



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

**COMBINED FINANCIAL STATEMENTS  
With Independent Auditors' Report**

December 31, 2009 and 2008

**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, 2009 and 2008, 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, 2009 and 2008, 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 8, 2010

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

**Combined Statements of Financial Position**

	December 31,							
	2009				2008			
	Operating	Specified Purpose	Life Income and Endowment	Total	Operating	Specified Purpose	Life Income and Endowment	Total
ASSETS:								
Current assets:								
Cash and cash equivalents	\$ 2,349,105	\$ 4,562,912	\$ 398,624	\$ 7,310,641	\$ 2,189,522	\$ 4,677,114	\$ 852,243	\$ 7,718,879
Receivables (Note 3)	2,756,052	-	-	2,756,052	2,731,985	-	-	2,731,985
Prepaid expenses and other assets (Note 4)	890,340	-	-	890,340	970,984	-	-	970,984
Investments (Note 5)	383,774	120,297	4,063,778	4,567,849	1,241,841	494,210	2,857,461	4,593,512
	<u>6,379,271</u>	<u>4,683,209</u>	<u>4,462,402</u>	<u>15,524,882</u>	<u>7,134,332</u>	<u>5,171,324</u>	<u>3,709,704</u>	<u>16,015,360</u>
Long-term investments and other assets (Note 6)	2,095,278	-	207,506	2,302,784	2,538,925	-	200,365	2,739,290
Trust assets (Note 10)	-	-	2,844,446	2,844,446	-	-	2,489,590	2,489,590
Land, buildings, and equipment, at cost-net (Note 7)	8,957,958	-	-	8,957,958	8,960,609	-	-	8,960,609
Perpetual trusts held by others (Note 2)	-	-	3,801,075	3,801,075	-	-	3,352,523	3,352,523
Due to/from other funds (Note 9)	(717,923)	-	717,923	-	(889,676)	-	889,676	-
	<u><u>\$ 16,714,584</u></u>	<u><u>\$ 4,683,209</u></u>	<u><u>\$ 12,033,352</u></u>	<u><u>\$ 33,431,145</u></u>	<u><u>\$ 17,744,190</u></u>	<u><u>\$ 5,171,324</u></u>	<u><u>\$ 10,641,858</u></u>	<u><u>\$ 33,557,372</u></u>
Total Assets								

(continued)

See notes to combined financial statements

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

**Combined Statements of Financial Position  
(continued)**

	December 31,							
	2009				2008			
	Operating	Specified Purpose	Life Income and Endowment	Total	Operating	Specified Purpose	Life Income and Endowment	Total
<b>LIABILITIES AND NET ASSETS:</b>								
Current liabilities:								
Trade payables	\$ 1,573,619	\$ -	\$ -	\$ 1,573,619	\$ 1,606,980	\$ -	\$ -	\$ 1,606,980
Accrued expenses	333,490	-	-	333,490	339,490	-	-	339,490
Currency exchange contract liability (Note 5)	-	-	-	-	695,279	-	-	695,279
Current portion of:								
Notes payable (Note 8)	272,523	-	-	272,523	273,474	-	-	273,474
Annuities payable (Note 9)	-	-	600,255	600,255	-	-	626,078	626,078
Employee benefit obligations (Note 14)	852,618	-	-	852,618	820,890	-	-	820,890
Amounts held for missionaries	25,311	-	-	25,311	26,551	-	-	26,551
Deferred revenue	372,022	-	-	372,022	431,001	-	-	431,001
	3,429,583	-	600,255	4,029,838	4,193,665	-	626,078	4,819,743
Long-term liabilities:								
Notes payable (Note 8)	13,287	-	-	13,287	89,834	-	-	89,834
Annuities payable (Note 9)	-	-	3,058,594	3,058,594	-	-	3,106,931	3,106,931
Trust obligations (Note 10)	-	-	2,085,687	2,085,687	-	-	1,829,998	1,829,998
Employee benefit obligations (Note 14)	7,979,992	-	-	7,979,992	7,817,089	-	-	7,817,089
Total liabilities	11,422,862	-	5,744,536	17,167,398	12,100,588	-	5,563,007	17,663,595

