NATIONAL OSTEOPOROSIS FOUNDATION

Financial Statements

For the Year Ended December 31, 2008
(With Summarized Financial Information for the Year Ended December 31, 2007)

and
Report Thereon

RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
National Osteoporosis Foundation

We have audited the accompanying statement of financial position of the National Osteoporosis Foundation (the Foundation) as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2007 financial statements and, in our report dated May 16, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Raffa, P.C.

RAFFA, P.C.

Washington, DC
June 29, 2009

NATIONAL OSTEOPOROSIS FOUNDATION

STATEMENT OF FINANCIAL POSITION
December 31, 2008
(With Summarized Financial Information as of December 31, 2007)

	2008	2007
ASSETS		
Cash and cash equivalents	$ 279,770	$ 783,859
Accounts receivable	222,883	466,301
Grants and contributions receivable	982,182	491,180
Investments	1,193,331	2,514,284
Prepaid expenses	163,294	139,618
Segregated bond reserve funds	154,096	149,671
Cash surrender value of life insurance	18,994	19,523
Bond issuance costs, net of accumulated amortization of $22,977 and $20,558	49,582	52,001
Inventory	83,020	81,378
Property and equipment, net	5,262,230	5,414,317
TOTAL ASSETS	$ 8,409,382	$ 10,112,132
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 518,213	$ 417,795
Deferred revenue	240,290	62,731
Bonds payable	3,415,000	3,530,000
Interest rate swap contract	518,378	312,730
Bank line of credit payable	500,000	-
Capital lease obligations	39,453	56,145
Total Liabilities	5,231,334	4,379,401
NET ASSETS		
Unrestricted	1,303,369	4,143,052
Temporarily restricted	1,694,667	1,409,667
Permanently restricted	180,012	180,012
Total Net Assets	3,178,048	5,732,731
TOTAL LIABILITIES AND NET ASSETS	$ 8,409,382	$ 10,112,132

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

NATIONAL OSTEOPOROSIS FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008
(With Summarized Financial Information for the Year Ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
REVENUE AND SUPPORT					
Grants and contributions	$ 1,914,947	$ 381,818	$ -	$ 2,296,765	$ 2,827,790
Legacies and bequests	241,205	802,055	-	1,043,260	295,773
Special events, net of direct benefits of $128,512 and $133,122	705,280	147,453	-	852,733	2,134,047
Federal grants and contracts	306,821	-	-	306,821	523,304
Royalty and educational income	288,939	-	-	288,939	421,521
Publications sales	206,983	-	-	206,983	92,216
Membership dues	132,210	-	-	132,210	90,310
Donated services and materials	118,916	-	-	118,916	775,652
Rental income	80,468	-	-	80,468	180,853
Miscellaneous income	39,523	-	-	39,523	51,587
Unrealized loss on interest rate swap	(205,648)	-	-	(205,648)	(74,010)
Investment income (loss)	(442,531)	-	-	(442,531)	151,035
Net assets released from restrictions:					
Satisfaction of program restrictions	984,076	(984,076)	-	-	-
Satisfaction of time restrictions	62,250	(62,250)	-	-	-
TOTAL REVENUE AND SUPPORT	4,433,439	285,000	-	4,718,439	7,470,078
EXPENSES					
Program Services					
Patient education	1,299,665	-	-	1,299,665	992,507
Professional education	1,206,560	-	-	1,206,560	1,371,997
Public policy	683,174	-	-	683,174	616,149
Communications	643,602	-	-	643,602	1,824,008
Research	295,671	-	-	295,671	205,464
Membership	290,361	-	-	290,361	-
National Resource Center	288,362	-	-	288,362	482,233
Total Program Services	4,707,395	-	-	4,707,395	5,492,358
Supporting Services					
Fundraising	2,033,109	-	-	2,033,109	1,809,918
Management and general	532,618	-	-	532,618	562,575
Total Supporting Services	2,565,727	-	-	2,565,727	2,372,493
TOTAL EXPENSES	7,273,122	-	-	7,273,122	7,864,851
CHANGE IN NET ASSETS	(2,839,683)	285,000	-	(2,554,683)	(394,773)
NET ASSETS, BEGINNING OF YEAR	4,143,052	1,409,667	180,012	5,732,731	6,127,504
NET ASSETS, END OF YEAR	$ 1,303,369	$ 1,694,667	$ 180,012	$ 3,178,048	$ 5,732,731

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

NATIONAL OSTEOPOROSIS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008
(With Summarized Financial Information for the Year Ended December 31, 2007

