

**NATIONAL PUBLIC RADIO, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

**NATIONAL PUBLIC RADIO, INC.  
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YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

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# LarsonAllen<sup>®</sup> LLP

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
National Public Radio, Inc.  
Washington, D.C.

We have audited the accompanying consolidated statement of financial position of National Public Radio, Inc. as of September 30, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of National Public Radio, Inc. as of September 30, 2006, which were audited by other auditors whose report dated December 14, 2006 expressed an unqualified opinion on those consolidated statements.

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

In our opinion, the 2007 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Public Radio, Inc. as of September 30, 2007, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



LarsonAllen LLP

Arlington, Virginia  
December 20, 2007



(1)  
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NATIONAL PUBLIC RADIO, INC.  
Consolidated Statements of Financial Position  
As of September 30, 2007 (with comparative totals for 2006)

	2007				2006
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 3,174,425	\$ -	\$ -	\$ 3,174,425	\$ 4,837,423
Investments	27,509,221	-	1,000,968	28,510,189	28,669,107
Receivables, net	17,642,004	-	28,393	17,670,397	12,837,970
Prepaid and other assets	4,505,499	-	-	4,505,499	4,105,352
Interfund (payable) receivable	(7,985,573)	7,985,573	-	-	-
<b>Total Current Assets</b>	<b>44,845,576</b>	<b>7,985,573</b>	<b>1,029,361</b>	<b>53,860,510</b>	<b>50,449,852</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>51,774,481</b>	<b>-</b>	<b>-</b>	<b>51,774,481</b>	<b>50,209,738</b>
<b>OTHER ASSETS:</b>					
Long-term investments	190,170,310	-	195,417,448	385,587,758	323,764,299
Long-term receivables, net	-	13,684,001	-	13,684,001	8,721,455
Long-term prepaid and other assets	175,270	(977)	-	174,293	938,791
Deferred financing costs	699,837	-	-	699,837	738,914
<b>Total Other Assets</b>	<b>191,045,417</b>	<b>13,683,024</b>	<b>195,417,448</b>	<b>400,145,889</b>	<b>334,163,459</b>
<b>TOTAL ASSETS</b>	<b>\$ 287,665,474</b>	<b>\$ 21,668,597</b>	<b>\$ 196,446,809</b>	<b>\$ 505,780,880</b>	<b>\$ 434,823,049</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 2,334,185	\$ -	\$ -	\$ 2,334,185	\$ 2,631,874
Current portion of long-term debt	1,300,000	-	-	1,300,000	1,300,000
Accrued expenses	15,846,866	-	-	15,846,866	14,309,159
Accrued interest payable	188,566	-	-	188,566	196,434
Deferred revenues	12,321,360	-	-	12,321,360	5,142,051
<b>Total Current Liabilities</b>	<b>31,990,977</b>	<b>-</b>	<b>-</b>	<b>31,990,977</b>	<b>23,579,518</b>
<b>NON-CURRENT LIABILITIES:</b>					
Other accrued expenses, long-term	3,770,251	-	-	3,770,251	3,528,946
Note payable, long-term	2,880,000	-	-	2,880,000	2,880,000
Bonds payable, long-term	37,900,000	-	-	37,900,000	39,200,000
Interest rate swap contracts	1,489,190	-	-	1,489,190	1,478,337
<b>Total Non-Current Liabilities</b>	<b>46,039,441</b>	<b>-</b>	<b>-</b>	<b>46,039,441</b>	<b>47,087,283</b>
<b>TOTAL LIABILITIES</b>	<b>78,030,418</b>	<b>-</b>	<b>-</b>	<b>78,030,418</b>	<b>70,666,801</b>
<b>NET ASSETS</b>	<b>209,635,056</b>	<b>21,668,597</b>	<b>196,446,809</b>	<b>427,750,462</b>	<b>364,156,248</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 287,665,474</b>	<b>\$ 21,668,597</b>	<b>\$ 196,446,809</b>	<b>\$ 505,780,880</b>	<b>\$ 434,823,049</b>

See notes to consolidated financial statements.

