

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009)

**NATIONAL PUBLIC RADIO, INC.
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(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009)**

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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, 2010, 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, 2009, and in our report dated December 18, 2009, 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 2010 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Public Radio, Inc. as of September 30, 2010, 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 17, 2010

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 11,612,627	\$ -	\$ -	\$ 11,612,627	\$ 8,545,462
Cash and Investments at Trustees	111,824,566	-	-	111,824,566	-
Investments	57,700,786	-	-	57,700,786	37,298,542
Receivables, Net of Allowance for Doubtful Accounts	18,414,423	8,887,569	-	27,301,992	16,903,035
Prepaid and Other Assets	3,876,936	-	-	3,876,936	5,155,541
Interfund (Payable) Receivable	(5,254,425)	5,254,425	-	-	-
Total Current Assets	<u>198,174,913</u>	<u>14,141,994</u>	<u>-</u>	<u>212,316,907</u>	<u>67,902,580</u>
PROPERTY AND EQUIPMENT, NET	84,022,773	-	-	84,022,773	73,821,567
NON-CURRENT ASSETS					
Investments	112,450,080	39,853,047	195,569,029	347,872,156	327,639,799
Receivables, Net of Discounts	2,500,000	8,833,472	-	11,333,472	5,246,026
Prepaid and Other Assets	87,156	(1,444)	-	85,712	85,392
Deferred Financing Costs	3,394,276	-	-	3,394,276	210,800
Intangible Assets, Net	3,185,867	-	-	3,185,867	4,704,067
Total Non-Current Assets	<u>121,617,379</u>	<u>48,685,075</u>	<u>195,569,029</u>	<u>365,871,483</u>	<u>337,886,084</u>
Total Assets	<u>\$ 403,815,065</u>	<u>\$ 62,827,069</u>	<u>\$ 195,569,029</u>	<u>\$ 662,211,163</u>	<u>\$ 479,610,231</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 18,450,326	\$ -	\$ -	\$ 18,450,326	\$ 20,871,094
Note Payable	-	-	-	-	1,000,000
Current Portion of Long-term Debt	500,000	-	-	500,000	200,000
Accrued Interest Payable	3,969,434	-	-	3,969,434	125,630
Deferred Revenues	15,599,631	-	-	15,599,631	15,561,865
Total Current Liabilities	<u>38,519,391</u>	<u>-</u>	<u>-</u>	<u>38,519,391</u>	<u>37,758,589</u>
NON-CURRENT LIABILITIES					
Other Accrued Expenses	2,103,620	-	-	2,103,620	2,405,425
Note Payable	1,432,428	-	-	1,432,428	4,773,545
Bonds Payable	165,818,659	-	-	165,818,659	6,400,000
Interest Rate Swap Contract on Debt	-	-	-	-	574,309
Total Non-Current Liabilities	<u>169,354,707</u>	<u>-</u>	<u>-</u>	<u>169,354,707</u>	<u>14,153,279</u>
Total Liabilities	207,874,098	-	-	207,874,098	51,911,868
NONCONTROLLING INTEREST	1,503,696	-	-	1,503,696	1,782,355
NET ASSETS	<u>194,437,271</u>	<u>62,827,069</u>	<u>195,569,029</u>	<u>452,833,369</u>	<u>425,916,008</u>
Total Liabilities and Net Assets	<u>\$ 403,815,065</u>	<u>\$ 62,827,069</u>	<u>\$ 195,569,029</u>	<u>\$ 662,211,163</u>	<u>\$ 479,610,231</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Membership Dues	\$ 2,817,506	\$ -	\$ -	\$ 2,817,506	\$ 2,703,237
Station Programming Fees	65,009,631	-	-	65,009,631	62,940,019
Grants, Contributions and Sponsorships	52,355,572	11,030,351	6,078	63,392,001	58,312,011
Net Assets Released from Restrictions	7,356,017	(7,356,017)	-	-	-
Return on Long-term Investments Designated for					
Current Operations	418,044	-	-	418,044	411,288
Return on Working Capital Investments	1,686,153	-	-	1,686,153	1,194,881
Commissions	5,452,163	-	-	5,452,163	4,675,057
Distribution Services	34,602,423	-	-	34,602,423	8,966,875
Public Interactive Services	1,941,881	-	-	1,941,881	1,889,359
Other Revenues	7,914,014	-	-	7,914,014	6,580,954
Donated Goods and Services	1,029,791	-	-	1,029,791	1,021,570
Total Revenues	<u>180,583,194</u>	<u>3,674,334</u>	<u>6,078</u>	<u>184,263,606</u>	<u>148,695,251</u>
EXPENSES					
Program Services:					
News and Information	69,114,675	-	-	69,114,675	69,536,955
Distribution and Satellite Interconnection	36,566,555	-	-	36,566,555	12,966,146
Engineering	9,145,204	-	-	9,145,204	10,497,622
Programming	15,429,651	-	-	15,429,651	14,966,838