	Program Services								Supporting Services				
	Patient Education	Professional Education	Public Policy	Communications	Research	Membership	National Resource Center	Total Program Services	Fundraising	Management and General	Total Supporting Services	2008 Total	2007 Total
Personnel-related expenses	$ 498,913	$ 531,343	$ 291,387	$ 289,820	$ 35,785	$ 150,230	$ 44,644	$ 1,842,122	$ 400,449	$ 72,536	$ 472,985	$ 2,315,107	$ 2,260,641
Professional fees and expenses	340,262	210,670	169,905	96,936	4,713	33,987	75,037	931,510	259,566	25,224	284,790	1,216,300	1,347,737
Printing, publications and promotion	171,115	128,398	88,129	104,909	1,217	49,200	119,752	662,720	516,773	6,514	523,287	1,186,007	1,730,342
Postage, mailing and shipping	45,094	56,964	4,154	61,979	140	29,614	355	198,300	519,757	693	520,450	718,750	773,048
Conferences, conventions and events	110,332	173,420	68,091	17,143	3,160	3,622	25,198	400,966	192,957	16,706	209,663	610,629	655,529
Occupancy, maintenance and insurance	73,570	54,147	30,659	28,883	13,269	13,031	12,941	226,500	75,069	121,103	196,172	422,672	388,706
Interest and other	5,604	5,809	2,345	2,700	1,011	992	986	19,447	11,741	220,427	232,168	251,615	263,534
Research grants and awards	-	-	-	-	227,107	-	-	227,107	-	-	-	227,107	212,654
Depreciation and amortization	38,369	28,239	15,989	15,063	6,920	6,796	6,749	118,125	39,151	57,199	96,350	214,475	132,695
Supplies, telephone and internet	16,406	17,570	12,515	26,169	2,349	2,889	2,700	80,598	17,646	12,216	29,862	110,460	99,965
TOTAL EXPENSES	$ 1,299,665	$ 1,206,560	$ 683,174	$ 643,602	$ 295,671	$ 290,361	$ 288,362	$ 4,707,395	$ 2,033,109	$ 532,618	$ 2,565,727	$ 7,273,122	$ 7,864,851

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

NATIONAL OSTEOPOROSIS FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008
(With Summarized Financial Information for the Year Ended December 31, 2007)
Increase (Decrease) in Cash and Cash Equivalents

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,554,683)	$ (394,773)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Net realized and unrealized loss on investments	516,209	22,918
Unrealized loss on interest rate swap	205,648	74,010
Donation of securities	(7,206)	(35,577)
Loss on disposal of fixed assets	-	-
Contributions restricted for endowments	-	(100,000)
Depreciation and amortization	214,475	212,654
Changes in assets and liabilities:		
Accounts receivable	243,418	(96,684)
Grant and contributions receivable	(491,002)	294,653
Prepaid expenses	(23,676)	125,213
Cash surrender value of life insurance	529	499
Inventory	(1,642)	(479)
Accounts payable and accrued expenses	100,418	43,055
Deferred revenue	177,559	(317,960)
NET CASH USED IN OPERATING ACTIVITIES	(1,619,953)	(172,471)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(59,969)	(23,061)
Proceeds from sales of investments	1,247,234	147,121
Purchases of investments	(435,284)	(1,066,252)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	751,981	(942,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(16,692)	(15,206)
Increase in segregated bond reserve funds	(4,425)	(6,317)
Contributions restricted for endowments	-	100,000
Principal payments on bonds	(115,000)	(110,000)
Proceeds from line of credit	500,000	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	363,883	(31,523)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(504,089)	(1,146,186)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	783,859	1,930,045
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 279,770	$ 783,859
NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment purchased under a capital lease	$ -	$ -
Obligation incurred under a capital lease	-	-
Net Cash Outlay	$ -	$ -
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 181,497	$ 174,023
Donated stock	$ 7,206	$ 35,577

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

1. Organization and Summary of Significant Accounting Policies

Organization

The National Osteoporosis Foundation (the Foundation) is America's only national nonprofit, voluntary health organization dedicated to reducing the widespread prevalence of osteoporosis through programs of research, education and advocacy. Founded in 1986, the Foundation has become the leading authority for patients, health professionals, and the public for osteoporosis information, programs, and services. The Foundation is supported primarily by grants and contributions from foundations, corporations, individuals, the government and fundraising events.

Cash and Cash Equivalents

The Foundation considers its overnight sweep account and all highly liquid investments with an original maturity of three months or less as cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management closely monitors outstanding balances and writes off balances that are deemed uncollectible, if any. Consequently, no bad debt allowance has been recorded.

