

Magazine Publishers of America

**Financial Statements
December 31, 2008 and 2007**

Independent Auditor's Report

The Board of Directors
Magazine Publishers of America

We have audited the accompanying statement of financial position of Magazine Publishers of America (the "Association") as of December 31, 2008 and December 31, 2007 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Condon O'Meara McGinty & Donnelly LLP

March 11, 2009

Magazine Publishers of America
Statements of Financial Position
December 31, 2008 and 2007

(in thousands)

	2008	2007
Assets		
Cash and cash equivalents	\$ 3,793.1	\$ 3,993.7
Investments	4,191.4	5,164.5
Accounts receivable, net of allowance for doubtful accounts; \$298.8 - 2008 and \$175.1 - 2007	770.6	544.7
Other current assets	383.0	366.1
Fixed assets, net	1,190.0	1,347.9
Total assets	<u>\$ 10,328.1</u>	<u>\$ 11,416.9</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 149.4	\$ 413.7
Accrued expenses	746.0	831.8
Deferred revenue	1,357.5	1,532.4
Deferred rent	874.5	1,010.0
Total liabilities	<u>3,127.4</u>	<u>3,787.9</u>
Unrestricted net assets	<u>7,200.7</u>	<u>7,629.0</u>
Total liabilities and net assets	<u>\$ 10,328.1</u>	<u>\$ 11,416.9</u>

The accompanying notes are an integral part of these financial statements

Magazine Publishers of America
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2008 and 2007

(in thousands)

	2008		2007	
	Unrestricted	Unrestricted	Temporarily Restricted	Total
Revenues				
Member dues	\$ 10,074.3	\$ 10,658.9	\$ -	\$ 10,658.9
Publishers Information Bureau dues and royalties	1,379.5	1,383.1	-	1,383.1
American Society of Magazine Editors	1,361.6	1,299.5	-	1,299.5
Events	1,618.8	1,579.4	-	1,579.4
Member services	473.9	681.3	-	681.3
Advertising marketing	95.6	138.7	-	138.7
Magazine Marketing Coalition	-	-	460.0	460.0
Investment income, net	210.0	337.1	-	337.1
Other	0.4	27.4	-	27.4
	15,214.1	16,105.4	460.0	16,565.4
Satisfaction of program restrictions	-	460.0	(460.0)	-
Total revenues	15,214.1	16,565.4	-	16,565.4
Expenses				
Advertising marketing and research	3,324.8	2,348.2	-	2,348.2
Magazine Marketing Coalition	-	2,679.9	-	2,679.9
Government Affairs	1,782.5	1,924.0	-	1,924.0
Consumer marketing	861.3	639.0	-	639.0
Events	1,644.4	1,683.1	-	1,683.1
American Society of Magazine Editors	1,370.0	1,244.1	-	1,244.1
General and administrative	3,223.6	3,112.5	-	3,112.5
Communications & information center	846.4	878.3	-	878.3
Member services	904.2	1,011.2	-	1,011.2
Human resources and diversity	269.5	166.0	-	166.0
Committees and other	120.8	193.0	-	193.0
Depreciation expense	291.0	321.3	-	321.3
Amortization of deferred rent	(88.9)	(88.9)	-	(88.9)
Total expenses	14,549.6	16,111.7	-	16,111.7
Net realized gain (loss) on sale of investments	(169.6)	171.3	-	171.3
Net unrealized gain (loss) on investments	(923.2)	68.6	-	68.6
Change in unrestricted net assets	(428.3)	693.6	-	693.6
Unrestricted Net Assets				
Beginning of year	7,629.0	6,935.4	-	6,935.4
End of year	\$ 7,200.7	\$ 7,629.0	\$ -	\$ 7,629.0

The accompanying notes are an integral part of these financial statements

Magazine Publishers of America
Statements of Cash Flows
Years Ended December 31, 2008 and 2007

(in thousands)

	2008	2007
Cash flows from operating activities		
Changes in unrestricted net assets	\$ (428.3)	\$ 693.6
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	291.0	321.3
Provision for doubtful accounts	78.1	62.3
Net realized (gain) loss on sale of investments	169.6	(171.3)
Net unrealized (gain) loss on investments	923.2	(68.6)
Amortization of deferred rent	(88.9)	(88.9)
(Increase) in accounts receivable	(304.0)	(175.7)
(Increase) in current assets	(16.9)	(63.5)
(Decrease) in accounts payable and accrued expenses	(350.1)	(243.0)
(Increase) in deferred rent	(46.6)	(28.2)
(Increase)/decrease in deferred revenue	<u>(174.9)</u>	<u>1,305.2</u>
Net cash provided by operating activities	<u>52.2</u>	<u>1,543.2</u>
Cash flows from investing activities		
Purchases of fixed assets	(133.1)	(153.4)
Purchases of investments	(3,923.7)	(1,824.5)
Proceeds from sales of investments	<u>3,804.0</u>	<u>1,473.0</u>
Net cash (used by) investing activities	<u>(252.8)</u>	<u>(504.9)</u>
Net increase (decrease) in cash and cash equivalents	(200.6)	1,038.3
Cash and cash equivalents		
Beginning of year	<u>3,993.7</u>	<u>2,955.4</u>
End of year	<u>\$ 3,793.1</u>	<u>\$ 3,993.7</u>