Digital Media	16,341,900	-	-	16,341,900	15,077,885
Consumer Products	1,364,661	-	-	1,364,661	1,454,673
Member and Programming Services	2,683,427	-	-	2,683,427	3,100,607
Public Interactive	2,454,395	-	-	2,454,395	2,758,330
Total Program Services	<u>153,100,468</u>	<u>-</u>	<u>-</u>	<u>153,100,468</u>	<u>130,359,056</u>
Support Services	39,420,782	-	-	39,420,782	36,231,038
Total Expenses	<u>192,521,250</u>	<u>-</u>	<u>-</u>	<u>192,521,250</u>	<u>166,590,094</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(11,938,056)	3,674,334	6,078	(8,257,644)	(17,894,843)
Return on Long-term Investments, Net	9,823,636	20,790,071	7,261	30,620,968	9,196,715
Change in Value of Swap Contracts on Debt	(4,090)	-	-	(4,090)	(1,157,342)
Amortization of Intangible Assets, Non-operating	(1,322,281)	-	-	(1,322,281)	(2,152,299)
Early Redemption of Bonds	(204,877)	-	-	(204,877)	-
HQ Building Fundraising Costs	(495,622)	-	-	(495,622)	-
HQ Building Fundraising Revenue	-	7,801,652	-	7,801,652	-
Return on Long-term Investments Designated for					
Current Operations	(418,044)	-	-	(418,044)	(411,288)
Loss on Impairment of Intangible Assets	(195,918)	-	-	(195,918)	(893,221)
Reorganization Costs	(605,441)	-	-	(605,441)	(4,112,000)
Loss on Investment in Forum	-	-	-	-	(400,000)
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	(5,360,693)	32,266,057	13,339	26,918,703	(17,824,278)
Noncontrolling Interest	(1,342)	-	-	(1,342)	282,583
CHANGE IN NET ASSETS	(5,362,035)	32,266,057	13,339	26,917,361	(17,541,695)
Net Assets - Beginning of Year	199,799,306	30,561,012	195,555,690	425,916,008	443,457,703
NET ASSETS - END OF YEAR	<u>\$ 194,437,271</u>	<u>\$ 62,827,069</u>	<u>\$ 195,569,029</u>	<u>\$ 452,833,369</u>	<u>\$ 425,916,008</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 26,917,361	\$ (17,541,695)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows Used in Operating Activities:		
Decrease in Value of Swap Contracts on Debt	4,090	1,157,342
Unrealized/Realized Gain on Investments	(29,897,463)	(6,171,859)
Loss on Investment in Forum	-	400,000
Loss on Impairment of Intangible Assets	195,918	893,221
Loss on Disposal of Property and Equipment	11,001	257,588
Amortization of Deferred Financing Costs	58,143	11,846
Amortization of Intangible Assets	1,322,281	2,152,299
Depreciation of Property and Equipment	5,401,599	4,430,153
(Increase) Decrease in Receivables	(16,486,403)	6,599,467
Decrease (Increase) in Prepaid and Other Assets	1,278,605	(28,200)
(Increase) Decrease in Prepaid and Other Assets, Noncurrent	(3,241,938)	12,364
Decrease in Accounts Payable and Accrued Expenses	(2,420,768)	(5,143,052)
(Decrease) Increase in Other Accrued Expenses	(189,821)	151,919
Increase (Decrease) in Accrued Interest Payable	3,843,803	(35,579)
(Decrease) Increase in Deferred Revenues	(74,217)	11,688,385
(Decrease) Increase in Noncontrolling Interest	(278,659)	517,419
Investment Return Restricted for Endowment Purposes	(7,261)	(8,147)
Net Cash Flows Used in Operating Activities	(13,563,729)	(656,529)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments:		
Purchases	(254,605,507)	(138,568,569)
Sales and Maturities	182,689,121	113,435,110
Property and Equipment:		
Headquarters Building Purchases	(7,034,464)	-
Other Capital Purchases	(5,770,084)	(8,786,305)
Net Cash Flows Used in Investing Activities	(84,720,934)	(33,919,764)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bonds and Note Payables:		
Repayments of Bonds and Notes	(10,480,000)	(44,200,000)
Proceeds from Bond Payable	165,835,493	-
Draw Down of Bond Proceeds to Fund HQ Expenditures	(54,010,926)	-
Investment Return Restricted for Endowment Purposes	7,261	8,147
Net Cash Flows Provided by (Used in) Financing Activities	101,351,827	(44,191,853)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,067,165	(78,768,145)
Cash and Cash Equivalents - Beginning of Year	8,545,462	87,313,607
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,612,627	\$ 8,545,462
SUPPLEMENTAL DISCLOSURE		
Cash Payments for Interest	\$ 1,520,563	\$ 1,470,223
Cash Payments for Income Taxes	\$ -	\$ -

