
Total net assets	<u>5,643,602</u>	<u>5,171,324</u>	<u>5,078,851</u>	<u>15,893,777</u>	<u>9,360,477</u>	<u>5,327,825</u>	<u>7,218,005</u>	<u>21,906,307</u>
Total Liabilities and Net Assets	<u>\$17,744,190</u>	<u>\$ 5,171,324</u>	<u>\$ 10,641,858</u>	<u>\$33,557,372</u>	<u>\$21,894,285</u>	<u>\$ 5,327,825</u>	<u>\$ 14,482,631</u>	<u>\$41,704,741</u>

See notes to combined financial statements

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Combined Statements of Activities

	Year Ended December 31,							
	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME:								
Support—contributions:								
Missionary support	\$ 4,612,679	\$ -	\$ -	\$ 4,612,679	\$ 4,737,601	\$ -	\$ -	\$ 4,737,601
General	2,910,389	5,037,639	-	7,948,028	2,733,450	6,211,434	-	8,944,884
Legacies and bequests	1,171,701	-	-	1,171,701	859,326	-	-	859,326
Contributed services	994,492	-	-	994,492	1,077,313	-	-	1,077,313
Gift portion of new split interest agreements	200,507	-	-	200,507	204,032	-	-	204,032
	<u>9,889,768</u>	<u>5,037,639</u>	<u>-</u>	<u>14,927,407</u>	<u>9,611,722</u>	<u>6,211,434</u>	<u>-</u>	<u>15,823,156</u>
Revenue:								
Radio broadcasting	21,812,430	-	-	21,812,430	22,410,009	-	-	22,410,009
Investment (Note 5)	(568,418)	3,758	(1,633,635)	(2,198,295)	536,242	11,292	111,987	659,521
Change in value of split interest agreements (Note 10)	(1,980,283)	(262,545)	-	(2,242,828)	46,576	69,860	-	116,436
Gain (Loss) on sale of assets	(12,266)	-	-	(12,266)	206,735	-	-	206,735
Other	480,188	-	-	480,188	615,070	-	-	615,070
	<u>19,731,651</u>	<u>(258,787)</u>	<u>(1,633,635)</u>	<u>17,839,229</u>	<u>23,814,632</u>	<u>81,152</u>	<u>111,987</u>	<u>24,007,771</u>
Total Income	<u>29,621,419</u>	<u>4,778,852</u>	<u>(1,633,635)</u>	<u>32,766,636</u>	<u>33,426,354</u>	<u>6,292,586</u>	<u>111,987</u>	<u>39,830,927</u>
RECLASSIFICATIONS:								
Net assets released from restriction:								
Satisfaction of purpose restrictions	5,459,746	(5,459,746)	-	-	4,720,456	(4,720,456)	-	-

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO
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Combined Statements of Activities
(continued)

	Year Ended December 31,							
	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Radio broadcasting	32,638,486	-	-	32,638,486	32,449,062	-	-	32,449,062
Missions awareness	1,371,815	-	-	1,371,815	1,350,170	-	-	1,350,170
	<u>34,010,301</u>	<u>-</u>	<u>-</u>	<u>34,010,301</u>	<u>33,799,232</u>	<u>-</u>	<u>-</u>	<u>33,799,232</u>
Supporting activities:								
Management and general	1,276,702	-	-	1,276,702	1,801,185	-	-	1,801,185
Fund-raising	2,632,962	-	-	2,632,962	2,395,419	-	-	2,395,419
	<u>3,909,664</u>	<u>-</u>	<u>-</u>	<u>3,909,664</u>	<u>4,196,604</u>	<u>-</u>	<u>-</u>	<u>4,196,604</u>
Total Expenses	<u>37,919,965</u>	<u>-</u>	<u>-</u>	<u>37,919,965</u>	<u>37,995,836</u>	<u>-</u>	<u>-</u>	<u>37,995,836</u>
Change in Net Assets before Translation Adjustment	(2,838,800)	(680,894)	(1,633,635)	(5,153,329)	150,974	1,572,130	111,987	1,835,091
Translation Adjustment	(859,201)	-	-	(859,201)	333,173	-	-	333,173
Change in Net Assets	(3,698,001)	(680,894)	(1,633,635)	(6,012,530)	484,147	1,572,130	111,987	2,168,264
Net Assets, Beginning of Year	10,133,732	6,712,175	5,060,400	21,906,307	9,649,585	5,140,045	4,948,413	19,738,043
Net Assets, End of Year	<u>\$ 6,435,731</u>	<u>\$ 6,031,281</u>	<u>\$ 3,426,765</u>	<u>\$ 15,893,777</u>	<u>\$ 10,133,732</u>	<u>\$ 6,712,175</u>	<u>\$ 5,060,400</u>	<u>\$ 21,906,307</u>