NATIONAL PUBLIC RADIO, INC.  
Consolidated Statements of Activities  
Year Ended September 30, 2007 (with comparative totals for 2006)

	2007				2006
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUES</b>					
Membership dues	\$ 2,205,840	\$ -	\$ -	\$ 2,205,840	\$ 1,684,159
Station programming fees	65,478,100	-	-	65,478,100	63,724,524
Grants, contributions & sponsorships	58,628,103	15,512,952	58,379	74,199,434	56,224,769
Net assets released from restrictions	4,978,691	(4,978,691)	-	-	-
Return on investments	54,800,018	-	28,837	54,828,855	32,211,533
Distribution services	10,723,446	-	-	10,723,446	10,814,780
Other revenues	6,449,939	-	-	6,449,939	4,811,655
Donated goods & services	890,899	-	-	890,899	698,579
<b>TOTAL REVENUES</b>	<b>204,155,036</b>	<b>10,534,261</b>	<b>87,216</b>	<b>214,776,513</b>	<b>170,169,999</b>
<b>EXPENSES</b>					
<b>PROGRAM SERVICES:</b>					
News & information	67,071,948	-	-	67,071,948	60,335,151
Distribution & satellite interconnection	12,220,732	-	-	12,220,732	12,562,183
Engineering	11,884,596	-	-	11,884,596	12,332,521
Programming	12,124,327	-	-	12,124,327	13,609,778
Digital media	8,648,203	-	-	8,648,203	6,798,384
Consumer products	1,938,314	-	-	1,938,314	1,895,752
Strategy & partnerships	9,343,772	-	-	9,343,772	7,869,365
	123,231,892	-	-	123,231,892	115,403,134
<b>SUPPORT SERVICES</b>	<b>27,936,626</b>	<b>-</b>	<b>-</b>	<b>27,936,626</b>	<b>28,300,763</b>
<b>TOTAL EXPENSES</b>	<b>151,168,518</b>	<b>-</b>	<b>-</b>	<b>151,168,518</b>	<b>143,703,897</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>52,986,518</b>	<b>10,534,261</b>	<b>87,216</b>	<b>63,607,995</b>	<b>26,466,102</b>
Change in value of swap contracts	(13,781)	-	-	(13,781)	373,168
<b>CHANGE IN NET ASSETS</b>	<b>52,972,737</b>	<b>10,534,261</b>	<b>87,216</b>	<b>63,594,214</b>	<b>26,839,270</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>156,662,319</b>	<b>11,134,336</b>	<b>196,359,593</b>	<b>364,156,248</b>	<b>337,316,978</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 209,635,056</b>	<b>\$ 21,668,597</b>	<b>\$ 196,446,809</b>	<b>\$ 427,750,462</b>	<b>\$ 364,156,248</b>

See notes to consolidated financial statements.

NATIONAL PUBLIC RADIO, INC.  
Consolidated Statements of Cash Flows  
Year Ended September 30, 2007 (with comparative totals for 2006)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CHANGE IN NET ASSETS	\$ 63,594,214	\$ 26,839,270
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in value of swap contracts	13,781	(373,168)
Unrealized/realized gain on investments	(44,285,848)	(24,359,888)
Amortization of deferred financing costs	39,077	37,478
Depreciation:		
Technical equipment, office furnishings and leasehold improvements	3,438,614	3,544,910
Buildings	1,017,371	886,227
(increase) decrease in receivables	(9,794,972)	1,325,506
Decrease (increase) in prepaid and other assets	364,351	(1,122,535)
(Decrease) increase in accounts payable	(297,689)	1,096,366
Increase in accrued expenses	1,610,551	3,275,002
(Decrease) increase in accrued interest payable	(7,868)	31,631
Increase in deferred revenues	7,179,309	231,651
Investment return restricted for endowment purposes	(28,837)	(16,860)
Increase (decrease) in deferred lease allowance	168,460	(483,930)
	23,010,514	10,911,660
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
INVESTMENTS:		
Purchases	(126,325,858)	(153,292,379)
Sales and maturities	108,943,742	149,767,917
PROPERTY AND EQUIPMENT:		
Purchases	(6,020,233)	(7,964,749)
Disposals, net	-	1,744
	(23,402,349)	(11,487,467)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Investment return restricted for endowment purposes	28,837	16,860
Bond and note payable payments	(1,300,000)	(1,200,000)
	(1,271,163)	(1,183,140)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,662,998)</b>	<b>(1,758,947)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>4,837,423</b>	<b>6,596,370</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,174,425</b>	<b>\$ 4,837,423</b>
 <b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash payments for interest	\$ 2,099,150	\$ 2,184,419

See notes to consolidated financial statements.

## NATIONAL PUBLIC RADIO, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. ORGANIZATION

National Public Radio, Inc. (NPR) is a Section 501(c)(3) not-for-profit corporation whose purposes are to produce, acquire, and distribute noncommercial educational programming to the nation's public broadcasting stations, represent its member public radio stations in matters of national interest and assist and support these stations pursuant to the Public Broadcasting Act of 1967. Operating funds are provided in large part by dues and programming fees from member stations.

