

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

NATIONAL PUBLIC RADIO, INC.
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(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

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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, 2009, 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, 2008, and in our report dated December 19, 2008, we 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 2009 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, 2009, 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
LarsonAllen LLP

Arlington, Virginia
December 18, 2009

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 8,545,462	\$ -	\$ -	\$ 8,545,462	\$ 87,313,607
Investments	18,235,565	19,062,977	-	37,298,542	10,473,197
Receivables, Net	16,903,035	-	-	16,903,035	22,290,082
Prepaid and Other Assets	5,155,541	-	-	5,155,541	5,127,339
Interfund (Payable) Receivable	(7,753,943)	7,753,943	-	-	-
Total Current Assets	<u>41,085,660</u>	<u>26,816,920</u>	<u>-</u>	<u>67,902,580</u>	<u>125,204,225</u>
PROPERTY AND EQUIPMENT, NET	73,821,567	-	-	73,821,567	69,723,001
NON-CURRENT ASSETS					
Investments	132,084,109	-	195,555,690	327,639,799	325,642,865
Receivables, Net	1,500,000	3,746,026	-	5,246,026	6,458,443
Prepaid and Other Assets	87,326	(1,934)	-	85,392	85,908
Deferred Financing Costs	210,800	-	-	210,800	222,646
Intangible Assets, Net	4,704,067	-	-	4,704,067	7,749,586
Total Non-Current Assets	<u>138,586,302</u>	<u>3,744,092</u>	<u>195,555,690</u>	<u>337,886,084</u>	<u>340,159,448</u>
Total Assets	<u>\$ 253,493,529</u>	<u>\$ 30,561,012</u>	<u>\$ 195,555,690</u>	<u>\$ 479,610,231</u>	<u>\$ 535,086,674</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 20,871,094	\$ -	\$ -	\$ 20,871,094	\$ 26,014,135
Note Payable	1,000,000	-	-	1,000,000	45,000,000
Current Portion of Long-Term Debt	200,000	-	-	200,000	200,000
Accrued Interest Payable	125,630	-	-	125,630	161,209
Deferred Revenues	15,561,865	-	-	15,561,865	3,611,021
Total Current Liabilities	<u>37,758,589</u>	<u>-</u>	<u>-</u>	<u>37,758,589</u>	<u>74,986,365</u>
NON-CURRENT LIABILITIES					
Other Accrued Expenses	2,405,425	-	-	2,405,425	2,515,965
Note Payable	4,773,545	-	-	4,773,545	4,735,670
Bonds Payable	6,400,000	-	-	6,400,000	6,600,000
Interest Rate Swap Contracts on Debt	574,309	-	-	574,309	1,526,034
Total Non-Current Liabilities	<u>14,153,279</u>	<u>-</u>	<u>-</u>	<u>14,153,279</u>	<u>15,377,669</u>
Total Liabilities	51,911,868	-	-	51,911,868	90,364,034
MINORITY INTEREST	1,782,355	-	-	1,782,355	1,264,937
NET ASSETS	<u>199,799,306</u>	<u>30,561,012</u>	<u>195,555,690</u>	<u>425,916,008</u>	<u>443,457,703</u>
Total Liabilities and Net Assets	<u>\$ 253,493,529</u>	<u>\$ 30,561,012</u>	<u>\$ 195,555,690</u>	<u>\$ 479,610,231</u>	<u>\$ 535,086,674</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Membership Dues	\$ 2,703,237	\$ -	\$ -	\$ 2,703,237	\$ 2,566,583
Station Programming Fees	62,940,019	-	-	62,940,019	65,292,699
Grants, Contributions and Sponsorships	49,023,160	6,596,952	76,817	55,696,929	62,507,768
Net Assets Released from Restrictions	10,811,905	(9,810,937)	(1,000,968)	-	-
Return on Long-Term Investments Designated for Current Operations	411,288	-	-	411,288	3,481,825
Return on Working Capital Investments	1,194,881	-	-	1,194,881	670,542
Commissions	4,675,057	-	-	4,675,057	4,647,503
Distribution Services	11,581,956	-	-	11,581,956	14,554,807
Public Interactive Services	1,889,359	-	-	1,889,359	-
Other Revenues	6,580,955	-	-	6,580,955	7,866,165
Donated Goods and Services	1,021,570	-	-	1,021,570	369,263
Total Revenues	<u>152,833,387</u>	<u>(3,213,985)</u>	<u>(924,151)</u>	<u>148,695,251</u>	<u>161,957,155</u>
EXPENSES					
Program Services:					
News and Information	69,536,955	-	-	69,536,955	77,273,574
Distribution and Satellite Interconnection	12,966,146	-	-	12,966,146	15,087,759
Engineering	10,497,622	-	-	10,497,622	10,999,130
Programming	14,966,838	-	-	14,966,838	12,312,706
Digital Media	15,077,885	-	-	15,077,885	11,705,443
Consumer Products	1,454,673	-	-	1,454,673	2,176,811