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)

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 commissions and dues and programming fees from member stations.

NPR has a supporting foundation, NPR Foundation (the Foundation), which is a Section 501(c)(3) not-for-profit organization, founded in 1992, for 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 April 2006, NPR Media Berlin gGmbH, a German non-profit, 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 October 2007, NPR 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. 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, and as of September 30, 2010 there have been no changes in the ownership interest.

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.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)

NOTE 1 ORGANIZATION (CONTINUED)

In August 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. The revenue and expense activity is reflected on the consolidated statement of activities in separate line items.

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 obligated NPR to fund a capital contribution of \$400,000 over a two-year period. As of September 30, 2010, NPR had funded \$314,921 of its obligation. However, as of September 30, 2009, NPR recognized a loss on investment in Forum of \$400,000 due to the investment having a fair value of zero.

These consolidated financial statements include the accounts of the Foundation, NPM, and NPR Media Berlin gGmbH. Consolidated financial statements are presented because of the common control of the Foundation, NPM and NPR, collectively hereinafter referred to as "NPR."

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 in conformity with generally accepted accounting principles in the United States of America and do not include the member radio stations because NPR does not own or 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, 2009, from which the summarized information was derived.

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 13).

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

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.

Cash and Cash Equivalents

Cash and cash equivalents reflect amounts that approximate fair value due to the short maturity (average of 90 days or less) of these instruments. Operating checking accounts, sweep accounts, interest-bearing liquid investment accounts, and deposits with a financial institution as collateral for a standby letter of credit are included in cash and cash equivalents.

Investments

Investment balances and return on investments, net of fees, including net appreciation or depreciation, 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 and depreciation, and investment fees are distributed proportionately based on the 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. The fair value of the investment funds is based on available information and does not necessarily represent amounts that might ultimately be realized. The fair value may differ significantly from the values which would have been used had a ready market for the funds existed.

Public equities and real estate and fixed income securities, listed or traded on a securities exchange, are valued at the closing 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 NPR's name or held for NPR'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.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2009)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Alternative investments, principally private equity, non-public equity, non-public real estate and other, and hedge funds, are valued using the most recent valuation available by the respective external fund manager. The fair value of certain alternative investments is estimated based on valuations provided by external investment managers as of a prior period, adjusted for cash receipts, cash disbursements, and securities distributions through September 30. Typically real estate and other is valued at the lower of cost or fair value until external events substantiate a change in value or a reasonable methodology exists to capture and quantify changes in value. Interest rate swap contracts are fair valued based on an estimate of market value adjusted for the present value of future net cash flows.