Investments

Investments consist of corporate bonds, mutual funds and equities. Investments are reflected in the financial statements at fair value. Purchases and sales of investments are recorded on a trade date basis. Investment income is recorded as an increase in unrestricted net assets, unless restricted by donor or law. Investment securities are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in investment values will occur in the near term, and such changes could affect balances and amounts reported in the accompanying statement of financial position.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Foundation reviews its carrying value of long-lived assets such as its building and property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There has been no impairment loss recognized as of December 31, 2008.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost or, if donated, at the fair value on the date of the donation. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the respective asset. Equipment under a capital lease is amortized over the term of the lease. Depreciation is computed using the following estimated useful lives: building and improvements, 30 years; furniture and fixtures, 5-7 years; and office equipment, 3-5 years. When assets are retired or sold, any gain or loss arising from such disposition is included as income or expense. Expenditures for repairs and maintenance are expensed as incurred.

Deferred Revenue

Deferred revenue consists of prepaid conference fees, special events fees, and rental income for the following fiscal year. Conference and special events fees are recognized in the year the event takes place.

Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Foundation's general operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various programs or for future periods.
- Permanently restricted net assets represent the portion of net assets subject to donor-imposed stipulations that the gift be maintained in perpetuity by the Foundation. The donors of these assets permit the Foundation to use all of the income earned on related investments for specific purposes.

Accounting for Derivatives

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended.* The interest rate swap is recognized in the statement of financial position at its fair value. The change in the fair value of the interest rate swap is recognized in the statement of activities.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Foundation reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When a donor restriction is fulfilled in the same year as the contribution is received, the contribution is recognized as unrestricted support.

Wills are recorded as legacies and bequests revenue upon death after the probate courts declare the wills to be valid and the proceeds are measurable.

Special events revenue is recognized in the year in which the related events are held. Amounts collected for future events are classified as deferred revenue in the accompanying statement of financial position.

The Foundation has a contract with the United States government in exchange for services. Revenue from the federal contract is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs and is reported as federal grants and contracts in the accompanying statement of activities. Revenue recognized on the contract for which payments have not been received is included in grants and contributions receivable in the accompanying statement of financial position.

Donated Services and Materials

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that are provided by individuals possessing specialized skills are recorded at fair value in the period received if such services would typically be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services directly benefited, or upon management's estimates of the proportion of these costs applicable to each function.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from bequests, a charitable remainder annuity trust and individual pledges and are scheduled to be received as follows:

Within 1 year	$ 892,514
Within 2 to 5 years	50,000
Thereafter	39,668
Total	$ 982,182

All amounts are considered fully collectible.

3. Investments

The Foundation's investments consist of the following at December 31, 2008:

	Fair Value
Equity mutual funds	$ 710,270
Corporate bonds	309,906
Fixed income mutual funds	173,155
Total	$ 1,193,331

Investment income (loss) consists of the following for the year ended December 31, 2008:

Interest and dividends	$ 77,220
Transaction fees	(3,542)
Net realized and unrealized loss	(516,209)
Total investment income (loss)	$ (442,531)

Interest income includes $38,007 earned from cash equivalents.

Continued

4. Property and Equipment and Accumulated Depreciation and Amortization

The Foundation held the following property and equipment as of December 31, 2008:

Building and improvements	$ 5,021,912
Land	1,663,000
Office equipment including equipment under capital leases	515,183
Furniture and fixtures	133,539
Total property and equipment	7,273,664
Accumulated depreciation and amortization	(2,071,404)
Property and equipment, net	$ 5,262,230

5. Temporarily Restricted Net Assets

As of December 31, 2008 temporarily restricted net assets were available for the following purposes:

Time restricted	$ 886,920
Education and research programs	660,294
Special events	147,453
Total temporarily restricted net assets	$ 1,694,667

6. Permanently Restricted Net Assets

The Foundation's endowment consists of donor-restricted endowment funds which are shown as permanently restricted net assets in the accompanying financial statements. As of December 31, 2008 the permanently restricted net assets totaled $180,012 and the income earned on these nets assets is restricted by the donor. The Shou Mei Hu – Cecelia Wu Kojima Fund totaled $80,012 and the restricted income is for medical and scientific research related to the prevention, cure, and/or treatment of osteoporosis. The Dr. Burton Spiller Fund for Bone Health Research totaled $100,000, of which $10,331 has been received as of December 31, 2008. The restricted income is for medical research regarding bone health and bone research grants.