These consolidated financial statements also include the accounts of the NPR Foundation (the Foundation), a Section 501(c)(3) not-for-profit organization, which was founded in 1992, with the purpose of raising charitable contributions for the benefit of NPR, disbursing funds to NPR for the operation, promotion, development, capital expansion, and other valid purposes of NPR, and conducting fundraising efforts and engaging in related activities for the benefit of NPR. Consolidated financial statements are presented because of the common control of the Foundation and NPR, collectively referred to herein as "NPR".

On February 2, 2006, NPR Media Berlin gGmbH was formed and on March 8, 2006, the Media Authority of Berlin Brandenburg (MABB) issued an FM radio station license in Berlin to it, for the period April 1, 2006 through March 31, 2013. NPR Media Berlin gGmbH began broadcasting on April 1, 2006. NPR Media Berlin gGmbH broadcasts noncommercial educational radio programming, including news, talk, and cultural programming, 24 hours per day, 7 days a week. The programming consists primarily of the English-language programming produced by NPR Media Berlin gGmbH's sole shareholder, National Public Radio, Inc. Activity of NPR Media Berlin gGmbH is included in the financial statements of National Public Radio, Inc.

On September 24, 2007, National Public Radio, Inc. along with another public broadcasting entity formed National Public Media, LLC (NPM), in which NPR holds an 80% owner interest, for the purpose of representing public radio and television stations on a multi-market basis for public broadcasting underwriting and sponsorship. On October 30, 2007, NPM acquired the assets and liabilities of National Public Broadcasting (NPB), retaining the former NPB staff and hiring the NPR Corporate Sponsorship staff to form the new organization. As of September 30, 2007, NPM owned no assets or liabilities. Therefore, no financial information is presented in these consolidated statements.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying consolidated financial statements of NPR are presented on the accrual basis of accounting and do not include the member radio stations because NPR does not control these entities.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's audited consolidated financial statements for the year ended September 30, 2006, from which the summarized information was derived.

Classification of Net Assets - Net assets are reported separately by class as follows:

- a. Permanently restricted net assets - Contributions and other inflows of assets whose use is limited by donor-imposed stipulations that the resources must be maintained permanently. However, as specified by the donor, some income may be used by NPR (Note 9).
- b. Temporarily restricted net assets - Contributions and other inflows of assets whose use is limited by donor-imposed stipulations that will expire by donor payment of an Endowment for Excellence pledge, passage of time, or can be fulfilled and removed by actions of the entity, such as usage for specific programs.

- c. Unrestricted net assets – Unrestricted net assets result from revenues derived from station fees, unrestricted contributions, grants, sponsorships, return on investments, and other inflow of assets whose use is not limited by donor-imposed restrictions less expenditures.

Grants, Contributions & Sponsorships – Contribution revenue is recognized when assets or commitments of unconditional promises to give are received. Grant revenue is recognized as earned as expenses are incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. Contributions restricted in perpetuity are classified as permanently restricted. Contributions that are restricted by the donor for a specific time or purpose, or unpaid contributions not explicitly designated as available to support current operations, are reported as temporarily restricted contributions, except those contributions whose restrictions are met in the current fiscal year are recognized as unrestricted revenue. When a donor-stipulated time restriction ends or purpose restriction is accomplished, or when an endowment pledge not designated for current year use is paid, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Grants and contributions revenue was approximately \$28,200,000 and \$15,200,000 in fiscal years 2007 and 2006, respectively.

All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value. Receivables from both pledge and exchange transactions are reduced for any estimated uncollectible amounts.

Sponsorships are exchange transactions and are recognized as revenue when credits are aired or delivered online. Sponsorships remitted in advance of credits aired are reflected as deferred revenue until such time that the credits are aired. Sponsorship revenue was approximately \$46,000,000 and \$41,000,000 in fiscal years 2007 and 2006, respectively.

Donated Goods and Services - NPR receives contributions of goods and services from various sources. These contributions are recorded at the fair value of the goods and services. Revenue is recognized as goods and services are received and the related expenses are reflected in the appropriate functional area that received the benefits of the good or service provided.

All Other Revenues - Membership dues, station programming fees, and distribution interconnection fees for use of the Public Radio Satellite Interconnection System (PR SIS), a component of distribution services (Note 13), are recognized during the membership period, which is also the fiscal year. Revenues from non-programming services, investments, and distribution services, other than that noted above, are recognized when earned. Deferred revenues reflected on the consolidated statements of financial position consist primarily of advanced funding of fiscal year 2008 programming fees and membership dues and are recognized within a year.