Member and Programming Services	3,100,607	-	-	3,100,607	9,997,190
Public Interactive	2,758,330	-	-	2,758,330	313,307
Total Program Services	<u>130,359,056</u>	<u>-</u>	<u>-</u>	<u>130,359,056</u>	<u>139,865,920</u>
Support Services	36,231,038	-	-	36,231,038	38,537,956
Total Expenses	<u>166,590,094</u>	<u>-</u>	<u>-</u>	<u>166,590,094</u>	<u>178,403,876</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(13,756,707)	(3,213,985)	(924,151)	(17,894,843)	(16,446,721)
Return on Long-Term Investments, Net	2,093,724	7,094,844	8,147	9,196,715	(47,582,467)
Change in Value of Swap Contracts on Debt	(1,157,342)	-	-	(1,157,342)	(36,845)
Amortization of Intangible Assets, Nonoperating	(2,152,299)	-	-	(2,152,299)	(1,734,962)
Gain on Sale of Building	-	-	-	-	85,095,441
Early Redemption of Bonds	-	-	-	-	(440,443)
Return on Long-Term Investments Designated for Current Operations	(411,288)	-	-	(411,288)	(3,481,825)
Reorganization Costs	(4,112,000)	-	-	(4,112,000)	-
Loss on Impairment of Intangibles	(893,221)	-	-	(893,221)	-
Loss on Investment in Subsidiary	(400,000)	-	-	(400,000)	-
CHANGE IN NET ASSETS BEFORE MINORITY INTEREST	(20,789,133)	3,880,859	(916,004)	(17,824,278)	15,372,178
MINORITY INTEREST	282,583	-	-	282,583	335,063
CHANGE IN NET ASSETS	(20,506,550)	3,880,859	(916,004)	(17,541,695)	15,707,241
Net Assets Reclassification for UPMIFA	(11,968,133)	11,968,133	-	-	-
CHANGE IN NET ASSETS AFTER RECLASSIFICATION	(32,474,683)	15,848,992	(916,004)	(17,541,695)	15,707,241
Net Assets - Beginning of Year	232,273,989	14,712,020	196,471,694	443,457,703	427,750,462
NET ASSETS - END OF YEAR	<u>\$ 199,799,306</u>	<u>\$ 30,561,012</u>	<u>\$ 195,555,690</u>	<u>\$ 425,916,008</u>	<u>\$ 443,457,703</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (17,541,695)	\$ 15,707,241
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
Used by Operating Activities:		
Decrease in Value of Swap Contracts	1,157,342	36,844
Unrealized/Realized (Gain) Loss on Investments	(6,171,859)	56,637,903
Loss on Investment in Forum	400,000	-
Loss on Impairment of Intangibles	893,221	-
Gain on Sale of Headquarters Building	-	(85,095,441)
Loss on Disposal of Other Property and Equipment	257,588	5,579
Amortization of Deferred Financing Costs	11,846	36,749
Amortization of Intangible Assets	2,152,299	1,734,962
Depreciation: Technical Equipment, Office Furnishings and Leasehold Improvements	3,188,646	2,586,795
Depreciation: Buildings	1,241,507	1,461,445
Decrease in Receivables	6,599,467	2,605,873
Increase in Prepaid and Other Assets	(28,200)	(621,840)
Increase (Decrease) in Other Assets, Non-Current	12,364	(8,865,536)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(5,143,052)	4,584,200
Increase in Other Accrued Expenses	151,919	2,216,101
Decrease in Accrued Interest Payable	(35,579)	(27,357)
Increase (Decrease) in Deferred Revenues	11,950,844	(8,710,339)
Decrease in Deferred Lease Allowance	(262,459)	(221,503)
Increase in Minority Interest	517,419	1,264,937
Investment Return Restricted for Endowment Purposes	(8,147)	(15,882)
Net Cash Flows Used by Operating Activities	(656,528)	(14,679,269)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments:		
Purchases	(138,568,569)	(85,632,235)
Sales and Maturities	113,435,110	106,976,216
Property and Equipment:		
Purchases, Net	(8,786,305)	(52,520,563)
Proceeds from Sale of Headquarters Building	-	115,523,481
Net Cash Flows (Used) Provided by Investing Activities	(33,919,764)	84,346,899
CASH FLOWS FROM FINANCING ACTIVITIES		
Bonds and Note Payables:		
Repayments of Bonds and Notes	(44,200,000)	(32,400,000)
Proceeds from Notes Payable	-	46,855,670
Investment Return Restricted for Endowment Purposes	8,147	15,882
Net Cash Flows (Used) Provided by Financing Activities	(44,191,853)	14,471,552
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78,768,145)	84,139,182
Cash and Cash Equivalents - Beginning of Periods	87,313,607	3,174,425
CASH AND CASH EQUIVALENTS - END OF PERIODS	\$ 8,545,462	\$ 87,313,607
SUPPLEMENTAL DISCLOSURE		
Cash Payments for Interest	\$ 1,470,223	\$ 2,212,437