(continued)

See notes to combined financial statements

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

	December 31,							
	2009			2008				
	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	(3,576,402)	-	-	(3,576,402)	(3,139,675)	-	-	(3,139,675)
Designated	-	-	1,454,802	1,454,802	-	-	792,129	792,129
Equity in land, buildings, and equipment	8,868,124	-	-	8,868,124	8,783,277	-	-	8,783,277
	<u>5,291,722</u>	<u>-</u>	<u>1,454,802</u>	<u>6,746,524</u>	<u>5,643,602</u>	<u>-</u>	<u>792,129</u>	<u>6,435,731</u>
Temporarily restricted:								
Specified purpose	-	4,683,209	-	4,683,209	-	5,171,324	-	5,171,324
Life income (Note 11)	-	-	966,264	966,264	-	-	859,957	859,957
	<u>-</u>	<u>4,683,209</u>	<u>966,264</u>	<u>5,649,473</u>	<u>-</u>	<u>5,171,324</u>	<u>859,957</u>	<u>6,031,281</u>
Permanently restricted:								
Perpetual trusts and other endowments	-	-	3,867,750	3,867,750	-	-	3,426,765	3,426,765
Total net assets	<u>5,291,722</u>	<u>4,683,209</u>	<u>6,288,816</u>	<u>16,263,747</u>	<u>5,643,602</u>	<u>5,171,324</u>	<u>5,078,851</u>	<u>15,893,777</u>
Total Liabilities and Net Assets	<u>\$ 16,714,584</u>	<u>\$ 4,683,209</u>	<u>\$ 12,033,352</u>	<u>\$ 33,431,145</u>	<u>\$ 17,744,190</u>	<u>\$ 5,171,324</u>	<u>\$ 10,641,858</u>	<u>\$ 33,557,372</u>

See notes to combined financial statements

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

**Combined Statements of Activities**

	Year Ended December 31,							
	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>INCOME:</b>								
Support—contributions:								
Missionary support	\$ 4,406,979	\$ -	\$ -	\$ 4,406,979	\$ 4,612,679	\$ -	\$ -	\$ 4,612,679
General	3,205,184	4,175,575	-	7,380,759	2,910,389	5,037,639	-	7,948,028
Legacies and bequests	503,079	-	-	503,079	1,171,701	-	-	1,171,701
Contributed services	1,158,987	-	-	1,158,987	994,492	-	-	994,492
Gift portion of new split interest agreements	304,626	-	-	304,626	200,507	-	-	200,507
	<u>9,578,855</u>	<u>4,175,575</u>	<u>-</u>	<u>13,754,430</u>	<u>9,889,768</u>	<u>5,037,639</u>	<u>-</u>	<u>14,927,407</u>
Revenue:								
Radio broadcasting	21,131,662	-	-	21,131,662	21,812,430	-	-	21,812,430
Investment (Note 5)	1,015,742	4,197	440,985	1,460,924	(568,418)	3,758	(1,633,635)	(2,198,295)
Change in value of split interest agreements (Note 10)	529,611	105,379	-	634,990	(1,980,283)	(262,545)	-	(2,242,828)
Gain (Loss) on sale of assets	16,590	-	-	16,590	(12,266)	-	-	(12,266)
Other	246,791	-	-	246,791	480,188	-	-	480,188
	<u>22,940,396</u>	<u>109,576</u>	<u>440,985</u>	<u>23,490,957</u>	<u>19,731,651</u>	<u>(258,787)</u>	<u>(1,633,635)</u>	<u>17,839,229</u>
Total Income	<u>32,519,251</u>	<u>4,285,151</u>	<u>440,985</u>	<u>37,245,387</u>	<u>29,621,419</u>	<u>4,778,852</u>	<u>(1,633,635)</u>	<u>32,766,636</u>
<b>RECLASSIFICATIONS:</b>								
Net assets released from restriction:								
Satisfaction of purpose restrictions	4,666,959	(4,666,959)	-	-	5,459,746	(5,459,746)	-	-