Functional Expenses- Support services comprised of both general and administrative (G&A) expenses and fundraising expenses, is predominantly G&A. Fundraising expenses approximate 5% of total expenses.

Cash and Cash Equivalents - Cash and cash equivalents reflect amounts that approximate fair value due to the short maturity of these instruments. Operating checking accounts, sweep accounts, interest bearing liquid investment accounts, and repurchase agreements are included in cash and cash equivalents.

Inventory - Equipment purchased for resale to participants of the PR SIS is recorded at lower of cost (FIFO) or market. Inventory held for sale, primarily the online shop, is carried at the lower of cost of production for each item (FIFO) or market. Inventory was \$824,233 and \$767,118 as of September 30, 2007 and 2006, respectively, and is reported in Prepaid and other assets.

Investments- Investment balances, income, and net appreciation are reported as either restricted or unrestricted, in accordance with donor specifications. Unrestricted, temporarily restricted, and permanently restricted funds are invested in a commingled (pooled) manner. NPR employs a time-weighted dollar value accounting method for pooled general investments. Income and net appreciation are distributed proportionately based on value that each fund participates in the investment pool.

Investments are presented at fair value as determined by methodologies relevant to each asset class with any related gain or loss reported in the consolidated statement of activities. Equities and fixed income securities listed or traded on a securities exchange are valued at the last sale price on the primary exchange where the security is traded. Marketable securities held by a custodian, either in the organization's name or held for the organization's account in a street name, are valued at the custodian's valuation using a valuation methodology similar to above. Money market accounts are valued as determined by the bank or money market manager.

Alternative investments, principally private equity, real estate, and hedge and absolute return funds, are valued using the most recent valuation available by the respective external fund manager. The fair value of certain alternative investments, such as private equity interests, are estimated based on valuations provided by external investment managers as of a prior quarter, adjusted for cash receipts, cash disbursements, and securities distributions through September 30. Typically private equities and real estate are valued at the lower of cost or market until external events substantiate the change in value or a reasonable methodology exists to capture and quantify changes in value. The asset allocation of NPR's portfolio is intended to provide exposure to a diverse set of markets. These markets are subject to various risks such as interest rate, market, sovereign, and credit risks. NPR anticipates that the value of its investments may, from time to time, fluctuate as a result of these risks and anticipates that the structured diversification will provide counter-fluctuations within the portfolio to mitigate market risks. The organization believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

Investments are managed in accordance with Board approved investment and spending policies. The policies, including the policy establishing the portion of the portfolio to be spent annually, are designed to preserve the value of the portfolio in real terms (after inflation) and to generate a reliable flow of earnings for support of NPR. The portion of the Foundation portfolio that is distributed each year is based on a rate that is approved by the Foundation Board of Trustees. This rate is not set based on a specific formula, nor is it directly tied to current investment returns. Rather, it reflects expectation about long-term returns and inflation rates, and seeks to maintain a consistent distribution rate based upon the portfolio's twelve-quarter rolling average market value ending on the 31st of March, preceding each fiscal year. Should the Foundation's portfolio yields prove to be insufficient to support the annual spending policy, the balance is provided from prior years' total investment return or unrestricted funds, subject to donor limitations. Should the portfolio's yields exceed the amounts necessary to maintain this objective, the balance is reinvested in the portfolio.

Concentration of Business Activity – Financial instruments, which potentially subject NPR to concentrations of credit risk, consist primarily of cash, cash equivalents, receivables, and investments. NPR maintains cash and cash equivalents and short term investments with high quality institutions. As of September 30, 2007 and 2006, substantially all of the balances were in excess of the Federal Deposit Insurance Corporation insurance limit. NPR has established guidelines relative to the diversification and maturities of long-term investments to limit the amount placed with any single investment manager. NPR has not incurred any losses due to the credit risk on these instruments or receivables.

Membership dues and station programming fees, representing 32% and 38% of total revenues for the fiscal years 2007 and 2006, come from U.S. non-commercial radio stations. Funding of these stations primarily comes from corporate, foundation, and individual contributions.

Interfund (Payable) Receivable - Certain assets held in unrestricted, temporarily restricted, and permanently restricted accounts as of the fiscal year end are reflected as interfund payable/receivable on the consolidated statements of financial position.

Property and Equipment - Acquisitions of property and equipment greater than or equal to \$1,000 with an estimated useful life of more than one year are recorded at cost. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the respective assets as follows, taking a half-year depreciation expense in the first and last year of the asset's estimated life: buildings and improvements – 31 years or the remaining useful life of the building or improvement; computer equipment - three years; technical equipment purchased in fiscal year 2007 – three years; technical equipment purchased prior to fiscal year 2007 and vehicles– five years; office furniture and equipment - eight years; and leasehold improvements - the shorter of the lease term or useful life of the asset.