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, event and credit risks. NPR anticipates that the value of its investments may, from time to time, fluctuate as a result of these risks. NPR 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, seek to preserve the value of the portfolio in real terms (after inflation, deflation and fees) and to generate a reliable flow of earnings for support of NPR.

Fair Value Measurements

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, 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. Therefore, NPR uses 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 the priority of the inputs to the valuation technique into 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 consolidated statement of financial position are categorized based on the inputs to the valuation techniques as follows:

NATIONAL PUBLIC RADIO, INC.
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 use model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets (examples may include corporate and municipal bonds); 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.

Level 2 assets also include investment funds that do not have a readily determinable fair value but meet other criteria and a net asset value per share, or its equivalent, is provided by the fund manager at the measurement date.

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. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date. Management uses inputs that reflect assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments and split-interest agreements).

Inventory

Equipment purchased for resale to participants of the Public Radio Satellite System (PRSS) as well as inventory held for sale, primarily the online shop, is carried at the lower of cost or market. Inventory costs are determined using the First-In, First-Out method. Inventory was \$634,122 and \$756,507 as of September 30, 2010 and 2009, respectively, and is reported in prepaid and other assets.

Property and Equipment

NPR capitalizes all property and equipment with a useful life of more than one (1) year and a unit value of \$1,000 or greater. The valuation of property or equipment, whether purchased or constructed, is based on cost, which is determined by the cost incurred. The asset cost should include all direct costs required to acquire and ready the asset for service. If the property or equipment is acquired by gift, the valuation is the fair value at the date of the gift, if determinable. Otherwise, an appraised value is used. Repairs and maintenance costs are expensed as incurred.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

Property and equipment are depreciated on the straight-line method over the estimated useful lives of the respective assets, taking a half-year depreciation expense in the first and last year of the asset's estimated life.

Useful lives of such assets are as follows:

<u>Asset Category</u>	<u>Useful Lives</u>
Land	Non Depreciable
Buildings and Improvements:	
Building and Improvements	24 - 32 Years
Leasehold Improvements	Shorter of Lease Term or Useful Life of Asset
Technical Equipment:	
Content Production System	5 Years
Audio Equipment	3 Years (5 Years if Purchased Prior to October 1, 2006)
Computer Equipment	3 Years
Telecommunications	5 Years
Office Furniture	8 Years (NPR)/5 Years (NPM)
Vehicles	5 Years
Construction in Progress	Non Depreciable

According to ASC 985, *Costs of Software to Be Sold, Leased, or Otherwise Marketed*, NPR capitalizes software developed internally for external marketing in excess of \$500,000. Project spending below this threshold is expensed as incurred. Costs incurred to create computer software are charged to expense when incurred until technological feasibility has been established for the product. Technological feasibility is established upon completion of a detailed program design or, in its absence, completion of a working model. After technological feasibility is established, the costs of coding and testing and other costs of producing product masters are capitalized. Cost capitalization ceases when the product is available for general release to customers.

Capitalized software costs are amortized on a product-by-product basis, starting when the product is available for general release to customers. Annual amortization is the greater of straight-line over the product's estimated useful life or the percent of the product's current-year revenues as compared to the product's anticipated future revenues.

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 \$19,927 and \$19,607 are included in non-current prepaid and other assets on the consolidated statement of financial position as of September 30, 2010 and 2009, 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 \$9,365 and \$9,045 are included in non-current other accrued expenses on the consolidated statement of financial position as of September 30, 2010 and 2009, respectively.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

NPR has recorded the costs of issuing the District of Columbia Revenue Bonds (National Public Radio, Inc. Issue) Series 2010 (Note 11) on the consolidated statement of financial position as deferred financing costs, and amortizes these costs over the term of the bonds, using the straight-line method as required by ASC 835, *Interest*. As the Series 2010 District of Columbia Revenue Bonds were issued to finance the development and construction of NPR's new headquarters facility, amortization of deferred financing costs associated with the bonds in the amount of \$52,220 has been expensed in fiscal year 2010, leaving a remaining balance of \$3,394,276 as of September 30, 2010. Amortization of deferred financing costs for previously issued bonds in the amount of \$11,846 was expensed as interest in fiscal year 2009, and the remaining balance at September 30, 2009 was \$210,800.