(continued)

See notes to combined financial statements

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

	Year Ended December 31,							
	2009			2008				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Radio broadcasting	31,866,294	-	-	31,866,294	32,638,486	-	-	32,638,486
Missions awareness	1,504,935	-	-	1,504,935	1,371,815	-	-	1,371,815
	<u>33,371,229</u>	<u>-</u>	<u>-</u>	<u>33,371,229</u>	<u>34,010,301</u>	<u>-</u>	<u>-</u>	<u>34,010,301</u>
Supporting activities:								
Management and general	1,671,980	-	-	1,671,980	1,276,702	-	-	1,276,702
Fund-raising	2,484,063	-	-	2,484,063	2,632,962	-	-	2,632,962
	<u>4,156,043</u>	<u>-</u>	<u>-</u>	<u>4,156,043</u>	<u>3,909,664</u>	<u>-</u>	<u>-</u>	<u>3,909,664</u>
Total Expenses	<u>37,527,272</u>	<u>-</u>	<u>-</u>	<u>37,527,272</u>	<u>37,919,965</u>	<u>-</u>	<u>-</u>	<u>37,919,965</u>
Change in Net Assets before Translation Adjustment	(341,062)	(381,808)	440,985	(281,885)	(2,838,800)	(680,894)	(1,633,635)	(5,153,329)
Translation Adjustment	651,855	-	-	651,855	(859,201)	-	-	(859,201)
Change in Net Assets	310,793	(381,808)	440,985	369,970	(3,698,001)	(680,894)	(1,633,635)	(6,012,530)
Net Assets, Beginning of Year	6,435,731	6,031,281	3,426,765	15,893,777	10,133,732	6,712,175	5,060,400	21,906,307
Net Assets, End of Year	<u>\$ 6,746,524</u>	<u>\$ 5,649,473</u>	<u>\$ 3,867,750</u>	<u>\$ 16,263,747</u>	<u>\$ 6,435,731</u>	<u>\$ 6,031,281</u>	<u>\$ 3,426,765</u>	<u>\$ 15,893,777</u>

See notes to combined financial statements

**TRANS WORLD RADIO  
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**Combined Statements of Cash Flows**

	Year Ended December 31,	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets before translation adjustment	\$ (281,885)	\$ (5,153,329)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	931,899	1,058,045
Unrealized/realized losses (gains) on investments	(1,431,800)	1,629,106
Loss (Gain) on sale of fixed assets	(16,590)	12,266
Gift portion of new split interest agreements	(304,626)	(200,507)
Actuarial change in annuities and trusts	(634,990)	2,079,405
Translation adjustment	651,855	(859,201)
Changes in operating assets and liabilities:		
Receivables	(24,067)	395,914
Prepaid expenses and other assets	80,644	(97,219)
Trade payables	(33,361)	(531,990)
Accrued expenses	(6,000)	(274,091)
Deferred revenue	(58,979)	(49,214)
Employee benefit obligations	194,631	(198,376)
Amounts held for missionaries	(1,240)	(7,423)
	(934,509)	(2,196,614)
<b>Net Cash Used by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of land, buildings, and equipment	(430,128)	(567,369)
Changes in investment in broadcast facilities	443,646	235,242
Proceeds from sale of land, buildings, and equipment	-	23,419
Change in land, buildings, and equipment due to currency translation	(482,530)	497,694
Proceeds from sale of investments	3,538,315	3,013,226
Acquisitions of investments	(2,684,096)	(2,700,057)
Change in other long-term assets	(1,115)	(1,000)
	384,092	501,155
<b>Net Cash Provided by Investing Activities</b>		

(continued)

See notes to combined financial statements

**TRANS WORLD RADIO  
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**Combined Statements of Cash Flows**  
(continued)