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

NOTE 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 substantially via the nation's public broadcasting stations and by other means as appropriate, 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, programming fees, and commissions from member stations.

These consolidated financial statements also include the accounts of the NPR Foundation (the Foundation), National Public Media, LLC (NPM), a 72% owned for-profit subsidiary, and NPR Media Berlin gGmbH. Consolidated financial statements are presented because of the common control of the Foundation, NPM, and NPR, collectively referred to herein as "NPR".

The Foundation is 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 only 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. NPR is the sole member of the Foundation.

In fiscal year 2006, NPR Media Berlin gGmbH was formed to broadcast noncommercial educational radio programming, including news, talk, and cultural programming in Berlin, Germany. The programming consists primarily of the English-language programming produced by NPR Media Berlin gGmbH's sole shareholder, National Public Radio, Inc. 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. Activity of NPR Media Berlin gGmbH is included in the Program Services section of the consolidated statement of activities.

In September 2007, National Public Radio, Inc. along with another public broadcasting entity formed National Public Media, LLC (NPM), in which NPR currently holds a 72% owner interest, for the purpose of representing entities of the public radio and television industry to secure public broadcasting sponsorship. In October 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. Eleven months of NPM 2008 activities are included in the prior year comparison column of these consolidated statements. As a result of the admittance of an additional owner, NPR's ownership interest has been reduced from 80% in 2008 to 72% in 2009.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

NOTE 1 ORGANIZATION (CONTINUED)

In November 2007, NPR entered into a Limited Liability Company Agreement of Broadcaster Traffic Consortium, LLC with a 12.5% owner interest with seven other equal partners. The company was formed to create and operate a radio broadcast data system and High Definition Radio distribution network for Content Providers. An initial capital contribution was made in January 2008 and is reflected in non-current prepaid and other assets on these consolidated statements. No additional capital contributions have been made.

On August 28, 2008, NPR acquired the assets and selected liabilities of Public Interactive (PI), a Section 501(c)(3) not-for-profit organization, as well as the operations and personnel for the purpose of developing a digital distribution infrastructure to serve stations, producers, networks, and their partners in the communities NPR serves. PI is now an operating unit of NPR. At acquisition, nineteen former PI staff were retained and hired as NPR employees. The revenue and expense activity is reflected on the consolidated statement of activities in separate line items. One month of fiscal year 2008 activity is included in the prior year's comparative information. The assets and liabilities are reflected on the respective line items on the consolidated statement of financial position.

In October 2008, NPR signed a Memorandum of Understanding with PBS and WGBH with the intention to form a Limited Liability Company (LLC), the purposes of which are to own, operate, expand and improve, and distribute the video/audio lecture website currently owned and operated by WGBH and known as The Forum Network (Forum). The Memorandum of Understanding obligates NPR to fund a capital contribution of \$400,000 over a two-year period. As of September 30, 2009, NPR had funded \$119,921 of its obligation. However, NPR recognized a loss on investment in Forum of \$400,000 due to the investment having a fair value of \$0.

NOTE 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 financial statements for the year ended September 30, 2008, from which the summarized information was derived.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

Net assets are reported separately by class as follows:

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, some income may be used by NPR (Note 11).

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 a pledge, passage of time, or can be fulfilled and removed by actions of the entity, such as usage for specific programs.

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

Grants, Contributions and 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 a pledge not designated for current year use is paid, temporarily or permanently 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 \$19,300,000 and \$16,600,000 in fiscal years 2009 and 2008, 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 digitally (e.g. online web, mobile devices, podcasts, etc.). Sponsorships remitted in advance of credits aired are reflected as deferred revenue until such time that the credits are aired. Sponsorship revenue was approximately \$36,000,000 and \$46,000,000 in fiscal years 2009 and 2008, respectively.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

NPR records contributions of goods and services at their fair values. 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 16), are recognized during the membership or service period, which is generally the fiscal year. Revenues from affiliate fees, non-programming services, investments, and distribution services, other than that noted above, are recognized when earned. Deferred revenues reflected on the consolidated statement of financial position consist primarily of advanced funding of PR SIS grants and programming fees and membership dues, which are expected to be recognized within one year.

Functional Expenses

Support services are comprised of both general and administrative expenses and fundraising expenses. Fundraising expenses approximate 9% and 4% of total support services for 2009 and 2008 respectively.

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. Restricted cash of \$161,677, which represents a deposit with a financial institution as collateral for a standby letter of credit in favor of the landlord on an office lease agreement, is included in the balance as of September 30, 2009 and 2008.

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 \$756,507 and \$749,889 as of September 30, 2009 and 2008, respectively, and is reported in prepaid and other assets.

Investments

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

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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. Money market accounts are valued as determined by the bank or money market manager. 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 by the custodian using a valuation methodology similar to above. Marketable securities held by mutual funds, pooled investment funds and hedge funds are valued by the fund manager using a valuation methodology similar to above.

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. Hedge funds encompass a wide range of investments, including long/short, distressed debt, merger arbitrage, real estate, and others. The allocations to each strategy vary, depending on market conditions. The fair value of certain alternative investments, such as private equity interests, is 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, liquidity 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 deflation) 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 non-current 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 may be 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.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2008)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 current investments with high quality institutions. As of September 30, 2009 and 2008, 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 non-current 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.

A combination of membership dues and station programming fees, representing 44% and 42% of total revenues from operations for the fiscal years 2009 and 2008, is derived from U.S. non-commercial radio stations. Funding of these stations is primarily derived from corporate, foundation, individual and governmental support.