Derivatives

Prior to 2008, NPR entered into two interest rate swap contracts to minimize exposure to interest rate fluctuation related to then outstanding variable rate debt. These interest rate swap contracts were accounted for according to ASC 815, *Derivatives and Hedging*. The debt related to the swaps, both the Series 2001 District of Columbia Revenue Bonds and the Series 2002 California Revenue Bonds, was retired in September 2008 and April 2010, respectively. Both interest rate swap contracts associated with the retired debt were retained as an investment and are reflected as a component of investments in current assets on the consolidated statement of financial position, with respective negative fair values for amounts due to counterparties of (\$1,341,192) and (\$1,730,909) as of September 30, 2010 and 2009, respectively. The return performance on swaps retained as investments is included in the return on working capital investments on the consolidated statement of activities.

As of September 30, 2009, the swap contract for the then outstanding Series 2002 California Revenue Bonds was reflected in the liability section of the consolidated statement of financial position as Interest Rate Swap Contract on Debt, in the amount of \$574,309. Prior to the debt retirement, the related gains and losses for this swap were reflected in the non-operating section of the consolidated statement of activities.

Grants, Contributions and Sponsorships

NPR recognizes grants, contributions and sponsorships revenue in accordance with ASC 958, *Not-For-Profit Entities*. 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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants, Contributions and Sponsorships (Continued)

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 \$23,168,000 and \$19,300,000 in fiscal years 2010 and 2009, respectively.

All gifts pledged or received from donors that are designated for the new headquarters building are temporarily restricted. Gifts that are "general building gifts" or similar designation will be released from restriction at the time the building is completed and put into service. If the gift has language similar to "pay for costs during construction" the gift will be released from restriction as NPR makes equity payments into the project. Any donor pledges or gifts with more specific restrictions (e.g. studio, conference room, etc.) will be released from restriction when that specific part of the facility is completed.

All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value using the risk-free daily treasury yield curve rate obtained from the United States Treasury. The discount is calculated based on the date and amount of the original award, number of years over which payments are pledged, and any actual payments received. The discount is amortized and recorded to revenue based on the payments and duration of the pledge. Contributions receivable are reported net of the discount against long-term receivables in the notes to the consolidated financial statements (Note 7). Discounted amounts of \$372,769 and \$129,924 existed as of September 30, 2010 and 2009, respectively. Receivables are also reported net of any estimated uncollectible amounts.

Sponsorships are exchange transactions and are recognized as revenue, in accordance with ASC 605, *Revenue Recognition*, 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 \$40,000,000 and \$36,000,000 in fiscal years 2010 and 2009, respectively.

Commissions

Commission revenue represents NPM's charges to non-NPR customers for sponsorship placements and totaled \$5,452,163 and \$4,675,057 in fiscal years 2010 and 2009, respectively.

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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All Other Revenues

Membership dues, station programming fees, and distribution interconnection fees for use of the PRSS, 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 PRSS grants, programming fees, and membership dues, which are expected to be recognized within one year.

Functional Expenses

Support services are comprised of general, administrative, and fundraising expenses. Fundraising expenses approximate 10% and 9% of total support services for fiscal years 2010 and 2009, respectively.

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 multiple institutions. As of September 30, 2010 and 2009, there were certain balances in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit or held in investment or custody accounts that do not carry insurance. Although certain balances may be in excess of FDIC insurance limits, the FDIC created the Temporary Liquidity Guarantee Program that provided for insurance coverage up to \$250,000 for accounts at FDIC-insured institutions through December 31, 2010. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions. NPR has established guidelines relative to the diversification to limit the amount placed with any single investment manager.