	Year Ended December 31,	
	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term debt	10,000	30,000
Repayments on capital lease obligation	(87,498)	(97,405)
Proceeds from new annuities and trusts	633,932	447,242
Gift portion of new split interest agreements	304,626	200,507
Payments on annuities and trusts	(718,881)	(836,475)
Net Cash Provided (Used) by Financing Activities	142,179	(256,131)
Net Change in Cash and Cash Equivalents	(408,238)	(1,951,590)
Cash and Cash Equivalents, Beginning of Year	7,718,879	9,670,469
Cash and Cash Equivalents, End of Year	\$ 7,310,641	\$ 7,718,879
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	\$ 18,567	\$ 25,102

See notes to combined financial statements

**TRANS WORLD RADIO  
AND  
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**Notes to Combined Financial Statements**

December 31, 2009 and 2008

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 association of churches. As such, TWR is exempt from state and federal income taxes under Sections 501(c)(3) and 170(b)(1)(A)(i) 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 200 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, 2009 and 2008

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

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

Permanently restricted net assets consists of one perpetual trust held by others and one endowment held and administered directly by TWR. Substantially all of the net asset balance is comprised of the perpetual trust held by others. Therefore, the disclosure requirements related to permanently restricted net assets as prescribed by the Endowment Topic of The FASB Accounting Standards Codification are not included due to immateriality.

**TRANS WORLD RADIO  
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**Notes to Combined Financial Statements**

December 31, 2009 and 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**RECLASSIFICATIONS**

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

**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 collectability 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, 2009 and 2008.

**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, 2009 and 2008

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 the Foreign Currency Matters Topic of the FASB Accounting Standard Codification (ASC). This has resulted in a translation adjustment of \$482,530 and \$(497,694) in 2009 and 2008, 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 \$200,132 and \$222,798 received during the years ended December 31, 2009 and 2008, respectively, was included in unrestricted investment income.

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**Notes to Combined Financial Statements**

December 31, 2009 and 2008

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 \$572,082 and \$710,831 for the years ended December 31, 2009 and 2008, 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, 2009, TWR has varying monthly commitment amounts through December 2010 for notional amounts approximating 3,357,137 of the African Rand and 912,000 of the European Euro and through December 2011 for the Singapore dollar for notional amounts approximating 1,698,990. For the years ended December 31, 2009 and 2008, the unrealized gains/losses for the contracts of \$32,928 and \$(695,279), 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 21 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, 2009 and 2008

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 \$2,845,261 and \$3,021,488 for the years ended December 31, 2009 and 2008, respectively. Of those costs, \$1,014,588 and \$1,085,003 were allocated to program services, \$28,391 and \$18,181 were allocated to management and general, and \$1,802,282 and \$1,918,304 were allocated to fund-raising for the years ended December 31, 2009 and 2008, respectively.

**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, 2009 and 2008, respectively, current assets in other countries, including cash, securities, receivables, prepaid expenses, and inventories, totaled \$2,947,835 and \$3,174,220; noncurrent assets were \$2,031,305 and \$2,386,509; property and equipment, net of accumulated depreciation, amounted to \$4,789,043 and \$5,097,104; and liabilities in other countries were \$1,182,999 and \$1,571,645. Total overseas support and revenue received from foreign sources amounted to \$11,171,053 and \$11,629,453 for the years ended December 31, 2009 and 2008, 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,	
	2009	2008
Broadcasters—net of allowance for uncollectible accounts of \$186,450 for 2009 and 2008	\$ 1,718,302	\$ 2,072,432
Advances to employees	61,054	68,150
Due from suppliers/affiliates	976,696	591,403
	\$ 2,756,052	\$ 2,731,985

4. PREPAID EXPENSES AND OTHER ASSETS:

Prepaid expenses and other assets consist of:

	December 31,	
	2009	2008
Spare parts inventory	\$ 406,189	\$ 457,575
Rents and deposits	89,049	95,449
Other prepaids	395,102	417,960
	\$ 890,340	\$ 970,984

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5. INVESTMENTS:

Investments at fair value consist of:

	December 31,	
	2009	2008
Operating and specified purpose:		
Corporate stock	\$ 15,846	\$ 41,841
Certificates of deposit	300,000	1,200,000
Currency exchange contract asset	32,928	-
Land held for sale	35,000	-
Mutual funds	120,297	494,210
	504,071	1,736,051
Life income:		
Corporate stock	1,038,056	1,267,382
Government bonds	64,059	64,356
Mutual funds	2,961,663	1,525,723
	4,063,778	2,857,461
	\$ 4,567,849	\$ 4,593,512
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, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 265,422	\$ 3,696	\$ -	\$ 269,118
Net realized gain (loss) on sale	(5,768)	501	-	(5,267)
Change in market valuation	756,088	-	440,985	1,197,073
	\$ 1,015,742	\$ 4,197	\$ 440,985	\$ 1,460,924

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5. INVESTMENTS, continued:

	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)

6. LONG-TERM INVESTMENTS AND OTHER ASSETS:

Long-term investments and other assets consist of:

	December 31,	
	2009	2008
Cash surrender value of life insurance	\$ 11,281	\$ 10,166
Beneficial interest in real estate	153,067	153,067
Beneficial interest in trust	43,157	37,132
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	1,999,279	2,442,925
	\$ 2,302,784	\$ 2,739,290

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,			
	2009			2008
	United States	Other Countries	Total	Total
Land	\$ 1,088,015	\$ 752,966	\$ 1,840,981	\$ 1,720,199
Buildings	3,396,741	3,885,228	7,281,969	6,977,318
Transmitting, generating, and testing equipment	3,053,034	6,429,894	9,482,928	8,949,953
Furniture and equipment	4,651,859	1,981,071	6,632,930	6,735,981
	<u>12,189,649</u>	<u>13,049,159</u>	<u>25,238,808</u>	<u>24,383,451</u>
Less accumulated depreciation	<u>(8,669,184)</u>	<u>(7,888,429)</u>	<u>(16,557,613)</u>	<u>(15,512,402)</u>
	3,520,465	5,160,730	8,681,195	8,871,049
Construction in progress	68,964	207,799	276,763	89,560
Net book value of land, buildings, and equipment	<u>3,589,429</u>	<u>5,368,529</u>	<u>8,957,958</u>	<u>8,960,609</u>
Less related capital lease obligations	<u>(89,834)</u>	<u>-</u>	<u>(89,834)</u>	<u>(177,332)</u>
Equity in land, buildings, and equipment	<u>\$ 3,499,595</u>	<u>\$ 5,368,529</u>	<u>\$ 8,868,124</u>	<u>\$ 8,783,277</u>

Depreciation expense, in the amounts of \$931,899 and \$1,058,045 for the years ended December 31, 2009 and 2008, 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,	
	2009	2008
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.	\$ 195,976	\$ 185,976
Capitalized lease obligations	89,834	177,332
	285,810	363,308
Less current portion	(272,523)	(273,474)
Long-term portion of notes payable	\$ 13,287	\$ 89,834

Annual maturities are as follows:

Years Ending December 31,	Amounts
2010	\$ 272,523
2011	13,287
	\$ 285,810

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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:

	December 31,	
	2009	2008
Computed present value	\$ 3,658,849	\$ 3,733,009
Less current portion	(600,255)	(626,078)
	\$ 3,058,594	\$ 3,106,931

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. During 2009, the assets recovered slightly, but some states enacted more stringent reserve requirements continuing a deficit of investment assets below 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,	
	2009	2008
Trust assets—at fair value:		
Cash and cash equivalents	\$ 143,837	\$ 219,378
Corporate stock	377,248	370,825
Government securities	25,670	23,979
Mutual funds	2,297,691	1,875,408
	\$ 2,844,446	\$ 2,489,590
Trust obligations and net assets:		
Trust obligations:		
Revocable trusts	\$ 15,059	\$ 14,088
Irrevocable trusts	2,070,628	1,815,910
	2,085,687	1,829,998
Trust net assets	758,759	659,592
	\$ 2,844,446	\$ 2,489,590

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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,	
	2009	2008
Investment income—interest and dividends	\$ 176,229	\$ 243,578
Realized and unrealized gains	1,131,901	(2,782,691)
Actuarial adjustments	154,769	1,275,830
Advisory fees and other expenses	(109,028)	(143,070)
Payments to income beneficiaries	(718,881)	(836,475)
	\$ 634,990	\$ (2,242,828)