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 capitalized 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 – thirty-one and a half years; computer equipment - three years; technical equipment purchased prior to fiscal year 2007 – five years; technical equipment purchased subsequent to fiscal year 2006 – three years; vehicles – office furniture – eight and five years for NPR and NPM ,respectively; equipment - five 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 9). These costs are 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 \$19,607 and \$20,123 are included in non-current prepaid and other assets on the consolidated statement of financial position as of September 30, 2009 and 2008, respectively. The value of the split interest agreement is measured as NPR's share of fair value of the assets. Liabilities associated with the agreement of \$9,046 and \$9,562 are included in non-current other accrued expenses on the consolidated statement of financial position as of September 30, 2009 and 2008, respectively.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivatives

Prior to 2008, NPR entered into two interest rate swap contracts to minimize its exposure to interest rate fluctuations related to variable rate debt. The debt related to one swap was retired in September 2008. The debt on the other is reflected as Interest Rate Swap Contracts on Debt on the consolidated statement of financial position. This interest rate swap contract is accounted for as a derivative. Since NPR is a not-for-profit organization, the fair value of this derivative is reflected on the consolidated statement of financial position in the liability section with the related losses reflected in the non-operating section of the consolidated statement of activities.

The interest rate swap contract associated with the retired debt was retained as an investment and is reflected as an element of investments in current assets and has a value of (\$1,730,909), a negative amount due to counter party. Its performance is included in return on working capital investments.

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 contract reflects 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, with the exception of its for-profit subsidiary, NPM, is exempt from taxes on income other than unrelated business income. NPM is a partnership for income tax purposes. NPR evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination. No provision for income taxes is required for 2009 and 2008.

NPR's tax returns are subject to review and examination by federal, state and local authorities. Tax returns for the years ended September 30, 2006, 2007, and 2008 are open for examination by federal, state and local authorities.

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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

The accounting policy concerning investment valuations relies on data from fund managers that cannot be entirely substantiated by third parties as of the financial statement date, 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.

Fair Value Measurements

NPR accounts for its financial instruments as well as certain assets and liabilities at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability. Fair value is a market based measurement, not an entity-specific measurement, and should therefore be determined based on the assumptions that market participants would use in pricing the asset or liability.

NPR is required by generally accepted accounting principles to categorize its financial instruments based on a three-level fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument. Financial instruments recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on quoted prices for identical assets or liabilities in an active market that NPR has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs includes quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently); pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about what market participants would use in pricing the asset or liability (examples include certain private equity investments, investment in real estates, split-interest agreements) developed using the best information available including assistance from investment advisors.

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, 2009.

Measure of Operations

Change in Net Assets from Operations includes all revenues and expenses of regularly carried-on business including that of subsidiaries. It does not include gains and losses associated with the sale of building (Note 7), impairment or amortization of intangible assets (Note 8), changes in value of the interest rate swap contracts associated with debt financing (Note 9), loss on early redemption of debt (Note 9), reorganization costs, losses associated with investment in a subsidiary, investment returns not designated for current operations (net), and the minority interest in subsidiaries.

Subsequent Events

In preparing the consolidated financial statements, NPR has evaluated events and transactions for potential recognition or disclosure through December 18, 2009, the date the consolidated financial statements are available for issuance.

Reclassifications

Certain items in the fiscal year 2008 consolidated financial statements have been reclassified to conform to the presentation of fiscal year 2009. These reclassifications have no impact on previously reported change in net assets.

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NOTE 3 INVESTMENTS

NPR's investments at September 30, 2009 and 2008, stated at fair value, are comprised of the following:

	<u>2009</u>	<u>2008</u>
Short-Term Investments:		
Fixed Income	\$ 39,029,451	\$ 10,473,197
Interest Rate Swap	(1,730,909)	-
Total Short-Term Investments	<u>37,298,542</u>	<u>10,473,197</u>
Long-Term Investments:		
Equities	125,832,055	116,738,011
Fixed Income	86,809,548	85,015,854
Alternative:		
Real Estate and Other Real Assets	27,296,340	27,331,100
Hedge Funds	70,507,884	86,426,804
Private Equities	17,193,972	10,131,096
Total Long-Term Investments	<u>327,639,799</u>	<u>325,642,865</u>
Total Investments	<u>\$ 364,938,341</u>	<u>\$ 336,116,062</u>

NPR has outstanding commitments of \$34,932,000 and \$41,018,277 as of September 30, 2009 and 2008, 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.

NOTE 4 RETURN ON INVESTMENTS

For the years ended September 30, 2009 and 2008, investment return was comprised of the following:

	<u>2009</u>	<u>2008</u>
Short Term:		
Dividends and Interest	\$ 360,338	\$ 510,222
Realized Gain	27,466	160,817
Unrealized Gain (Loss)	807,077	(497)
Total Short-Term Return	<u>1,194,881</u>	<u>670,542</u>
Long Term:		
Dividends and Interest	4,717,802	10,454,474
Realized Gain	2,922,325	5,328,870
Unrealized Gain (Loss)	2,414,991	(62,127,094)
Direct Investment Services Fees	(858,403)	(1,238,717)
Total Long-Term Return	<u>9,196,715</u>	<u>(47,582,467)</u>
Total Return	<u>\$ 10,391,596</u>	<u>\$ (46,911,925)</u>

NATIONAL PUBLIC RADIO, INC.
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NOTE 5 FAIR VALUE MEASUREMENTS

NPR uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the organization measures fair value refer to Note 2.