Deferred Financing Costs - Deferred financing costs represent the unamortized cost of issuing bonds (Note 7). These costs are being amortized over the life of the bonds, using the straight-line method.

Split Interest Agreements – NPR is the beneficiary of a split interest agreement in the form of a pooled income fund. Assets of the split interest agreement of \$25,539 are included in long-term prepaid and other assets on the statement of financial position as of September 30, 2007. The value of the split interest agreement is measured as NPR's share of fair value of the assets. Liabilities associated with the agreement are \$14,977, which is included with other accrued expenses, long-term on the consolidated statements of financial position.

Derivatives - NPR entered into interest rate swap contracts to minimize its exposure to interest rate fluctuations related to the 2001 District of Columbia and the 2002 California Statewide Communities Development Authority bond issuances. These interest rate swap contracts are accounted for under Statement of Financial Accounting

Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". Since NPR is a not-for-profit organization, the fair value of these derivatives is reflected on the consolidated statements of financial position with the related gains and losses reflected on the consolidated statements of activities.

Fair Value of Debt Instruments - Bonds and notes payable reflect an amount that is a reasonable estimate of fair value due to variable interest rates that adjust with the currently available terms and conditions for similar debt. The interest rate swap contracts reflect an amount that approximates fair value based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the statement dates.

Income Taxes - Under applicable provisions of the Internal Revenue Code, NPR is exempt from taxes on income other than unrelated business income. No provision for income taxes is required for 2007 and 2006.

Use of 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 based on available information that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

The accounting policy concerning investment valuations relies on data from fund managers that cannot be substantiated by third parties, and it is considered to have the largest potential for significant financial impact. Valuations for investments, principally alternative investments, are subjective and require judgment regarding significant matters such as the comparability to similar investments, liquidity, interest rates, and the determination of external events adequate to quantify changes in value. Changes in assumptions could have a significant effect on the fair value of these instruments.

Guarantees and Indemnifications - From time to time, NPR enters into various agreements for acquisition or sale (including licensing) of goods or services. In some of those agreements, it agrees to indemnify the other party against certain losses arising from the transaction under the agreement. NPR is not aware of any material liability arising from such indemnification obligations as of September 30, 2007.

Measure of Operations - Change in net assets from operations includes all revenues and expenses with the exception of gains and losses associated with interest rate swap contracts (Note 7).

Reclassifications - Certain items in the fiscal year 2006 financial statements have been reclassified to conform to the presentation of fiscal year 2007. These reclassifications have no impact on previously reported change in net assets.

### 3. INVESTMENTS

NPR's investments at September 30, 2007 and 2006, stated at fair value, are comprised of the following:

	<u>2007</u>	<u>2006</u>
Equities	\$ 193,047,803	\$ 159,036,387
Fixed income	106,177,773	127,790,551
Money market funds	9,274,029	4,324,333
Alternative investments		
Hedge funds	78,414,090	45,302,057
Real estate and other assets	24,440,471	15,632,072
Private equities	<u>2,743,781</u>	<u>348,005</u>
Total	<u>\$ 414,097,947</u>	<u>\$ 352,433,405</u>

The estimated net realizable value of stock in Overseas Partners Ltd. (OPL), a Bermuda-based reinsurance company, is \$125,334 and \$114,074 as of September 30, 2007 and 2006, respectively, and is included in private equities. OPL has announced its sale effective September 21, 2006. The amount and timing of the final distribution will be determined after the results of the regulatory review process are known and the sale is concluded. OPL made payments of liquidating distributions of \$0 and \$441,427 in 2007 and 2006, respectively.

NPR had outstanding commitments of \$44,562,418 and \$28,287,454 as of September 30, 2007 and 2006, respectively. These commitments represent amounts expected to be drawn by investment fund managers in the Alternative Investments category of the portfolio. The commitments will be funded by liquidation of the other investments.