A combination of membership dues and station programming fees, representing 37% of total operating revenues for the fiscal year 2010 is derived from U.S. non-commercial radio stations. Funding of these stations is primarily derived from corporate, foundation, individual and governmental support.

In accordance with the disclosure requirements of ASC 275, *Risks and Uncertainties*, regarding concentrations of labor subject to collective bargaining agreements, NPR is party to two such union agreements, which expire March 2015 and June 2015. At September 30, 2010, NPR (excluding NPM) had a total of approximately 890 employees. Of this total, approximately 545 are hourly workers and 345 are salaried. Approximately 83% of NPR's hourly employees and none of its salaried employees are represented by a union (Note 17).

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Under the provisions of Section 501(c)(3) 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. No provision for income taxes is required for fiscal years 2010 and 2009 since any unrelated business income will be offset by existing net operating loss (NOL) carryforwards. As of September 30, 2010, NPR and the Foundation had federal NOL carryforward amounts of \$13,006,452 and \$51,012, respectively, which begin to expire as early as 2024 and as late as 2039. As of September 30, 2010 and 2009, NPR had not recorded a deferred tax asset for the NOLs since their realization is uncertain.

NPM is treated as a partnership for income tax purposes. The members are required to report respective shares of income or loss in their income tax returns and are liable for any related taxes thereon. Accordingly, no provision for federal income tax has been made.

In accordance with ASC 740, *Income Taxes*, NPR evaluated its tax positions and determined that its tax positions are more-likely-than-not to be sustained upon examination. Accordingly, NPR believes there are no unrecognized benefits or applicable interest and penalties that should be recorded.

Tax returns are subject to review and examination by federal, state and local authorities. NPR's tax returns, with the exception of NPM's returns, for the years ended September 30, 2007, 2008, and 2009 are subject to examination by federal, state and local authorities. NPM's tax returns for the eleven months ended September 30, 2008 and year ended September 30, 2009 are subject to examination by federal, state and local authorities.

Use of Estimates

The preparation of consolidated 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 affects 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. Such estimates include useful lives of depreciable and amortizable assets, valuation of intangibles and accrued expenses. Actual results could differ from these estimates.

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

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

The allowance for doubtful accounts is an estimate of the amount of probable losses in NPR's existing accounts and pledges receivable. NPR determines the allowance based on the prior years' history of write offs and collectability.

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 return on long-term investments, net of fees, impairment or amortization of intangible assets (Note 9), changes in value of the interest rate swap contracts associated with debt financing (Note 11), loss on early redemption of debt (Note 11), reorganization costs, losses associated with investment in Forum, investment returns not designated for current operations (net of fees), revenue and expenses related to headquarters building fundraising, and the noncontrolling interest in subsidiaries.

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, 2010.

Reclassifications

Certain items in the fiscal year 2009 consolidated financial statements have been reclassified to conform to the presentation of fiscal year 2010. These reclassifications have no impact on the previously reported change in net assets.

Subsequent Events

In preparing the consolidated financial statements, and according to ASC 855, *Subsequent Events*, NPR has evaluated events and transactions for potential recognition or disclosure through December 17, 2010, the date the consolidated financial statements were issued. Other than the disclosures enumerated in Note 19 regarding the amended American Federation of Television and Radio Artists (AFTRA) memorandum of agreement and the National Association of Broadcast Employees and Technicians (NABET) Round 2 buy-outs, there were no additional events noted that required adjustment to or disclosures in these consolidated financial statements.

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NOTE 3 RELATED PARTIES

Members of the NPR Board of Directors (NPR Board) and the Foundation Board of Trustees (the Foundation Trustees) are significant contributors to funding the new headquarters building facility and other valid purposes of NPR.