Assets Measured at Fair Value on a Recurring Basis

	Level 1	Level 2	Level 3	Total
Investments:				
Equities	\$ 125,832,057	\$ -	\$ -	\$ 125,832,057
Fixed Income	97,284,895	28,554,102	-	125,838,997
Interest Rate Swap Contract	-	(1,730,909)	-	(1,730,909)
Alternative:				
Real Estate and Other				
Real Assets	-	-	27,296,340	27,296,340
Hedge Funds	-	-	70,507,884	70,507,884
Private Equities	-	-	17,193,972	17,193,972
Total Investments	223,116,952	26,823,193	114,998,196	364,938,341
Beneficial Interest in Perpetual Trusts, Net	-	-	19,607	19,607
Total	<u>\$ 223,116,952</u>	<u>\$ 26,823,193</u>	<u>\$ 115,017,803</u>	<u>\$ 364,957,948</u>

Liabilities Measured at Fair Value on a Recurring Basis

	Level 1	Level 2	Level 3	Total
Interest Rate Swap Contract on Debt	\$ -	\$ 574,309	\$ -	\$ 574,309
Obligations Related to Pooled Income Fund	-	-	9,046	9,046
Total	<u>\$ -</u>	<u>\$ 574,309</u>	<u>\$ 9,046</u>	<u>\$ 583,355</u>

Assets Measured at Fair Value on a Non-recurring Basis

	Level 1	Level 2	Level 3	Total
Intellectual Property	\$ -	\$ -	\$ 293,878	\$ 293,878
Goodwill	-	-	1,822,832	1,822,832
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,116,710</u>	<u>\$ 2,116,710</u>

NATIONAL PUBLIC RADIO, INC.
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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets and Liabilities

The following table provides a summary of changes in fair value of NPR's Level 3 financial assets for the year ended September 30, 2009:

	<u>Investments</u>	<u>Beneficial Interest in Perpetual Trusts, Net</u>	<u>Obligations Related to Pooled Income Fund</u>	<u>Total</u>
Beginning Balance, October 1, 2008	\$ 123,889,000	\$ 20,124	\$ 9,562	\$ 123,918,686
Net Realized and Unrealized Loss on Investment	(14,891,972)	-	-	(14,891,972)
Purchase of Investments	13,683,489	-	-	13,683,489
Proceeds from Sale of Investments	(7,682,321)	-	-	(7,682,321)
Change in Value of Beneficial Interest in Perpetual Trust	-	(517)	(516)	(1,033)
Balances as of September 30, 2009	<u>\$ 114,998,196</u>	<u>\$ 19,607</u>	<u>\$ 9,046</u>	<u>\$ 115,026,849</u>

NATIONAL PUBLIC RADIO, INC.
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NOTE 6 RECEIVABLES, NET

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

	<u>2009</u>	<u>2008</u>
Receivables, Short-Term (Less than One Year):		
Grants and Contributions	\$ 3,123,121	\$ 3,819,844
Sponsorships	11,046,645	15,274,264
Station Fees	2,256,847	1,367,616
Distribution and PRSS Services	508,173	710,676
Commissions	218,462	241,432
Other	1,213,492	1,687,862
Total Receivables, Short-Term	<u>18,366,740</u>	<u>23,101,694</u>
Allowance for Bad Debt	<u>(1,463,705)</u>	<u>(811,612)</u>
Receivables, Short-Term, Net	<u>16,903,035</u>	<u>22,290,082</u>
Receivables, Long-Term:		
One to Five Years:		
Contributions	3,875,950	6,376,509
Public Radio Fund	1,500,000	250,000
Discount to Present Value	<u>(129,924)</u>	<u>(168,066)</u>
Receivables, Long-Term, Net	<u>5,246,026</u>	<u>6,458,443</u>
Total Receivables, Net	<u>\$ 22,149,061</u>	<u>\$ 28,748,525</u>

NOTE 7 PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Land	\$ 47,477,777	\$ 47,477,777
Buildings and Improvements	15,820,358	15,663,657
Technical Equipment	31,537,077	26,872,981
Office Furnishings	3,771,137	3,771,137
Vehicles	110,551	110,551
Construction in Progress	9,309,136	6,242,342
	<u>108,026,036</u>	<u>100,138,445</u>
Accumulated Depreciation	<u>(34,204,469)</u>	<u>(30,415,443)</u>
Total Property and Equipment, Net	<u>\$ 73,821,567</u>	<u>\$ 69,723,002</u>

NATIONAL PUBLIC RADIO, INC.
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NOTE 7 PROPERTY AND EQUIPMENT (CONTINUED)

Assets in the land category represent the development site for NPR's anticipated new headquarters building acquired in July 2008 prior to selling its existing headquarters building and land for gain of \$85,095,441 which is reflected in the prior year's comparative information.

The assets in the construction in progress category primarily represent multi-year projects of upgrading the content management system used for audio distribution and construction of a new headquarters building.