See notes to combined financial statements

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Combined Statements of Cash Flows

	Year Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets before translation adjustment	\$ (5,153,329)	\$ 1,835,091
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,058,045	1,274,715
Unrealized/realized losses (gains) on investments	1,629,106	(193,575)
Loss (Gain) on sale of fixed assets	12,266	(206,735)
Gift portion of new split interest agreements	(200,507)	(204,032)
Actuarial change in annuities and trusts	2,079,405	236,177
Translation adjustment	(859,201)	333,173
Changes in operating assets and liabilities:		
Receivables	395,914	24,684
Prepaid expenses and other assets	(97,219)	1,339
Trade payables	(531,990)	402,139
Accrued expenses	(274,091)	99,768
Deferred revenue	(49,214)	478,204
Employee benefit obligations	(198,376)	(232,081)
Amounts held for missionaries	(7,423)	(13,570)
	<u>(2,196,614)</u>	<u>3,835,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of land, buildings, and equipment	(567,369)	(1,084,361)
Changes in investment in broadcast facilities	235,242	378,790
Proceeds from sale of land, buildings, and equipment	23,419	512,259
Change in land, buildings, and equipment due to currency translation	497,694	(269,050)
Proceeds from sale of investments	3,013,226	645,946
Acquisitions of investments	(2,700,057)	(1,199,045)
Change in other long-term assets	(1,000)	(152,300)
	<u>501,155</u>	<u>(1,167,761)</u>

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Combined Statements of Cash Flows
(continued)

	Year Ended December 31,	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term debt	30,000	10,000
Repayments on debt	-	(24,923)
Repayments on capital lease obligation	(97,405)	(86,053)
Proceeds from new annuities and trusts	447,242	1,134,521
Gift portion of new split interest agreements	200,507	204,032
Payments on annuities and trusts	(836,475)	(885,771)
	(256,131)	351,806
Net Cash Provided (Used) by Financing Activities		
Net Change in Cash and Cash Equivalents	(1,951,590)	3,019,342
Cash and Cash Equivalents, Beginning of Year	9,670,469	6,651,127
Cash and Cash Equivalents, End of Year	\$ 7,718,879	\$ 9,670,469
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 25,102	\$ 33,190

See notes to combined financial statements

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Notes to Combined Financial Statements

December 31, 2008 and 2007

1. NATURE OF ORGANIZATION:

Trans World Radio and Trans World Radio Pacific are collectively known as Trans World Radio (TWR), which is an independent evangelical faith mission. As such, TWR is exempt from state and federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions by the public may be deductible for income tax purposes.

The primary focus of TWR is to proclaim the Gospel of our Lord and Savior Jesus Christ in areas of the world where other forms of Christian witness may not be possible. TWR also eagerly supports the work of evangelism and Christian nurturing in countries where church activity is permissible, working in harmony with Christian missionaries and evangelical churches worldwide. TWR accomplishes this goal through program services described below:

Media Broadcasting—TWR broadcasts Gospel programs in more than 225 languages and dialects to over 160 countries. Programs air from 2,000 worldwide broadcasting outlets, including 14 major international sites, satellite, internet, and local AM and FM stations.

Missions Awareness—The cost of *TWR* magazine and other publications and activities are used to raise public awareness of God's work through missions.

In its endeavor to fulfill its religious, educational, and evangelistic objectives, TWR works with thousands of churches and hundreds of cooperating program producers. In addition, independent groups, known as indigenous partners, have been formed legally in numerous countries for the express purpose of working with TWR in program production, training, and the transmission of broadcasts.

TWR is organizationally structured to reflect its fraternal relationship with the indigenous partners, cooperating program producers, and supporting churches. In some cases, interlocking board relationships exist between TWR and its indigenous partners and cooperating program producers. The primary sources of funding for TWR are donations and airtime sponsorship from individuals, churches, indigenous partners, and cooperating program producers.

Incorporation:

	<u>Trans World Radio</u>	<u>Trans World Radio Pacific</u>
State:	New Jersey	North Carolina
Date:	February 1, 1960	May 2, 1952

Location of International Headquarters:

300 Gregson Drive
Cary, North Carolina 27511

**TRANS WORLD RADIO
AND
TRANS WORLD RADIO PACIFIC**

Notes to Combined Financial Statements

December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

TWR maintains its accounts and prepares its combined financial statements on the accrual basis in conformity with accounting principles generally accepted in the United States. The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader.