4. RETURN ON INVESTMENTS

For the years ended September 30, 2007 and 2006, investment return was comprised of the following:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 12,019,554	\$ 9,039,269
Realized gain	2,608,646	2,665,279
Unrealized gain	41,677,202	21,694,608
Direct investment services fees	<u>(1,476,547)</u>	<u>(1,187,623)</u>
Total	<u>\$ 54,828,855</u>	<u>\$ 32,211,533</u>

5. RECEIVABLES, NET

The carrying value of receivables consists of the following as of September 30:

	<u>2007</u>	<u>2006</u>
Receivables, short-term (less than one year):		
Grants & contributions	\$ 2,522,203	\$ 1,802,520
Sponsorships	12,743,561	8,963,489
Station fees	851,612	1,413,171
Distribution & PRSS services	371,505	933,300
Other	<u>1,922,898</u>	<u>581,352</u>
Total receivables, short-term	18,411,779	13,693,832
Allowance for bad debts	<u>(741,382)</u>	<u>(855,862)</u>
Receivables, short-term, net	<u>17,670,397</u>	<u>12,837,970</u>
Receivables, long-term		
One to five years:		
Contributions	13,901,401	8,305,488
More than five years:		
Contributions	-	1,000,000
Discount to present value	<u>(217,400)</u>	<u>(584,033)</u>
Receivables, long-term, net	<u>13,684,001</u>	<u>8,721,455</u>
Total receivables, net	<u>\$ 31,354,398</u>	<u>\$ 21,559,425</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of September 30:

	<u>2007</u>	<u>2006</u>
Land	\$ 18,875,249	\$ 18,875,249
Buildings & improvements	35,600,785	32,388,320
Technical equipment	27,302,111	26,972,312
Office furnishings	3,722,667	3,722,667
Vehicles	137,307	206,458
Construction in process	2,902,122	3,470,210
	<u>88,540,241</u>	<u>85,635,216</u>
Accumulated depreciation	(36,765,760)	(35,425,478)
Total property and equipment, net	<u>\$ 51,774,481</u>	<u>\$ 50,209,738</u>

7. BONDS AND NOTE PAYABLE/INTEREST RATE SWAP CONTRACTS

In fiscal year (FY) 2001, NPR advance refunded the 1992 District of Columbia Revenue Bonds (National Public Radio Issue) and entered into a Loan Agreement with the District of Columbia to issue District of Columbia Revenue Bonds (National Public Radio Project) Series 2001 (DC Revenue Bonds) in the amount of \$37,900,000 for a term of 30 years. In FY02, NPR entered into a Loan Agreement with the State of California to issue California Statewide Communities Development Authority Revenue Bonds (National Public Radio, Inc. Project) Series 2002 (CA Revenue Bonds) in the amount of \$8,000,000 for a term of 30 years to purchase the NPR West land, production facility, and finance its renovations. In addition, NPR entered into a Loan Agreement with SunTrust Bank to issue a note in the amount of \$3,000,000 for a term to June 15, 2014 with the principal payment at the end of the term. The 2001 bonds and term note were issued with a variable interest rate, reset each week based upon the underwriter's weekly interest rate. The 2002 bonds were issued with a variable interest rate, reset each month based upon the underwriter's monthly interest rate. The bonds and note have no escrow requirements and each bond has credit support via a letter of credit agreement with SunTrust Bank.

For the years ended September 30, 2007 and 2006, for the DC Revenue Bonds, CA Revenue Bonds, and term note, the variable interest rate ranges were:

	<u>2007</u>	<u>2006</u>
DC Revenue Bonds	2.66% to 3.86%	3.96% to 5.44%
CA Revenue Bonds	3.50% to 3.86%	2.56% to 3.72%
Term note	5.65% to 6.09%	4.39% to 5.87%

For the years ended September 30, 2007 and 2006, for the DC Revenue Bonds, CA Revenue Bonds, and term note, the interest expense was:

	<u>2007</u>	<u>2006</u>
DC Revenue Bonds	\$1,610,041	\$1,699,309
CA Revenue Bonds	489,109	332,270
Term note	156,114	152,840
Total interest expense	<u>\$2,255,264</u>	<u>\$2,184,419</u>

The aggregate bonds and note payments for future fiscal years are as follows:

Fiscal Year	DC Revenue Bonds	CA Revenue Bonds	Term Note	Scheduled Payment Amount
2008	\$ 1,100,000	\$ 200,000	\$ -	\$ 1,300,000
2009	1,200,000	200,000	-	1,400,000
2010	1,200,000	200,000	-	1,400,000
2011	1,300,000	300,000	-	1,600,000
2012	1,300,000	300,000	-	1,600,000
Thereafter	26,100,000	5,800,000	2,880,000	34,780,000
Total	<u>\$ 32,200,000</u>	<u>\$ 7,000,000</u>	<u>\$ 2,880,000</u>	<u>\$ 42,080,000</u>

To manage its exposure to interest rate fluctuations in relation to the 2001 DC Revenue Bonds and the 2002 CA Revenue Bonds, NPR entered into interest rate swap contracts expiring June 15, 2014 with SunTrust Bank (the Contracts). The Contracts require NPR to pay SunTrust a fixed rate of 4.53% and 4.02% (plus fees for an underlying letter of credit) on the face amount of the DC Revenue and CA Revenue Bonds, respectively. In exchange, NPR receives payment from SunTrust of variable interest rates based on the Bond Market Association (BMA) index rates, which are expected to track closely to the variable rate of the bonds. The differential between the fixed and variable rates is accrued and paid as interest rates change and is recorded as a component of interest expense.