NOTE 8 INTANGIBLE ASSETS

NPR has two reporting units with intangible assets, National Public Media, LLC and National Public Radio, Inc. (Parent Company Only) (PCO). NPM's intangible assets are a result of the purchase of assets of National Public Broadcasting in October 2007 and NPR (PCO)'s intangible assets are a result of the purchase of assets of Public Interactive in August 2008. Intangible assets from NPM include a covenant not to compete, workforce in place, contracts in force, and goodwill. Intangible assets from the purchase of Public Interactive include a covenant not to compete, intellectual property, and goodwill.

Goodwill and intellectual property are tested for impairment annually using both financial and operational criteria. In fiscal year 2009, based on the established criteria, \$893,221 of impairment was recorded to goodwill. Other intangible assets are amortized using the straight-line method over the estimated life of the asset, as follows: covenant not to compete – 60 months; workforce in place – 24 months; contracts in force – 36 months; intellectual property with finite useful life – 36 months.

	2009				Ending Balance
	Beginning Balance	Transfers	Amortization	Impairments	
Amortized Intangible Assets:					
Covenant Not to Compete	\$ 1,980,313	\$ -	\$ 464,565	\$ -	\$ 1,515,748
Workplace in Force	987,366	-	911,416	-	75,950
Contracts in Force	1,265,855	-	607,611	-	658,244
Intellectual Property	-	506,122	168,707	-	337,415
Subtotal	<u>4,233,534</u>	<u>506,122</u>	<u>2,152,299</u>	<u>-</u>	<u>2,587,357</u>
Unamortized Intangible Assets:					
Goodwill	2,716,053	-	-	893,221	1,822,832
Intellectual Property	800,000	(506,122)	-	-	293,878
Subtotal	<u>3,516,053</u>	<u>(506,122)</u>	<u>-</u>	<u>893,221</u>	<u>2,116,710</u>
Total Intangible Assets	<u>\$ 7,749,587</u>	<u>\$ -</u>	<u>\$ 2,152,299</u>	<u>\$ 893,221</u>	<u>\$ 4,704,067</u>

NATIONAL PUBLIC RADIO, INC.
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NOTE 9 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS

In fiscal year 2001, NPR 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 fiscal year 2002, 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. Also, in fiscal year 2002, 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. In fiscal year 2008, NPR entered into a Bridge Loan Note with SunTrust Bank in the amount of \$45,000,000 in connection with the purchase of property for the new headquarters building. The outstanding balance due at September 30, 2009, was \$1,000,000. The outstanding balance due at September 30, 2008 was \$45,000,000.

In 2008, through the acquisition of Public Interactive, NPR assumed a term note with the Ford Foundation for \$2,000,000. The interest rate for this note is 1% per annum with interest payable quarterly, in arrears. Principal payments are due in February 2011, 2012, and 2013. Based upon an imputed interest rate of 3.09% on this note, the principal balance has been adjusted to \$1,893,545 as of September 30, 2009.

On October 16, 2008, NPR extinguished its 2001 District of Columbia Revenue Bonds which were redeemed and defeased as of September 2008 by offsetting deposit to the Trustee's account. Interest expense and loss on redemption associated with DC revenue bonds are included in prior year's comparisons in these statements

The 2002 CA Revenue bond and term note were issued with a variable interest rate, reset each week based upon the underwriter's weekly interest rate. The Bridge Loan Note was issued with a variable interest rate, reset each month based upon the 3-month LIBOR interest rate plus a margin of 1.85%. Interest in the amount of \$660,283 related to this loan has been capitalized and is reflected in the construction in progress amount in Note 7. The bond and notes have no escrow requirements and the CA Revenue bond has credit support via a letter of credit agreement with SunTrust Bank.

For the years ended September 30, 2009 and 2008, for the DC Revenue Bonds, CA Revenue Bonds, Bridge Loan, and Term note, the variable interest rate ranges were:

	<u>2009</u>	<u>2008</u>
DC Revenue Bonds		1.57% to 4.33%
CA Revenue Bonds	0.46% to 3.64%	1.53% to 4.28%
Term Notes	0.75% to 4.79%	2.95% to 5.74%
Bridge Loan	0.74% to 4.07%	2.81% to 2.84%

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NOTE 9 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS (CONTINUED)

For the years ended September 30, 2009 and 2008, for the DC Revenue Bonds, CA Revenue Bonds, and all notes, the interest expense was:

	2009	2008
DC Revenue Bonds	\$ 518,152	\$ 1,569,233
CA Revenue Bonds	300,165	301,747
Term Notes	43,057	123,466
Ford Note	57,879	-
Total Interest Expense	\$ 919,253	\$ 1,994,446

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

<u>Fiscal Year</u>	<u>Bridge Note</u>	<u>Term Note</u>	<u>Ford Foundation Note</u>	<u>CA Revenue Bonds</u>	<u>Scheduled Payment Amount</u>
2010	\$ 1,000,000	\$ -	\$ -	\$ 200,000	\$ 1,200,000
2011	-	-	500,000	300,000	800,000
2012	-	-	500,000	300,000	800,000
2013	-	-	1,000,000	300,000	1,300,000
2014	-	2,880,000	-	300,000	3,180,000
Thereafter	-	-	-	5,200,000	5,200,000
Total	\$ 1,000,000	\$ 2,880,000	\$ 2,000,000	\$ 6,600,000	\$ 12,480,000