PRINCIPLES OF COMBINATION

These combined financial statements include Trans World Radio and Trans World Radio Pacific. These two organizations share management and headquarters facilities. Trans World Radio Pacific owns and operates the broadcasting facilities in Guam.

All significant intercompany transactions and balances have been eliminated from these combined statements.

TWR is associated with affiliated organizations in over 60 countries. These organizations are not under the control of TWR, and their financial position and results of operations are not combined or presented herewith.

FUND ACCOUNTING AND NET ASSETS

In order to ensure observance of limitations and restrictions placed on the use of resources available to the organization, the accounts of TWR are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds established according to their nature and purpose. Separate accounts are maintained for each fund. All financial transactions have been recorded and reported by fund group and classes of net assets.

Unrestricted net assets are those currently available for ministry purposes under the direction of the board, those designated by the board for specific use, or those resources invested in land, buildings, and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted net assets are those restricted by donors to be held in perpetuity as irrevocable trusts or endowments with the ministry receiving the earnings from these agreements.

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Notes to Combined Financial Statements

December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand; checking, savings, and money market accounts; and certificates of deposit with original maturities of three months or less. The amounts held at the bank may, at times, exceed federally insured deposit levels. Management has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

RECEIVABLES

Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. TWR's policy for determining when receivables are past due or delinquent is 30 days after invoicing. Uncollectible accounts are reported as additions to the allowance for bad debts when it is determined the amounts are uncollectible. Payments received from nonaccrual receivables are credited to the appropriate receivables accounts.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired accounts, and economic conditions. An allowance for uncollectible accounts has been provided in the amount of \$186,450 at December 31, 2008 and 2007.

Accounts receivable also consists of contributions receivable that are expected to be collected within one year.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses, including recoverable investments in unowned broadcast facilities and spare parts inventory, are recognized as expense when placed in service or used in operations.

INVESTMENTS

Donated investments are recorded at fair value on the date of donation and thereafter carried at fair value. Investments in equity securities with readily determinable fair value and all debt securities are stated at fair value. Other investments are stated at the lower of cost or fair value.

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Notes to Combined Financial Statements

December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION

Items capitalized as land, buildings, and equipment are recorded at cost. Donated assets are recorded at their fair value on the date of gift. Purchases of property and equipment valued at \$2,000 or more are capitalized.

Fixed assets include expenditures for major renewals and betterment. Repairs and maintenance are expensed as incurred. Cost and accumulated depreciation applicable to assets retired or disposed of are eliminated from the accounts, and any resulting gains or losses are included in income.

TWR elects to account for fixed assets in foreign locations in accordance with the functional currency provisions of SFAS 52, Foreign Currency Translation. This has resulted in a translation adjustment of \$(497,694) and \$269,050 in 2008 and 2007, respectively, to fixed assets with functional currencies that differ from the reporting currency.

Depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Generally, these lives are as follows:

Buildings	30 years
Building rights	20 years
Transmitting and generating equipment	16 years
Studio and office equipment	10 years
Vehicles, software, and computer equipment	3-5 years

PERPETUAL TRUSTS HELD BY OTHERS

Perpetual trust held by others consists of a one-eighth beneficial interest. The trust assets are carried at fair value and consist of cash and cash equivalents, marketable securities, and municipal bonds. Interest income of \$222,798 and \$249,282 received during the years ended December 31, 2008 and 2007, respectively, was included in unrestricted investment income.

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Notes to Combined Financial Statements

December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned. Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to TWR. Noncash gifts are recorded at their estimated fair market value on the date of donation. Broadcast revenue is recognized as earned. The portion of gain or loss on sale of assets presented in other income is recorded as earned and recognized in the fund owning the asset or as directed by donor restrictions.

TWR reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Gifts are reported as unrestricted if they are spent in the same period. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. Also included in expenses are advertising and promotion costs of \$710,831 and \$673,965 for the years ended December 31, 2008 and 2007, respectively.

TWR has entered into foreign currency exchange contracts to hedge exposure to future spending activity denominated in foreign currencies in areas where it conducts significant business. As of December 31, 2008, TWR has varying monthly commitment amounts through December 2010 for notional amounts approximating \$7,100,000 for the Euro and African Rand and through December 2011 for the Singapore Dollar for notional amounts approximating \$3,600,000. For the years ended December 31, 2008 and 2007, the unrealized gains (losses) for the contracts of \$(695,280) and \$119,352, respectively, are reported as a component of investment income (loss) on the combined statements of activities.