The letter of credit agreements for the DC Revenue Bonds, the CA Revenue Bonds, and the term note require NPR (excluding the Foundation) to meet various financial and other covenants each quarter, including: (1) a total liquidity ratio of not less than 70% and (2) a debt service coverage ratio of cash flow to debt service of not less than 1.75 to 1 when the total liquidity ratio is greater than or equal to 70% and less than or equal to 89%, 1.35 to 1 when the total liquidity ratio is greater than 89%. Failure to meet the above debt service coverage ratio shall not result in default if 1) the ratio of cash flow to debt service is not less than 1 to 1, 2) total liquidity is not less than \$50 million, and 3) the debt service coverage ratio was satisfied in the immediately preceding fiscal year. As of September 30, 2007, NPR is in compliance with all covenants.

#### 8. TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2007 and 2006, temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
News & information	\$ 20,430,561	\$ 10,354,732
Music & entertainment	81,666	96,250
Endowment for excellence	<u>1,156,370</u>	<u>683,354</u>
Total	<u>\$ 21,668,597</u>	<u>\$ 11,134,336</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Under the terms of a challenge grant from the National Endowment for the Arts (NEA), NPR established a \$1,000,000 permanent Arts and Performance cash reserve. Under the terms of the grant, the interest earned is permitted to be used to support the mission of NPR; NPR may borrow against the cash reserve principal, but any amounts borrowed must be repaid within two years. There are no outstanding borrowings against the cash reserve principal at September 30, 2007 or 2006. As of September 30, 2007 and 2006, the balance of the NEA grant and the matching funds in the amount of \$1,000,968, are reflected in NPR's consolidated financial statements as permanently restricted investments and net assets.

Several years ago, the Foundation received contributions totaling \$1,000,000, with donor stipulations that permanently limit the use of assets. Under the terms of the contributions, the amount of each contribution was to establish a permanently restricted fund. The return on investments from the funds is to be used for the support of cultural programming. Further, one contribution required a portion of investment earnings to be added to the principal annually in order to preserve the purchasing power of the fund. In fiscal years 2007 and 2006, respectively, \$28,837 and \$16,860 were added for this purpose. The remaining return on investments is permitted to be used to support current operations.

The Foundation received a contribution of cash and investments totaling \$195,445,841 several years ago to establish a permanently restricted endowment for the support of NPR operations. Under the terms of the contribution, the income and net appreciation of the endowment are available to support the mission of NPR. Therefore, the income and net appreciation of the endowment are recorded as unrestricted revenue as earned.

10. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

For the years ended September 30, 2007 and 2006, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, passage of time, or by occurrence of other events specified by donors as follows:

	<u>2007</u>	<u>2006</u>
News & information	\$ 4,609,277	\$ 5,333,385
Music & entertainment	72,917	1,251,352
Endowment for excellence	286,497	1,175,000
Fund for new initiatives	<u>10,000</u>	<u>10,000</u>
Total restrictions released	<u>\$ 4,978,691</u>	<u>\$ 7,769,737</u>

11. COMMITMENTS

NPR leases office space, equipment, and distribution facilities under noncancelable leases expiring at various dates. The aggregate minimum rental payments under these noncancelable leases for future fiscal years are:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 2,428,462
2009	2,426,565
2010	2,298,158
2011	2,344,377
2012	2,391,751
Thereafter	<u>6,074,951</u>
Total	<u>\$ 17,964,264</u>

Certain lease agreements call for escalation of rental payments based upon increases in operating costs of the lessor and increases in consumer price indices. Additionally, some of these leases include renewal options ranging from one to ten years. Total lease expense for the years ended September 30, 2007 and 2006, was \$3,941,725 and \$3,612,451, respectively.

During fiscal year 2007, Public Radio Capital (PRC) established the Public Radio Fund (Fund). The Fund is a revolving loan fund that offers licensees of public broadcasting stations the opportunity to obtain short-term financing for the acquisition and expansion of their capital assets. The NPR Board of Directors and the NPR Foundation Board of Trustees approved a \$2.5 million loan to the Fund, which is expected to be funded over several years.