During the year ended December 31, 2008, there were investment gains on these funds totaling $3,388, which have been recorded as an increase in unrestricted net assets. Investment earnings on endowment funds are expended for the restricted purpose required in the year earned.

Continued

6. Permanently Restricted Net Assets (continued)

In August 2008, the Financial Accounting Standards Board issued Staff Position (FSP) Financial Accounting Standard (FAS) No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The Foundation adopted FSP-117-1 effective January 1, 2008. As required by generally accepted accounting principals, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

7. Bonds Payable and Event of Default

The purchase of the Foundation's headquarters building located at 1232 22nd Street, N.W., Washington, DC, was financed principally with the proceeds of January 1999 District of Columbia Pooled Loan Program Revenue Bonds, Series A, in the amount of $4,500,000. The bonds, with principal maturities due semi-annually over 30 years, have a weekly variable interest rate based on the London Inter-Bank Offer Rate (LIBOR).

The Foundation is required to maintain reserve funds for principal, interest and bond related expenses. The balance of these segregated reserves at December 31, 2008 was $154,096.

The bonds are collateralized by an irrevocable letter of credit held with the bank (the Bank) that allows borrowings up to $3,570,619. The letter of credit fee accrues on outstanding balances at a rate of 0.90% per annum. The letter of credit which originally matured on July 31, 2009 was extended subsequent to year end to a maturity date of October 31, 2009.

7. Bonds Payable and Event of Default (continued)

Because market risks arise from movements in interest rates, the Foundation entered into an interest rate swap agreement with the Bank in 1999 that effectively exchanged the bonds' weekly variable interest rate for a fixed interest rate of 4.4% to reduce interest rate volatility on the bonds. The difference to be paid or received varies as short-term interest rates change and is accrued and recognized as an adjustment to interest expense. Total interest expense on the bonds payable under the interest rate swap was $164,889 for the year ended December 31, 2008 and is included in interest and other expenses in the accompanying statement of functional expenses.

The Foundation's credit risk is limited to the fair market value of the interest rate swap liability, which was $518,378 at December 31, 2008. The interest rate swap matures on May 15, 2014.

The bonds require the Foundation to meet certain financial covenants. An event of default has occurred under the loan agreement as a result of the failure to maintain a debt service coverage ratio of at least 1.10 to 1.00 for two consecutive fiscal years. The Foundation was not in compliance for 2007 and for the year ended December 31, 2008. Consequently, subsequent to year end, the Bank declared the debt in default and requested that the Foundation repay all of its obligations in full by July 31, 2009. The Bank waived the covenant default subject to all the terms and conditions of a signed forbearance agreement dated March 12, 2009. This agreement between the Bank and the Foundation requires the Foundation to provide to the Bank a fully executed agreement with a third party for the purchase or exchange of the Foundation's building, which will provide the Foundation with sufficient cash to repay the obligations to the Bank in full and, required a firm closing date on or prior to June 30, 2009. On June 1, 2009, the Bank provided a 90 day extension of the termination date through September 30, 2009 pursuant to the Foundation's obtainment of offers for the purchase of the building. The extension includes a clause whereby the Bank may terminate the forbearance agreement if the Foundation has not closed on the sale of the building prior to August 15, 2009. As of June 2009, the Foundation has signed a letter of intent with a potential buyer which includes a purchase price that exceeds the Foundation's obligations to the Bank. Under the terms of the letter of intent, the Foundation may not enter into any other contract with a potential buyer during the thirty day period following the execution of the letter of intent. Management believes that the Foundation will succeed in its efforts to sell the building in accordance with the terms of the forbearance agreement. As a result, management does not believe this situation will have an adverse impact on the long-term viability of the Foundation.

The Foundation also did not meet the covenant to submit audited financial statements and a compliance certificate to the Bank by May 31, 2009, and was granted a waiver and extension from the Bank until June 30, 2009.

Continued

8. Bank Line of Credit

As of December 31, 2008, the Foundation has a $1,000,000 revolving line of credit agreement with the same Bank, which expires on July 31, 2009. Interest on borrowings is computed using the Bank's prime rate, which was 3.25% as of December 31, 2008. The outstanding balance on the line of credit was $500,000 as of December 31, 2008. Effective January 2009 the line of credit was frozen at $500,000 as part of the forbearance agreement described in Note 7. Under this agreement, the Foundation was required to pledge all of its investments to the Bank to collateralize its obligations.

9. Research Grants

During 2008, the Foundation made commitments to provide grants to various researchers. Outstanding commitments, which are included in accounts payable and accrued expenses in the accompanying statement of financial position, totaled $113,107 as of December 31, 2008.