CONTRIBUTED SERVICES

Contributed services represent donated skilled services provided by a European Partner. This includes the cost of salary, benefits, and work expenses for approximately 16 individuals involved in engineering, broadcast operations, and broadcast administration.

INTENTIONS TO GIVE

TWR receives indications of intent to support ministries that are commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are open-ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

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Notes to Combined Financial Statements

December 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of TWR have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

In connection with promotional mailings, missionary furloughs, and other informational activities, TWR incurred joint costs of \$3,021,488 and \$2,913,057 for the years ended December 31, 2008 and 2007, respectively. Of those costs, \$1,085,003 and \$1,076,094 were allocated to program services, \$18,181 and \$24,048 were allocated to management and general, and \$1,918,304 and \$1,812,915 were allocated to fund-raising for the years ended December 31, 2008 and 2007, respectively.

RECLASSIFICATIONS

Certain items have been reclassified in the prior year combined statements to be consistent with the current year presentation.

FOREIGN OPERATIONS

In connection with its worldwide ministry, TWR maintains broadcasting stations and other supporting facilities in various countries outside the United States. As of December 31, 2008 and 2007, respectively, current assets in other countries, including cash, securities, receivables, prepaid expenses, and inventories, totaled \$3,174,220 and \$3,160,089; noncurrent assets were \$2,386,509 and \$2,768,167; property and equipment, net of accumulated depreciation, amounted to \$5,097,104 and \$5,808,884; and liabilities in other countries were \$1,571,645 and \$2,218,901. Total overseas support and revenue received from foreign sources amounted to \$11,629,453 and \$11,640,986 for the years ended December 31, 2008 and 2007, respectively.

Account balances relating to foreign operations are reflected in the combined financial statements in United States dollars.

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3. RECEIVABLES:

Receivables consist of:

	December 31,	
	2008	2007
Broadcasters—net of allowance for uncollectible accounts of \$186,450 for 2008 and 2007	\$ 2,072,432	\$ 2,023,039
Advances to employees	68,150	73,775
Due from suppliers/affiliates	591,403	1,031,085
	\$ 2,731,985	\$ 3,127,899

4. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of:

	December 31,	
	2008	2007
Spare parts inventory	\$ 457,575	\$ 508,491
Rents and deposits	95,449	125,703
Other prepaids	417,960	239,571
	\$ 970,984	\$ 873,765

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5. INVESTMENTS:

Investments at fair value consist of:

	December 31,	
	2008	2007
Operating:		
Corporate stock	\$ 41,841	\$ 44,987
Certificates of deposit	1,200,000	-
Currency exchange contract asset	-	118,246
Mutual funds	494,210	1,189,950
	1,736,051	1,353,183
Life income:		
Corporate stock	1,267,382	1,380,616
Government bonds	64,356	61,862
Corporate bonds	-	27,000
Mutual funds	1,525,723	2,547,583
	2,857,461	4,017,061
	\$ 4,593,512	\$ 5,370,244
Operating:		
Currency exchange contract liability	\$ (695,279)	\$ -

The following table reconciles gross income earned on investments to the net amount reported in the combined statements of activities:

	Year Ended December 31, 2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 338,436	\$ 3,373	\$ -	\$ 341,809
Net realized gain (loss) on sale	(30,894)	385	-	(30,509)
Change in market valuation	(875,960)	-	(1,633,635)	(2,509,595)
	\$ (568,418)	\$ 3,758	\$ (1,633,635)	\$ (2,198,295)

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5. INVESTMENTS, continued:

	Year Ended December 31, 2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 455,273	\$ 10,673	\$ -	\$ 465,946
Net realized gain (loss) on sale	50,196	619	-	50,815
Change in market valuation	30,773	-	111,987	142,760
	\$ 536,242	\$ 11,292	\$ 111,987	\$ 659,521

6. LONG-TERM INVESTMENTS AND OTHER ASSETS:

Long-term investments and other assets consist of:

	December 31,	
	2008	2007
Cash surrender value of life insurance	\$ 10,166	\$ 9,166
Beneficial interest in real estate	153,067	153,067
Beneficial interest in trust	37,132	48,536
Interest in foreign limited partnership	90,000	90,000
Other asset	6,000	6,000
Broadcasting facility development costs—net of amortization of \$2,448,971 and \$2,120,471, respectively	2,442,925	2,678,167
	\$ 2,739,290	\$ 2,984,936

Broadcast facilities development costs represent amounts invested in the development of new and improved broadcast facilities in Central Asia. The funds advanced to the station owners will be recovered through reduced airtime charges to TWR for the programs broadcast by TWR. The portion of this investment recoverable in 2009 has been reflected in prepaid expenses, and the balance to be recovered is included in long term investments and other assets.