The accompanying notes are an integral part of these financial statements

Magazine Publishers of America

Notes to Financial Statements

December 31, 2008 and 2007

1. Nature of Business

Magazine Publishers of America, Inc. (the "Association") is a not-for-profit trade association for the consumer magazine industry. Established in 1919, the Association represents domestic and international publishing companies and associate companies and organizations. The Association provides industry expertise, professional development, consumer marketing data and other services to the magazine publishing industry and its members. The Association is headquartered in New York City and has an office in Washington, D.C.

2. Summary of Significant Accounting Policies

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed by the Association are described below:

Revenue

Membership Dues

Membership dues are payable in advance on an annual or quarterly basis and recognized as revenue over the period covered by the membership.

Program Income

The Association collects fees for various programs conducted and services provided, principally related to meetings and events. Such fees are recognized as revenue when the related services are provided or the meeting or event takes place.

Royalties

The Association collects royalties related to the sale of data from the Publisher's Information Bureau ("PIB") to third parties. The Association recognizes revenue as a percentage of the aggregate quarterly sales of PIB data, subject to a guaranteed minimum.

Contributions

Contributions, normally related to special industry-related projects, are recognized as revenue when received.

Expenses

Expenses, including advertising expenses, of the Association are recorded in the period in which they are incurred. Advertising costs were \$0 and \$1,610,717 for the years ended December 31, 2008 and 2007, respectively.

Cash and Cash Equivalents

The Association considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

It is the Association's policy to reflect cash and cash equivalents that are included in a managed portfolio as investments in the statement of financial position.

Magazine Publishers of America
Notes to Financial Statements
December 31, 2008 and 2007

Investments

Investments, maintained in a managed portfolio, are recorded at fair value based on quoted market prices, and unrealized gains and losses are reflected in the statement of activities. Realized gains and losses on investments are recorded on sale and are determined on an actual cost basis. Dividends are recorded as income when received and interest is recorded when earned.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and are depreciated using the straight-line method over their estimated useful lives as follows;

Computer equipment and software	3-5 years
Office equipment	5 years
Furniture and equipment	7 years
Leasehold improvements	5 years

Net Assets

The Association's financial statements are presented in the following net asset classifications:

Unrestricted

Used to account for all resources over which management has discretionary control. Unrestricted net assets also include restricted contributions whose restrictions are met in the same accounting period. At December 31, 2008, all net assets are unrestricted.

Temporarily restricted

Used to account for amounts restricted by the donor for specific purposes. When donor restrictions are met, the temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions. For the year ended December 31, 2008, there were no temporarily restricted net assets.

There are no permanently restricted net assets.

Taxes

The Association is exempt from income taxes under Section 501 (c)(6) of the Internal Revenue Code.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those amounts. Significant estimates are used in determining valuation allowances for uncollectible trade receivables and litigation and other accruals.

Magazine Publishers of America
Notes to Financial Statements
December 31, 2008 and 2007

Concentration of credit risk

The Association's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, accounts receivable and investments. The Association places its cash and cash equivalents with what it believes to be quality financial institutions. At times during the year, the Association cash and cash equivalents in its accounts exceed the FDIC insurance limit. The Association has not experienced any losses in such accounts to date. The Association's investments, which consist of U.S. Treasury obligations, stocks, corporate bonds and cash and cash equivalents, are exposed to various risks such as market volatility, liquidity, interest rates and credit risks. Due to the level of uncertainty related to changes in these risks, it is reasonably possible that these risks could materially affect the fair value of the investments reported on the statement of financial position as of December 31, 2008. The Association's accounts receivable consist primarily of amounts due from members. The Association believes no significant concentration of credit risk exists with respect to its cash, cash equivalents, accounts receivable and investments.

3. Investments

Investments are summarized as follows:

(in thousands)

	December 31			
	2008		2007	
	Cost	Market Value	Cost	Market Value
Common stock	\$2,035.2	\$1,471.1	\$2,184.6	\$2,517.3
Corporate and U.S. Government Bonds	2,225.3	2,233.3	1,904.6	1,939.0
Cash and cash equivalents	487.0	487.0	708.2	708.2
	<u>\$4,747.5</u>	<u>\$4,191.4</u>	<u>\$4,797.4</u>	<u>\$5,164.5</u>

The Association invests in a diverse portfolio of high quality corporate stocks and bonds, U.S. Government securities and short-term demand notes to avoid significant concentrations of market risk.