11. NET ASSETS:

Net assets consist of:

	December 31,	
	2009	2008
Unrestricted:		
Undesignated:		
Undesignated	\$ 5,256,208	\$ 5,498,304
Unfunded employee benefit obligations (Note 14)	(8,832,610)	(8,637,979)
	(3,576,402)	(3,139,675)
Designated:		
Minimum state required annuity reserves	1,454,802	792,129
Equity in land, buildings, and equipment	8,868,124	8,783,277
Total unrestricted net assets	\$ 6,746,524	\$ 6,435,731

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11. NET ASSETS, continued:

Net assets consist of:

	December 31,	
	2009	2008
Temporarily restricted:		
Specified purpose:		
Designated for future ministry activities:		
Missionary equipment	\$ 404,478	\$ 430,423
Radio Bible	44,377	93,142
Radio Church Kits	475,181	879,343
Europe projects	474,128	538,209
Benin Station	-	69,399
Asia projects	108,759	419,245
Africa projects	247,616	150,267
Americas projects	124,581	148,043
Women's ministry	325,420	339,351
Children and youth ministry	412,591	507,422
HIV/AIDS and health issues ministry	294,775	265,966
Oral communicators ministry	330,936	242,147
Leadership development ministry	1,129,941	927,120
Other	310,426	161,247
	4,683,209	5,171,324
Life income:		
Charitable remainder trusts (Note 10)	758,759	659,592
Other	207,505	200,365
	\$ 5,649,473	\$ 6,031,281
Permanently restricted:		
Perpetual trusts and other endowments designated for operations	\$ 3,867,750	\$ 3,426,765

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12. LINE OF CREDIT:

TWR maintains a line of credit at a North Carolina financial institution. As of December 31, 2009, this line permitted TWR to borrow up to \$1,000,000. 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 the prime lending rate of the issuing bank. As of December 31, 2009 and 2008, 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, 2009, the carrying value of the related equipment and the accumulated amortization recorded for the assets acquired via capital leases were:

Equipment	\$	338,264
Less accumulated amortization		(124,030)
		\$ 214,234

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, 2009, are as follows:

<u>Years Ending December 31,</u>	<u>Capital leases</u>	<u>Operating leases</u>
2010	\$ 80,424	\$ 154,229
2011	13,405	88,862
2012	-	40,348
	93,829	\$ 283,439
Less amount representing interest	(3,995)	
Present value of net minimum capital lease payment	89,834	
Less current installments of obligations under capital leases	(76,547)	
Obligations under capital leases, excluding current installments	\$ 13,287	

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13. COMMITMENTS, continued:

LEASE AGREEMENTS, continued

Rental expenses pertaining to the agreements noted above were \$288,849 and \$482,125 for the years ended December 31, 2009 and 2008, 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

As of December 31, 2008, TWR maintained a money purchase retirement plan. U.S. employees were eligible to participate after one year of service. Participants were required to contribute 2% of base salary to the plan. Based on field assignment, TWR would then contribute 4% or 6% of the participants' base salary to the plan. Participants could make additional voluntary contributions. TWR contributed \$238,293 to this plan for the year ended December 31, 2008.

Early in 2009, TWR terminated the money purchase retirement plan and transferred all of its assets to a new 401(k) plan. To participate in the 401(k) plan, employees working in the U.S. must contribute a portion of their base salary. TWR provides a 50% match for employees contributing up to 6% of their base salary.

For U.S. missionaries serving outside the U.S., TWR contributes 9% of the missionaries' U.S. base pay rate. Missionaries may make additional, voluntary contributions.

TWR contributed \$224,352 in matching contributions to the 401(k) plan for the year ended December 31, 2009. In light of changes to the ad hoc retirement plan mentioned below, the Board approved an additional special contribution of \$426,402 during the year ended December 31, 2009.

For both plans, employee contributions vest at time of payment. TWR's contribution becomes fully vested after three years of service. Employees may start contributions from the date of their employment. TWR begins matching an employee's contributions after the employee has one year of service.