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7. LAND, BUILDINGS, AND EQUIPMENT, AT COST-NET:

Land, buildings, and equipment consist of:

	December 31,			2007
	2008			
	United States	Other Countries	Total	Total
Land	\$ 1,242,358	\$ 477,841	\$ 1,720,199	\$ 1,768,255
Buildings	3,460,184	3,517,134	6,977,318	6,953,479
Transmitting, generating, and testing equipment	3,394,983	5,554,970	8,949,953	9,466,418
Furniture and equipment	4,180,069	2,555,912	6,735,981	7,091,675
	<u>12,277,594</u>	<u>12,105,857</u>	<u>24,383,451</u>	<u>25,279,827</u>
Less accumulated depreciation	<u>(8,414,089)</u>	<u>(7,098,313)</u>	<u>(15,512,402)</u>	<u>(15,878,537)</u>
	3,863,505	5,007,544	8,871,049	9,401,290
Construction in progress	-	89,560	89,560	583,374
Net book value of land, buildings, and equipment	3,863,505	5,097,104	8,960,609	9,984,664
Less related capital lease obligations	<u>(177,332)</u>	-	<u>(177,332)</u>	<u>(274,737)</u>
Equity in land, buildings, and equipment	<u>\$ 3,686,173</u>	<u>\$ 5,097,104</u>	<u>\$ 8,783,277</u>	<u>\$ 9,709,927</u>

Depreciation expense, in the amounts of \$1,058,045 and \$1,274,715 for the years ended December 31, 2008 and 2007, respectively, has been allocated to program services and supporting activities in the combined statements of activities.

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8. NOTES PAYABLE:
Notes payable consist of:

	December 31,	
	2008	2007
Unsecured notes:		
Promissory notes payable to individuals, due on demand, with an interest rate of 5%; principal becomes property of TWR upon death of holder.	\$ 185,976	\$ 155,976
Capitalized lease obligations	177,332	274,737
	363,308	430,713
Less current portion	(273,474)	(247,017)
Long-term portion of notes payable	\$ 89,834	\$ 183,696

Annual maturities are as follows:

Years Ending December 31,	Amounts
2009	\$ 273,474
2010	76,547
2011	13,287
	\$ 363,308

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9. ANNUITIES PAYABLE:

TWR has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as an unrestricted gift for long-term purposes.

The annuity liability is revalued annually based upon actuarially computed present values and is carried at the present value of future cash payments. The resulting actuarial gain or loss is recorded as other income.

Annuities payable consist of the following:

	December 31,	
	2008	2007
Computed present value	\$ 3,733,009	\$ 3,727,072
Less current portion	(626,078)	(630,924)
	\$ 3,106,931	\$ 3,096,148

Several states have specific requirements for calculating the investment assets TWR must hold to provide resources for paying obligations to annuitants. TWR holds these reserves as designated net assets. During 2008, significant unrealized investment losses due to the economic downturn in the U.S. caused TWR's investment assets to fall below some states' required levels. TWR has reported these deficits to the states and has subsidized the unrealized losses with operating assets as shown on the combined statements of financial position as due to/from other funds.

10. TRUST ASSETS, OBLIGATIONS, AND NET ASSETS:

As trustee, TWR administers revocable (grantor) trusts that provide for a beneficial interest to TWR or other beneficiaries at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities. All trust income, deductions, and credits are reportable by the grantor for tax purposes. At the grantor's death, the remaining trust assets, if designated for TWR, will be recorded as contributions income. Any trust designated for other beneficiaries will be distributed in accordance with the trust agreement.

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10. TRUST ASSETS, OBLIGATIONS, AND NET ASSETS, continued:

In addition, TWR administers charitable remainder trusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated remaindermen. The present value of the portion of the trusts attributable to the remainder interest of TWR is recorded on the combined statements of activities as a temporarily restricted contribution in the period received, as temporarily restricted net assets, and as a reclassification to the unrestricted fund when released. Certain trusts contain provisions to distribute assets to remaindermen other than TWR. The portion attributable to others is reflected as a liability on the combined statements of financial position.