During fiscal year 2008, the NPR Foundation will provide NPR with a \$2.5 million grant, which will cover NPR's loan to the Fund as a senior investor on a draw down schedule based upon the lending requirement of the Fund. Any interest earned on the loan to the Fund will be paid to the NPR Foundation as earned.

## 12. RETIREMENT PLAN

NPR maintains a defined-contribution retirement plan for its employees, which provides for the purchase of annuity contracts or mutual funds for participants to receive payments at retirement. Under the plan, NPR contributes a percentage of the base salary of each employee who has completed two years of qualified service with NPR and has submitted prescribed enrollment forms. These contributions, together with voluntary employee contributions, are vested in the employees' accounts. The pension expense for the years ended September 30, 2007 and 2006 was \$6,069,517 and \$5,646,574, respectively.

In fiscal year 2003, NPR established two deferred compensation plans to provide certain highly compensated employees the ability to defer a portion of their compensation to provide supplemental retirement benefits under Internal Revenue Code Section 457. The plans are funded entirely from the compensation of the participants and vest with the employee either immediately or based upon specific future events. At September 30, 2007 and 2006, participants in the 457(b) and 457(f) plans have deferred balances, including interest, totaling \$920,538 and \$740,284, respectively, which is included in other accrued expenses, long-term.

## 13. PUBLIC RADIO SATELLITE INTERCONNECTION SYSTEM

Ownership and Operation - The Public Radio Satellite Interconnection System (PR SIS) consists of a lease of satellite transponders and related purchased ground equipment, through which public radio programming is distributed to interconnected public radio stations. The leasehold rights for the satellite transponders and "national-level" ground equipment (i.e., ground equipment not owned by individual interconnected stations) are owned by the Public Radio Satellite Interconnection System Charitable Trust (commonly called "SuperTrust"). SuperTrust was created on July 16, 1990 (as amended and restated on October 27, 2000), replacing previous trust arrangements, which had been established beginning in 1983. SuperTrust is qualified as a tax-exempt, charitable trust and holds title to the leased and purchased satellite equipment and transponders in trust for the benefit of interconnected public radio stations. The power and duties to administer the SuperTrust estate are vested in three Trustees duly elected by the participating interconnected public radio stations. Certain fundamental actions contemplated by the SuperTrust agreement, however, require a majority vote of the participating interconnected public radio stations.

Over time the SuperTrust has executed various agreements with NPR to lease or sublease its assets to NPR. These leases, including a transponder lease and a separate lease covering other national-level interconnection equipment, currently require no payments to the SuperTrust and describe the arrangements under which NPR operates the PR SIS. NPR's responsibilities under these leases include, among other things, maintenance and repair of the equipment. On October 27, 2000, the parties executed a new transponder sublease agreement covering the satellite transponders on the Galaxy IVR satellite. The term of the transponder sublease parallels the term of the transponder lease with the satellite provider. The lease covering other equipment automatically renews each year for another year beyond its then-current term. The leases may be terminated by a majority vote of the participating public radio stations at any time on 24 months' notice without cause, and at any time with cause upon notice.

Satellite System Replacement - In the Public Telecommunications Act of 1988, Congress authorized funds to replace, refurbish, and upgrade the public radio and television satellite interconnection systems. Subsequently, Congress appropriated funds for this purpose. The authorizing legislation established a special fund, the Public

Broadcasting Satellite Interconnection Fund, to support the project. The Fund is administered by the Corporation for Public Broadcasting (CPB) which, in turn, has contracted with NPR as the entity to carry out the public radio portion of the project. NPR has established the Future Interconnection System Project Office (FISPO), which administers the project using either CPB or other funding sources.

NPR and CPB also entered into an agreement in 1999 that provides CPB funding for a project undertaken by NPR to replace satellite capacity for the PRSIS. This project is called the Capacity Replacement Program (CRP). Congress provided funds totaling \$47,934,000 to CPB for this purpose. The term of this agreement extends over multiple years, having no fixed end date, and the funds, together with any accrued interest, are available until spent.

A total of \$790,106 and \$400,196 was funded to NPR via the FISPO project or by other funding sources for the fiscal years 2007 and 2006, respectively. A total of \$1,259,932 and \$1,913,433 was funded to NPR via the CRP project or by other funding sources for the fiscal years 2007 and 2006, respectively.

CPB funding for the FISPO and CRP projects have been fully exhausted. In the event additional funds are required, NPR has the opportunity to request additional funds from CPB, the SuperTrust, or other funding sources. If external funding cannot be secured, NPR bears the obligation to fund the remaining costs to complete the FISPO and CRP projects with internal funds.