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Net investment income (interest and dividends) as well as net realized gains on sales of investments is reinvested in the managed portfolio. Total investment return reflected in the accompanying statement of activities is composed of the following:

(in thousands)

	For the Year Ended December 31,	
	2008	2007
Investment income (net of management fees of \$24.0 in 2008 and \$25.3 in 2007) included in revenues	\$ 210.0	\$ 337.1
Net realized gains (losses) on sale of investments reported separately as a change in net assets	(169.6)	171.3
Net unrealized gain (loss) on investments reported separately as a change in net assets	<u>(923.2)</u>	<u>68.6</u>
Total investment return (deficiency)	<u>\$ (882.8)</u>	<u>\$ 577.0</u>

4. Fixed Assets

Fixed assets are summarized as follows:

(in thousands)

	For the Year Ended December 31,	
	2008	2007
Computer equipment and software	\$ 546.9	\$ 556.1
Office equipment	79.1	193.3
Furniture and fixtures	263.4	263.4
Leasehold improvements	<u>1,547.2</u>	<u>1,547.2</u>
	2,436.6	2,560.0
Less: Accumulated depreciation	<u>(1,246.6)</u>	<u>(1,212.1)</u>
	<u>\$ 1,190.0</u>	<u>\$ 1,347.9</u>

During 2008, the Association wrote-off fully depreciated assets totaling \$256,500.

5. Pensions and Benefits

The Association has a defined contribution 401(k) savings plan covering substantially all of the Association's employees. Contributions are made to individual employee accounts each pay period with investment designations made by the employees. The plan is administered by ADP Retirement Services. Employees are not required to make contributions to the plan but are permitted to do so in accordance with IRS regulations.

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All employees become eligible on the first day of the next calendar quarter after completing six months of service. Employees become 50% vested on the first anniversary of their employment and 100% vested on their second anniversary. Under the savings plan, employees may defer a portion of their pre-tax earnings up to the IRS annual contribution limit, \$15,500 in 2008 and 2007. The Association makes defined contributions for eligible employees in the amount of 9% to 11.3% of each employee's eligible compensation regardless of employee contributions. The percentage varies for each individual depending on integration with the annual social security base. During 2008 and 2007 the Association made contributions of \$446,900 and \$432,000, respectively, to the savings plan.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets include the following:

MPA received cash contributions totaling \$460,000 in 2007 from members for the specific purpose of supporting MPA's Magazine Marketing Coalition campaign.

In accordance with the Association's policy, the contributions were recorded as temporarily restricted revenue in the year in which they were made and were released from restriction when expenditures were incurred for the campaign.

This campaign was completed during 2007 and therefore there was no such contributions or related expenses during 2008.

7. Commitments

In November 2003, the Association terminated an operating lease for office space early, incurring a termination payment of \$250,000. The Association entered into a new sublease for office space with the same landlord in May 2003. The termination payment and inducements received from the landlord related to the previous and new office space have been deferred and will be recognized over the life of this lease. Additionally, the lease contains rental escalation clauses that result in deferred rent balances. The net deferred rent as a result of this lease is \$874,500 and \$1,010,000 as of December 31, 2008 and 2007, respectively.

The Association is committed for annual rentals under noncancellable leases for office space, which expire at various dates through 2014. The minimum annual rental payments, excluding increases in property taxes and labor, are:

Fiscal	Operating Leases
2009	\$ 809.7
2010	812.1
2011	846.1
2012	871.2
2013	778.2
2014	124.3
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	\$ 4,241.6

Rental expense amounted to \$760,200 in 2008 and 2007.

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8. Related Party Transactions

The Association is an affiliated organization of the MPA Foundation. The MPA Foundation is a section 501(c)(3) private foundation that provides and fosters diversity initiatives within the magazine publishing industry. The president of the Association serves in a similar position at the MPA Foundation. The MPA Foundation is funded by grants as well as donations, separate from dues, made by members of the Association. The MPA Foundation is not a consolidated subsidiary of the Association as it is a distinct legal entity, has a separate organizational structure to achieve stated goals and makes distinct organizational decisions. The Association incurs expenses on behalf of the MPA Foundation, which are reimbursed annually in arrears. At December 31, 2007, the expense was \$159,237 and the receivable was \$19,689. At December 31, 2008, the expense was \$88,734 and the receivable was \$54,553.

Note 9 – Fair value measurement

Effective December 2008, the Association, as required, adopted provisions of Statement of Financial Standards No. 157 "Fair Value Measurement" (SFAS No. 157), as amended. The adoption of this standard, as it relates to the Association, was limited to financial assets and did not have a material effect on the Association's financial statement other than an additional disclosure. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. SFAS No. 157 requires fair value measurements to be separately disclosed by level within the fair value hierarchy and establishes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices of similar assets; quoted prices in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets.

At December 31, 2008, the Association's financial assets that are measured at fair value on a recurring basis are its investments which are deemed to be Level 1 assets.