	December 31,	
	2008	2007
Trust assets—at fair value:		
Cash and cash equivalents	\$ 219,378	\$ 218,027
Corporate stock	370,825	426,769
Government securities	23,979	25,668
Mutual funds	1,875,408	4,040,671
	\$ 2,489,590	\$ 4,711,135
Trust obligations and net assets:		
Trust obligations:		
Revocable trusts	\$ 14,088	\$ 15,923
Irrevocable trusts	1,815,910	3,521,631
	1,829,998	3,537,554
Trust net assets	659,592	1,222,117
	\$ 2,489,590	\$ 4,759,671

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10. TRUST ASSETS, OBLIGATIONS, AND NET ASSETS, continued:

An actuarial adjustment is recognized in the combined statements of activities for changes in the value of annuities and trusts. These changes include:

	Year Ended December 31,	
	2008	2007
Investment income—interest and dividends	\$ 243,578	\$ 661,923
Realized and unrealized gains	(2,782,691)	123,848
Actuarial adjustments	1,275,830	379,090
Advisory fees and other expenses	(143,070)	(162,654)
Payments to income beneficiaries	(836,475)	(885,771)
	<u>\$ (2,242,828)</u>	<u>\$ 116,436</u>

11. NET ASSETS:

Net assets consist of:

	December 31,	
	2008	2007
Unrestricted:		
Undesignated:		
Undesignated	\$ 5,498,304	\$ 8,486,905
Unfunded employee benefit obligations (Note 14)	(8,637,979)	(8,836,355)
	<u>(3,139,675)</u>	<u>(349,450)</u>
Designated:		
Minimum state required annuity reserves	792,129	773,255
Equity in land, buildings, and equipment	<u>8,783,277</u>	<u>9,709,927</u>
Total unrestricted net assets	<u>\$ 6,435,731</u>	<u>\$ 10,133,732</u>

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11. NET ASSETS, continued:

Net assets consist of:

	December 31,	
	2008	2007
Temporarily restricted:		
Specified purpose:		
Designated for future ministry activities:		
Missionary equipment	\$ 430,423	\$ 514,976
Radio Bible	93,142	338,837
Radio Church Kits	879,343	1,006,985
Europe projects	538,209	506,636
Cambodia media center	-	8,270
Asia projects	419,245	316,635
Benin station	69,399	125,894
Africa projects	150,267	155,392
Americas projects	148,043	126,023
Women's ministry	339,351	296,790
Children and youth ministry	507,422	561,860
HIV/AIDS and health issues ministry	265,966	216,207
Oral communicators ministry	242,147	235,302
Leadership development ministry	927,120	657,852
Other	161,247	260,166
	5,171,324	5,327,825
Life income:		
Charitable remainder trusts (Note 10)	659,592	1,222,117
Other	200,365	162,233
	860,957	1,384,350
Total temporarily restricted net assets	\$ 6,031,281	\$ 6,712,175
Permanently restricted:		
Perpetual trusts and other endowments designated for operations	\$ 3,426,765	\$ 5,060,400

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12. LINE OF CREDIT:

TWR maintains a line of credit at a North Carolina financial institution. As of December 31, 2008, this line permitted TWR to borrow up to \$1,500,000. This line is secured by real property in Cary, North Carolina. No commitment fees or compensating balances are required. The note has an interest rate equal to prime lending rate of the issuing bank. As of December 31, 2008 and 2007, TWR had no outstanding borrowing against this line of credit.

13. COMMITMENTS:

LEASE AGREEMENTS

TWR maintains operating lease contracts for the use of missionary housing, office facilities, and property. Although the specific terms of these agreements vary, all are treated as operating leases, most contain renewal options ranging from one to five years, and some carry escalation provisions which are generally tied to the cost of living in the related field. TWR is obligated under capital leases for computer equipment and other equipment that expire at various dates through 2011.

At December 31, 2008, the carrying value of the related equipment and the accumulated amortization recorded for the assets acquired via capital leases were:

Equipment	\$	389,377
Less accumulated amortization		(120,872)
		\$ 268,505

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease obligation payments as of December 31, 2008, are as follows:

<u>Years Ending December 31,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2009	\$ 97,833	\$ 339,435
2010	80,424	154,229
2011	13,405	88,862
2012	-	40,348
	191,662	\$ 622,874
Less amount representing interest	(14,330)	
Present value of net minimum capital lease payment	177,332	
Less current installments of obligations under capital leases	(87,498)	
Obligations under capital leases, excluding current installments	\$ 89,834	

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13. COMMITMENTS, continued:

LEASE AGREEMENTS, continued

Rental expenses pertaining to the agreements noted above were \$482,125 and \$414,864 for the years ended December 31, 2008 and 2007, respectively.