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14. EMPLOYEE BENEFIT OBLIGATIONS, continued:

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. In 2007, the Board froze the plan to any additional participants. As of December 31, 2009 and 2008, 72 and 75 employees or surviving spouses, respectively, were receiving these benefits.

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 the Compensation-Retirement Benefits Topic of the FASB ASC. The following table sets forth the amounts recognized in the combined statements of financial position:

	Pension Benefits		Retiree Welfare Benefits	
	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation, January 1	\$ 3,320,517	\$ 3,530,200	\$ 5,317,462	\$ 5,306,155
Interest cost	179,301	191,615	295,783	306,894
Actuarial gain	342,182	18,438	161,781	67,445
Benefits paid	<u>(405,349)</u>	<u>(419,736)</u>	<u>(379,067)</u>	<u>(363,032)</u>
Benefit obligation, December 31	<u>\$ 3,436,651</u>	<u>\$ 3,320,517</u>	<u>\$ 5,395,959</u>	<u>\$ 5,317,462</u>

Components of net periodic benefit costs for year ended December 31, 2009 and 2008, are as follows:

	Pension Benefits		Retiree Welfare Benefits	
	2009	2008	2009	2008
Components of Net Periodic Benefit Cost:				
Interest cost	\$ 179,301	\$ 191,615	\$ 295,783	\$ 306,894
Amortization of unrecognized prior service cost	240,506	240,506	348,234	348,234
Amortization of unrecognized net gain	<u>72,036</u>	<u>68,192</u>	<u>45,557</u>	<u>36,760</u>
Net periodic pension cost	<u>\$ 491,843</u>	<u>\$ 500,313</u>	<u>\$ 689,574</u>	<u>\$ 691,888</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, 2009 and 2008 include:

	Pension Benefits		Retiree Welfare Benefits	
	2009	2008	2009	2008
Discount rate	5.75%	5.75%	5.75%	5.75%
Average life expectancy of participants	12 years	11 years	12 years	13 years

Furthermore for purposes of calculating the benefit obligation for the post-retirement other benefit component, TWR assumed an initial 9% and 8% health care cost trend for participants for 2009 and 2008, respectively, decreasing to 5% by the year 2011. If TWR experienced an additional 1% increase, it would result in an approximately \$425,000 in additional liability calculated as of December 31, 2009.

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

	December 31,	
	2009	2008
Employee benefit obligation (including pension and retiree welfare benefits)	\$ 8,832,610	\$ 8,637,979
Less current portion	(852,618)	(820,890)
Employee benefit obligation—net of current portion	\$ 7,979,992	\$ 7,817,089

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

Years Ending December 31,	Pension Benefits	Retiree Welfare Benefits
2010	\$ 422,690	\$ 429,928
2011	408,616	455,475
2012	393,063	461,141
2013	376,114	461,493
2014	357,915	459,977
Thereafter	1,485,194	2,205,641
	\$ 3,443,592	\$ 4,473,655

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15. CONCENTRATIONS:

A small number of broadcasters represent 67% and 59% of total broadcast revenue for the years ended December 31, 2009 and 2008, respectively.

16. RELATED PARTY TRANSACTIONS:

Income provided by affiliated organizations (as described in Note 1) approximated \$2,714,280 and \$3,079,000 plus approximately \$1,158,987 and \$994,000 in contributed services for the years ended December 31, 2009 and 2008, respectively.

Grants to affiliated organizations and payments for services rendered approximated \$5,266,139 and \$4,444,000 for the years ended December 31, 2009 and 2008, 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, 2009 and 2008, respectively.