10. Retirement Plans

The Foundation sponsors a tax-deferred annuity plan covering all employees who have completed a year of service by the entry date of the Plan. Employer contributions to the Plan are discretionary and vest 25% after each full year of employment. The Plan has a three-tiered employer contributions rate schedule based on years of service with a percentage rate to be determined annually by the Board. The Board of Directors did not approve contributions to the plan for the year ended December 31, 2008.

Continued

11. Capital Lease Obligations

The Foundation leases certain office equipment under capital lease agreements, the last of which expires in December 2011. This equipment is included in property and equipment at a cost of $83,713 with accumulated amortization of $48,009 as of December 31, 2008. The future minimum lease payments required under the capital leases as of December 31, 2008 are as follows:

For the Years Ending December 31,	
2009	$ 21,286
2010	20,216
2011	2,114
Total future minimum lease payments	43,616
Less: amount representing interest	(4,163)
Present value of net minimum lease payments	$ 39,453

12. Allocation of Joint Costs

The Foundation conducts activities that include requests for contributions as well as program and management and general components. Those activities include direct mail campaigns and special events. The costs of conducting those activities for the year ended December 31, 2008 included joint costs which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

Fundraising	$ 470,168
Program	339,711
Management and general	37,350
Total joint costs	$ 847,229

13. Fair Value Measurements

The Foundation adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157) for financial assets and liabilities measured on a recurring basis, effective January 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FAS

13. Fair Value Measurements (continued)

157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FAS 157 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FAS 157 are described as follows:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets or quoted prices in markets that are not active.

Level 3 - unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

Continued

13. Fair Value Measurements (continued)

The following table summarizes the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008, aggregated by the fair value hierarchy level within which those measurements were made.

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equity mutual funds	$ 710,270	$ 710,270	$ -	$ -
Fixed income mutual funds	173,155	173,155	-	-
Corporate bonds	309,906	-	309,906	-
Segregated bond reserve funds - money market funds	154,096	154,096	-	-
Cash surrender value of life insurance	18,994	-	18,994	-
Total Assets	$ 1,366,421	$ 1,037,521	$ 328,900	$ -
Liabilities:				
Interest Rate Swap Agreement	$ 518,378	$ -	$ 518,378	$ -
Total Liabilities	$ 518,378	$ -	$ 518,378	$ -

The Foundation used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Equity and Fixed Income Mutual Funds and Money Market Funds – Where quoted prices are available in an active market for identical assets, investments are classified within Level 1 of the valuation hierarchy.

Continued

13. Fair Value Measurements (continued)

Corporate Bonds – The Foundation uses quoted market prices for similar assets in an active market.

Cash Surrender Value of Life Insurance – The fair value is determined by the insurance company based on the amount the Foundation would receive upon termination of the life insurance policy.

Interest Rate Swap Agreement – The Foundation has entered into an interest rate swap agreement with a financial institution to limit its exposure to changes in interest rates on tax exempt bonds which have variable rates. The interest rate swap holds a negative net fair value, inclusive of net accrued interest payments or receipts, and is recorded in liabilities. The fair value of the interest rate swap agreement is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves, therefore the Foundation has determined this liability to be classified in Level 2 of the fair value hierarchy. To comply with the provisions of SFAS No. 157, the Foundation incorporates credit valuation adjustments to appropriately reflect its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

14. Related Parties

Certain members of the Board of Trustees are employees of law firms providing legal services to the Foundation. Fees paid to the law firms totaled $84,681 during 2008 of which $2,245 is included in accounts payable in the accompanying statement of financial position. Additionally, a certain member of the Board of Trustees is the employee of a brokerage firm which holds one of the Foundation's investment accounts. No fees are paid to the firm beyond trading commissions. The member has no discretionary trading authority.

Continued

15. Income taxes

The Foundation is exempt under section 501(c)(3) of the Internal Revenue Code. The Foundation has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Foundation files Federal Forms 990 and 990-T tax returns in the U.S. federal jurisdiction and in various states. The Foundation adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007. Management of the Foundation believes that the Foundation has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax.

16. Reclassifications

Certain reclassifications have been made to the 2007 financial statement balances to conform to the 2008 financial statement presentation.

17. Subsequent Event

Subsequent to December 31, 2008, continued volatility in the financial and credit markets, both U.S. and international, have affected certain assets of the Foundation. Management continues to closely monitor related events and make appropriate adjustments, if any, to its investment portfolio and operations accordingly.