AIRTIME COMMITMENTS

In addition to their own transmitting facilities, TWR has entered into contracts with various foreign corporations to purchase airtime in order to air international gospel programs. The agreements specify minimum levels of time usage at various rates and are subject to periodic review by the foreign corporations.

14. EMPLOYEE BENEFIT OBLIGATIONS:

DEFINED CONTRIBUTION PLAN

Trans World Radio maintains a money purchase retirement plan. U.S. employees are eligible to participate after 1 year of service. Participants are required to contribute 2% of base salary to the plan. Based on field assignment, TWR will then contribute 4% or 6% of the participants' base salary to the plan. Participants may make additional voluntary contributions.

All employee contributions vest at time of payment. TWR's contribution becomes fully vested after 5 years of service. TWR's contributions to the money purchase plan for the years ended December 31, 2008 and 2007, were \$238,293 and \$219,853, respectively.

AD HOC RETIREMENT PLAN

In recognition of years of service prior to TWR implementing its money purchase retirement plan described above, TWR provides a supplemental pension allowance and certain other retiree welfare benefits, including medical and life insurance benefits, to qualifying U.S. employees which qualifies as a defined benefit plan. As of December 31, 2008, 75 employees or surviving spouses were receiving these benefits.

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14. EMPLOYEE BENEFIT OBLIGATIONS, continued:

AD HOC RETIREMENT PLAN, continued

The ad hoc plan's current and future benefits are funded by unrestricted undesignated net assets of TWR (see Note 11). TWR adopted the provisions of FASB No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The following table sets forth the amounts recognized in the combined statements of financial position:

	Pension Benefits		Retiree Welfare Benefits	
	2008	2007	2008	2007
Change in benefit obligation:				
Benefit obligation, January 1	\$ 3,530,200	\$ 3,539,782	\$ 5,306,155	\$ 5,528,654
Interest cost	191,615	184,461	306,894	306,793
Actuarial (gain) loss	18,438	182,887	67,445	(137,563)
Benefits paid	(419,736)	(376,930)	(363,032)	(391,729)
Benefit obligation, December 31	<u>\$ 3,320,517</u>	<u>\$ 3,530,200</u>	<u>\$ 5,317,462</u>	<u>\$ 5,306,155</u>

Components of net periodic benefit costs for year ended December 31, 2008 and 2007, are as follows:

	Pension Benefits		Retiree Welfare Benefits	
	2008	2007	2008	2007
Components of Net Periodic Benefit Cost:				
Interest cost	\$ 191,615	\$ 184,461	\$ 306,894	\$ 306,793
Amortization of unrecognized prior service cost	240,506	240,506	348,234	348,234
Amortization of unrecognized net loss	68,192	58,331	36,760	48,789
Net periodic pension cost	<u>\$ 500,313</u>	<u>\$ 483,298</u>	<u>\$ 691,888</u>	<u>\$ 703,816</u>

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14. EMPLOYEE BENEFIT OBLIGATIONS, continued:

AD HOC RETIREMENT PLAN, continued

Weighted-average assumptions and method disclosures as of December 31, 2008 and 2007 include:

	Pension Benefits		Retiree Welfare Benefits	
	2008	2007	2008	2007
Discount rate	5.75%	5.75%	5.75%	6.00%
Average life expectancy of participants	11 years	11 years	13 years	13 years

Furthermore for purposes of calculating the benefit obligation for the post-retirement other benefit component, TWR assumed an initial 8% and 9% health care cost trend for participants for 2008 and 2007, respectively, decreasing to 4% by the year 2011.

Based upon participants involved, TWR's expected contribution is as follows and accordingly classified on the combined statements of financial position:

	December 31,	
	2008	2007
Employee benefit obligation (including pension and retiree welfare benefits)	\$ 8,637,979	\$ 8,836,355
Less current portion	(820,890)	(765,392)
Employee benefit obligation—net of current portion	<u>\$ 7,817,089</u>	<u>\$ 8,070,963</u>

Estimated Future Benefit Payments—The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

<u>Years Ending December 31,</u>	<u>Pension Benefits</u>	<u>Retiree Welfare Benefits</u>
2009	\$ 404,466	\$ 416,424
2010	390,932	438,355
2011	376,037	452,223
2012	359,872	460,588
2013	340,023	459,980
Thereafter	1,438,653	2,290,813
	<u>\$ 3,309,983</u>	<u>\$ 4,518,383</u>

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15. CONCENTRATIONS:

A small number of broadcasters represent 59% and 58% of total broadcast revenue for the years ended December 31, 2008 and 2007, respectively.