17. FAIR VALUE MEASUREMENTS:

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification 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 are 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 fair value hierarchy in which the fair value measurements fall at December 31, 2009:

	Total	Fair Value Measurements Using:		
		(Level 1)	(Level 2)	(Level 3)
<b>Investments:</b>				
Certificates of deposit	\$ 300,000	\$ -	\$ 300,000	\$ -
Corporate stock	\$ 987,230	\$ 974,230	\$ 13,000	\$ -
Government bonds	\$ 64,059	\$ 64,059	\$ -	\$ -
Mutual funds	\$ 3,081,960	\$ 3,081,960	\$ -	\$ -
Cash surrender value of life insurance policy	\$ 11,281	\$ -	\$ 11,281	\$ -
Beneficial interest in real estate	\$ 188,067	\$ -	\$ -	\$ 188,067
Beneficial interest in trust	\$ 43,157	\$ -	\$ -	\$ 43,157
Interest in foreign limited partnership	\$ 90,000	\$ -	\$ -	\$ 90,000
Foreign currency exchange contract asset	\$ 32,928	\$ -	\$ 32,928	\$ -
<b>Trust assets:</b>				
Cash and cash equivalents	\$ 143,837	\$ 143,837	\$ -	\$ -
Corporate stock	\$ 377,248	\$ 377,248	\$ -	\$ -
Government securities	\$ 25,670	\$ 25,670	\$ -	\$ -
Mutual funds	\$ 2,297,691	\$ 2,297,691	\$ -	\$ -
<b>Assets held in perpetual trusts:</b>				
Cash and cash equivalents	\$ 200,568	\$ -	\$ 200,568	\$ -
Corporate stock	\$ 1,891,602	\$ 66,672	\$ 1,824,930	\$ -
Government securities	\$ 799,711	\$ -	\$ 799,711	\$ -
Mutual funds	\$ 975,869	\$ -	\$ 975,869	\$ -
<b>Support:</b>				
Contributed services	\$ 1,158,987	\$ -	\$ -	\$ 1,158,987

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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 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

	Total	Fair Value Measurements Using:		
		(Level 1)	(Level 2)	(Level 3)
<b>Investments:</b>				
Certificates of deposit	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -
Corporate stock	\$ 1,234,981	\$ 1,214,981	\$ 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)	\$ -
<b>Trust assets:</b>				
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	\$ -	\$ -
<b>Assets held in perpetual trusts:</b>				
Cash and cash equivalents	\$ 317,338	\$ -	\$ 317,338	\$ -
Corporate stock	\$ 1,366,466	\$ 74,242	\$ 1,292,224	\$ -
Government securities	\$ 849,004	\$ -	\$ 849,004	\$ -
Mutual funds	\$ 893,956	\$ -	\$ 893,956	\$ -
<b>Support:</b>				
Contributed services	\$ 994,492	\$ -	\$ -	\$ 994,492

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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 it 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% discount rate. The interest in foreign limited partnership is based on TWR's interest established by the initial partnership agreement. Contributed services are estimated by a National Partner based on actual salaries and benefits paid. 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, 2009	\$ 153,067	\$ 37,132	\$ 90,000	\$ 280,199
Total gains or losses (realized and unrealized) included in changes in net assets available for benefits	-	6,025	-	6,025
Purchases, sales, issuances, and settlements, net	35,000	-	-	35,000
Change in value of split-interest agreements	-	-	-	-
Payment from charitable remainder trust	-	-	-	-
Balance, December 31, 2009	<u>\$ 188,067</u>	<u>\$ 43,157</u>	<u>\$ 90,000</u>	<u>\$ 321,224</u>

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

**Notes to Combined Financial Statements**

December 31, 2009 and 2008

17. FAIR VALUE MEASUREMENTS, continued:

	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>
For the year ended 2009:				
	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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Notes to Combined Financial Statements**

December 31, 2009 and 2008

17. FAIR VALUE MEASUREMENTS, continued:

For the year ended 2008:

	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.

18. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

19. NEW ACCOUNTING PRONOUNCEMENTS:

The FASB Accounting Standards Codification™ (ASC) became the single source of authoritative non-SEC U.S. GAAP for nongovernmental entities with the issuance of FASB Statement 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*—a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 modified the hierarchy of GAAP into two levels, authoritative and nonauthoritative. Following SFAS 168, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, the FASB will issue Accounting Standards Updates, which will serve only to update the ASC.

On January 1, 2009, TWR adopted the new provisions of the Uncertainty Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2009, TWR had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.