The letter of credit agreement for the CA Revenue Bonds, as well as the Term note and the Bridge Loan Note require NPR (excluding the Foundation and NPM) to meet various financial covenants each quarter, including a total liquidity of the lesser of \$30 million or 25% of operating expenses for NPR's most recently ended fiscal year, and unrestricted operating losses not to exceed \$19 million for the fiscal year ending September 30, 2009, \$16 million for the fiscal year ending September 30, 2010, and \$10 million for any subsequent fiscal year. As of September 30, 2009, NPR is in compliance with all covenants.

Swap Agreements

To manage its exposure to interest rate fluctuations associated with bonds and notes with variable interest rates, NPR entered into two interest rate swap contracts with SunTrust Bank (the Contracts). Effective May 2009, the swap contract attached to the DC bonds retired in 2008 was no longer held as hedge against a debt instrument. Since the debt associated with the swap was paid off, the swap is considered an investment vehicle for NPR (Note 3) and is presented in the current assets section of these statements.

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NOTE 9 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS (CONTINUED)

Swap Agreements (Continued)

The contracts require NPR to pay SunTrust a fixed rate (plus fees for an underlying letter of credit) per the schedule below. In exchange, NPR receives payment from SunTrust of variable interest rates based on the Securities Industry and Financial Markets Association (SIFMA) index rates. This index is expected to track closely to the variable rate of the CA bonds and generally move in parallel with the 30-day LIBOR rate. 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 for the interest rate swap held for hedging bond and as a component of the return on working capital for the interest rate swap held for investing.

<u>Fiscal Year</u>	<u>Amount of Swap</u>
	4.02% Fixed Rate
2010	\$ 6,400,000
2011	6,100,000
2012	5,800,000
2013	5,500,000
Expires April 2014	

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2009 and 2008, temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
News and Information	\$ 10,142,291	\$ 12,983,232
Music and Entertainment	90,000	58,333
Endowment for Excellence	1,265,744	1,670,455
Unappropriated Earnings	19,062,977	-
Total	<u>\$ 30,561,012</u>	<u>\$ 14,712,020</u>

NOTE 11 PERMANENTLY RESTRICTED NET ASSETS

From time to time NPR receives donor gifts that are intended to be maintained in perpetuity. These gifts are combined with other restricted and unrestricted gifts in the Endowment for Excellence and invested using NPR investment policies. Typically these gifts allow utilization of the investment earnings for NPR operations. The largest of these gifts totaling \$194,259,782 was received in 2004.

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NOTE 12 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

As of September 2009 and 2008 net assets of \$10,811,905 and \$11,731,775, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes, passage of time or by occurrence of other events specified by the donors.

NOTE 13 BOARD DESIGNATED AND DONOR RESTRICTED ENDOWMENTS

The NPR Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NPR classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of the 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 of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until expended. NPR also made a resolution in 1998 to maintain Distribution operating reserves and create a quasi-endowment (Distribution quasi-endowment Board-designated fund) for the purpose of generating revenue for the long-term support of the Public Radio Satellite System (PRSS) (note 16). The Board of Directors retains the authority to alter or eliminate quasi-endowment funds. The Distribution quasi-endowment Board-designated fund is classified as a component of unrestricted net asset.

See Note 2 for investment and spending policies that also pertain to endowment assets.

The composition of funds by type follows:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ -	\$ 19,062,977	\$ 195,555,690	\$ 214,618,667
Board Designated Endowment	11,249,349	-	-	11,249,349
Total Endowment Funds	<u>\$ 11,249,349</u>	<u>\$ 19,062,977</u>	<u>\$ 195,555,690</u>	<u>\$ 225,868,016</u>

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ 11,968,133	\$ -	\$ 196,471,694	\$ 208,439,827
Board Designated Endowment	10,145,659	-	-	10,145,659
Total Endowment Funds	<u>\$ 22,113,792</u>	<u>\$ -</u>	<u>\$ 196,471,694</u>	<u>\$ 218,585,486</u>

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NOTE 13 BOARD DESIGNATED AND DONOR RESTRICTED ENDOWMENTS (CONTINUED)

The summary of changes in endowment net assets is as follows:

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund Balance, September 30, 2007	\$ 65,115,751	\$ -	\$ 196,418,416	\$ 261,534,167
Investment Return:				
Investment Income	6,499,558	-	-	6,499,558
Net Realized and Unrealized Gains (Losses)	(38,241,141)	-	-	(38,241,141)
Total Investment Return	(31,741,583)	-	-	(31,741,583)
Investment Management Fees	(832,541)	-	-	(832,541)
Contributions	-	-	37,396	37,396
Purchasing Power Addition	-	-	15,882	15,882
Appropriations of Endowment Assets for Expenditure	(10,427,835)	-	-	(10,427,835)
Endowment Fund Balance, September 30, 2008	<u>\$ 22,113,792</u>	<u>\$ -</u>	<u>\$ 196,471,694</u>	<u>\$ 218,585,486</u>
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, September 30, 2008	\$ 22,113,792	\$ -	\$ 196,471,694	\$ 218,585,486
Net Asset Reclassification for UPMIFA	(11,968,133)	11,968,133	-	-
Endowment Net Assets After Reclassification	10,145,659	11,968,133	196,471,694	218,585,486
Investment Return:				
Investment Income	163,546	2,861,009	-	3,024,555
Net Realized and Unrealized Gains (Losses)	(11,419)	4,779,072	-	4,767,653
Total Investment Return	152,127	7,640,081	-	7,792,208
Investment Management Fees	(49,406)	(545,237)	-	(594,643)
Contributions	-	-	76,817	76,817
Purchasing Power Addition	-	-	8,147	8,147
Release of Permanent Restricted Assets	1,000,968	-	(1,000,968)	-
Endowment Fund Balance, September 30, 2009	<u>\$ 11,249,348</u>	<u>\$ 19,062,977</u>	<u>\$ 195,555,690</u>	<u>\$ 225,868,015</u>

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NOTE 14 COMMITMENTS

NPR leases office space, equipment, and distribution facilities under noncancelable leases expiring at various dates. In September 2008, NPR sold its existing headquarters building to a development management company and entered into a lease back agreement for the property through the construction phase of its new headquarters building. 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, 2009 and 2008, was \$11,127,618 and \$6,398,376, respectively. Rental income from sublease of excess office space was \$125,300 and \$110,000 in 2009 and 2008 respectively. The aggregate minimum rental payments under these noncancelable leases for future fiscal years are:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$ 9,311,231
2011	9,036,112
2012	8,960,935
2013	2,388,910
2014	458,224
Thereafter	3,683,416
Total Minimum Future Rental Payments	<u><u>\$ 33,838,828</u></u>

During fiscal year 2007, NPR agreed to support the Public Radio Fund (Fund), established by Public Radio Capital (PRC) via a commitment to fund a \$2.5 million loan. The Fund, in which NPR is a senior investor, 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 public broadcasting capital assets, which secure the loan. In fiscal year 2008, the Foundation provided NPR with a \$2.5 million grant to cover NPR's loan to the Fund. Based upon a multi-year drawdown schedule, expected over several years, NPR made loan deposits of \$250,000 and \$1,250,000 to the Fund in FY2008 and FY2009, respectively. In October, 2009, the remaining \$1,000,000 commitment was funded.

NOTE 15 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. The plan was amended effective approximately May 1, 2009 to initially reduce the percentage to zero and to 5% effective approximately October 1, 2009. These contributions, together with voluntary employee contributions, are vested in the employees' accounts. The pension expense for the years ended September 30, 2009 and 2008 was \$3,948,440 and \$6,625,709, respectively.

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NOTE 15 RETIREMENT PLAN (CONTINUED)

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 assets of the plans are held by NPR until disbursed to the participant. The plans are funded entirely from the compensation of the participants and vest with the employee either immediately or based upon specific future events. During fiscal year 2009, the funds held in the 457(f) plan were disbursed in their entirety to participants. At September 30, 2009 and 2008, former and present participants in the 457(f) had accrued and vested balances, including interest, totaling \$686,210. At September 30, 2009 and 2008, former and present participants in the 457(b) had accrued and vested balances, including interest, totaling \$135,727 and \$130,749, respectively. The deferred compensation plans are reflected in the consolidated financial statements as follows:

	2009			2008		
	457 (f)	457 (b)	Total	457 (f)	457 (b)	Total
Prepaid and Other						
Assets	\$ -	\$ 135,727	\$ 135,727	\$ 686,210	\$ 130,749	\$ 816,959
Accrued Liabilities	-	135,727	135,727	686,210	130,749	816,959

NOTE 16 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.

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NOTE 16 PUBLIC RADIO SATELLITE INTERCONNECTION SYSTEM (CONTINUED)

Ownership and Operation (Continued)

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 from NPR to the SuperTrust and describe the arrangements under which NPR operates the PRSIS. 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 (since replaced by Galaxy 16). The term of the transponder sublease parallels the term of the transponder lease with the satellite provider, Intelsat. In October 2008 a fourth C-band transponder was secured from Intelsat to add to the three already under lease, and a contract was completed with Intelsat to extend these four transponders for use by the PRSIS until June 25, 2018. The SuperTrust 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

Starting in 1988 and on several occasions since then, Congress has authorized funds to replace, refurbish, and upgrade the public radio and television satellite interconnection systems. Typically, the authorizing legislation established a special fund administered by the Corporation for Public Broadcasting (CPB) which, in turn, contracted with NPR as the entity to carry out the public radio portion of the project.

In May 2008, NPR and CPB entered into an agreement for the next satellite lease agreement including an expansion of transponders on the satellite. This agreement also provides funding for the upgrades to the ContentDepot® System for PRSIS, stations and producers within PRSIS, ground equipment replacement and business continuity. The second portion of the grant was approved by Congress in 2009 in the amount of \$26,642,000. In FY2009 and 2008, CPB funded to NPR \$2,615,081 and \$5,862,523 respectively.