16. RELATED PARTY TRANSACTIONS:

Income provided by affiliated organizations (as described in Note 1) approximated \$3,079,000 and \$4,891,000 plus approximately \$994,000 and \$1,077,000 in contributed services for the years ended December 31, 2008 and 2007, respectively.

Grants to affiliated organizations and payments for services rendered approximated \$4,444,000 and \$4,360,000 for the years ended December 31, 2008 and 2007, respectively.

Payments were made to a U.S. for-profit broadcasting enterprise for the purchase of airtime related to mission awareness and fund-raising activities. A member of TWR's board serves on the related board, as does her spouse who is also a principal officer in the for-profit broadcasting enterprise. Such payments amounted to \$89,400 and \$118,500 for the years ended December 31, 2008 and 2007, respectively.

17. FAIR VALUE MEASUREMENTS:

Effective January 1, 2008, TWR adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 has been applied prospectively as of the beginning of the year. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. TWR uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, TWR measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

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17. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the SFAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Certificates of deposit	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -
Corporate stock	\$ 1,309,223	\$ 1,289,223	\$ 20,000	\$ -
Government bonds	\$ 64,356	\$ 64,356	\$ -	\$ -
Mutual funds	\$ 2,019,933	\$ 2,019,933	\$ -	\$ -
Cash surrender value of life insurance policy	\$ 10,166	\$ -	\$ 10,166	\$ -
Beneficial interest in real estate	\$ 153,067	\$ -	\$ -	\$ 153,067
Beneficial interest in trust	\$ 37,132	\$ -	\$ -	\$ 37,132
Interest in foreign limited partnership	\$ 90,000	\$ -	\$ -	\$ 90,000
Foreign currency exchange contract liability	\$ (695,279)	\$ -	\$ (695,279)	\$ -
Trust assets:				
Cash and cash equivalents	\$ 219,378	\$ 219,378	\$ -	\$ -
Corporate stock	\$ 370,825	\$ 370,825	\$ -	\$ -
Government securities	\$ 23,979	\$ 23,979	\$ -	\$ -
Mutual funds	\$ 1,875,408	\$ 1,875,408	\$ -	\$ -
Trust obligations:				
Revocable trusts	\$ 14,088	\$ 14,088	\$ -	\$ -
Irrevocable trusts	\$ 1,815,910	\$ 1,815,910	\$ -	\$ -

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17. FAIR VALUE MEASUREMENTS, continued:

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Level 1 Fair Value Measurements

The fair values of cash and cash equivalents, corporate stock, government bonds and securities, and mutual funds are based on quoted market prices, when available.

Level 2 Fair Value Measurements

The fair values of the corporate stock and certificates of deposit are based on observable inputs other than the quoted prices included in Level 1 and thus are based on yields for securities of comparable maturity, quality, and type as obtained from market makers. The fair value of the cash surrender value of life insurance policy is based on TWR's share of the cash surrender value of the respective life insurance policy as represented by the insurance company. Currency exchange contract liability is the estimated amount that TWR would owe the financial institution if terminated the contracts at the reporting date.

Level 3 Fair Value Measurements

The fair value for the beneficial interests in a trust and real estate is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a 6.0% discount rate. The interest in foreign limited partnership is based on TWR's interest established by the initial partnership agreement. The following table provides further details of the Level 3 fair value measurements.

	Beneficial Interest in Real Estate	Beneficial Interest in Trust	Interest in Foreign Limited Partnership	Total
Balance, January 1, 2008	\$ 153,067	\$ 48,536	\$ 90,000	\$ 291,603
Total gains or losses (realized and unrealized) included in changes in net assets available for benefits	-	-	-	-
Purchases, sales, issuances, and settlements, net	-	-	-	-
Change in value of split-interest agreements	-	(11,404)	-	(11,404)
Payment from charitable remainder trust	-	-	-	-
Balance, December 31, 2008	<u>\$ 153,067</u>	<u>\$ 37,132</u>	<u>\$ 90,000</u>	<u>\$ 280,199</u>

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17. FAIR VALUE MEASUREMENTS, continued:

	Beneficial Interest in Real Estate	Beneficial Interest in Trust	Interest in Foreign Limited Partnership	Total
Total gains or losses for the year included in change in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date	\$ -	\$ (11,404)	\$ -	\$ (11,404)

Gains and losses (realized and unrealized) related to the beneficial interest in trust are included in change in value of split interest agreements.