Building pledges from the NPR Board and the Foundation Trustees totaled \$8,000,000 in fiscal year 2010, with \$6,401,238 remaining in temporarily restricted pledges receivable as of September 30, 2010. The Foundation Trustees' gifts amounted to \$3,352,444 and \$2,949,812 in fiscal years 2010 and 2009, respectively, with \$497,000 and zero remaining in unrestricted pledges receivable as of September 30, 2010 and 2009, respectively.

NOTE 4 INVESTMENTS

NPR's investments at September 30, 2010 and 2009, stated at fair value, are comprised of the following:

	2010	2009
Short-term Investments:		
Fixed Income	\$ 59,041,978	\$ 39,029,451
Alternative:		
Interest Rate Swap Contracts	(1,341,192)	(1,730,909)
Total Short-term Investments	57,700,786	37,298,542
Long-term Investments:		
Public Equities	54,655,333	65,422,869
Fixed Income	119,949,053	86,809,546
Public Real Estate and Other	660,722	201,881
Alternative:		
Non-Public Equities	35,115,252	34,765,720
Hedge Funds	102,515,251	113,502,965
Non-Public Real Estate and Other	9,425,170	9,742,846
Private Equities	25,551,375	17,193,972
Total Long-term Investments	347,872,156	327,639,799
Total Investments	\$ 405,572,942	\$ 364,938,341

NPR has outstanding commitments of \$39,217,696 and \$34,932,000 as of September 30, 2010 and 2009, 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.

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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 (Note 2).

As of September 30, 2010 and 2009, the fair value of assets measured on a recurring basis is categorized below:

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2010</u>				
Investments:				
Public Equities	\$ 54,655,333	\$ -	\$ -	\$ 54,655,333
Fixed Income	178,991,031	-	-	178,991,031
Public Real Estate and Other	660,722	-	-	660,722
Alternative:				
Interest Rate Swap Contracts	-	(1,341,192)	-	(1,341,192)
Non-Public Equities	-	35,115,252	-	35,115,252
Hedge Funds	-	-	102,515,251	102,515,251
Non-Public Real Estate and Other	-	-	9,425,170	9,425,170
Private Equities	-	-	25,551,375	25,551,375
Total Investments	234,307,086	33,774,060	137,491,796	405,572,942
Beneficial Interest in Perpetual Trusts, Net	-	-	19,927	19,927
Total	<u>\$ 234,307,086</u>	<u>\$ 33,774,060</u>	<u>\$ 137,511,723</u>	<u>\$ 405,592,869</u>

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2009</u>				
Investments:				
Public Equities	\$ 48,071,255	\$ -	\$ 17,351,613	\$ 65,422,868
Fixed Income	97,284,895	28,554,102	-	125,838,997
Public Real Estate and Other	-	-	201,881	201,881
Alternative:				
Interest Rate Swap Contract	-	(1,730,909)	-	(1,730,909)
Non-Public Equities	34,765,720	-	-	34,765,720
Hedge Funds	42,995,081	-	70,507,884	113,502,965
Non-Public Real Estate and Other	-	-	9,742,846	9,742,846
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>

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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

As of September 30, 2010 and 2009, the fair value of liabilities measured on a recurring basis is categorized below:

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2010</u>				
Obligations Related to Pooled Income Fund	\$ -	\$ -	\$ 9,365	\$ 9,365

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2009</u>				
Interest Rate Swap Contract on Debt	\$ -	\$ 574,309	\$ -	\$ 574,309
Obligations Related to Pooled Income Fund	-	-	9,045	9,045
	<u>\$ -</u>	<u>\$ 574,309</u>	<u>\$ 9,045</u>	<u>\$ 583,354</u>

As of September 30, 2010 and 2009, the fair value of assets measured on a non-recurring basis is categorized below:

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2010</u>				
PI Intellectual Property	\$ -	\$ -	\$ -	\$ -

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2009</u>				
PI Intellectual Property	\$ -	\$ -	\$ 293,878	\$ 293,878

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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 and liabilities for the years ended September 30, 2010 and 2009:

	Investments	Beneficial Interest in Perpetual Trusts, Net	Obligations Related to Pooled Income Fund	Total
Beginning Balance				
October 1, 2009	\$ 114,998,196	\$ 19,607	\$ 9,045	\$ 115,026,848
Transfers to Level 3	28,605,605	-	-	28,605,605
Net Realized and Unrealized				
Gain on Investments	13,433,653	-	-	13,433,653
Purchase of Investments	20,242,269	-	-	20,242,269
Proceeds from Sale of Investments	(39,787,927)	-	-	(39,787,927)
Change in Value of Beneficial Interest in Perpetual Trust	-	320	-	320
Change in Obligations Related to Pooled Income Fund	-	-	320	320
Ending Balance				
September 30, 2010	<u>\$ 137,491,796</u>	<u>\$ 19,927</u>	<u>\$ 9,365</u>	<u>\$ 137,521,088</u>

	Investments	Beneficial Interest in Perpetual Trusts, Net	Obligations Related to Pooled Income Fund	Total
Beginning Balance				
October 1, 2008	\$ 123,889,000	\$ 20,124	\$ 9,562	\$ 123,918,686
Net Realized and Unrealized				
Loss on Investments	(14,891,972)	-	-	(14,891,972)
Purchase of Investments	17,854,885	-	-	17,854,885
Proceeds from Sale of Investments	(11,853,717)	-	-	(11,853,717)
Change in Value of Beneficial Interest in Perpetual Trust	-	(517)	-	(517)
Change in Obligations Related to Pooled Income Fund	-	-	(517)	(517)
Ending Balance				
September 30, 2009	<u>\$ 114,998,196</u>	<u>\$ 19,607</u>	<u>\$ 9,045</u>	<u>\$ 115,026,848</u>

NPR performed its assessment of fair value and as a result has reclassified \$28,605,605 of investments from Level 1 to Level 3 during the year ended September 30, 2010.

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NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments measured at net asset value by major category are as follows:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Non-Public Equities	\$ 35,115,252	\$ -	Wkly/Mthly	5-30 days
Hedge Funds	\$ 102,515,251	\$ -	Qrtly to Yrly	30-90 days
Non-Public Real Estate and Other	\$ 9,425,170	\$ 12,966,964	Not eligible	N/A
Private Equities	\$ 25,551,375	\$ 26,250,732	Not eligible	N/A

Non-public equities may invest in varying industries of public and non-public equity securities, funds, derivatives and may also hold short-term investments such as cash, foreign currencies, and cash equivalents. The geographic areas include the United States and developed and emerging markets.

Hedge funds use a wide range of global strategies, including long/short equity, event driven, distressed securities, long/short credit, merger/risk arbitrage, capital structure arbitrage, convertible arbitrage, and global macro. Hedge funds generally employ leverage and short selling and can invest in a wide variety of both public and private securities including equities, fixed income, commodities, private placements, currencies, real estate, loans, derivatives, and special situation investments.

Non-public real estate and other may include investments in public real estate equity investment trusts (REITs), direct investments in properties, land mortgages, loans, public natural resource equities and commodities, as well as private investments in energy, oil & gas, timber, industrial and precious metals, or other hard assets.

Private equities include domestic and international investments in venture capital as well as funds-of-funds investments.

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NOTE 6 RETURN ON INVESTMENTS

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

	<u>2010</u>	<u>2009</u>
Short-term:		
Dividends and Interest	\$ 656,094	\$ 360,338
Realized Gain	305,296	27,466
Unrealized Gain	724,763	807,077
Total Short-term Return	<u>1,686,153</u>	<u>1,194,881</u>
Long-term:		
Dividends and Interest	2,639,583	4,717,802
Realized Gain	4,399,131	2,922,325
Unrealized Gain	24,468,273	2,414,991
Direct Investment Services Fees	(886,018)	(858,403)
Total Long-term Return	<u>30,620,968</u>	<u>9,196,715</u>
Total Return	<u>\$ 32,307,122</u>	<u>\$ 10,391,596</u>

NOTE 7 RECEIVABLES, NET

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

	<u>2010</u>	<u>2009</u>
Receivables, Short-term (Less than One Year):		
Grants and Contributions	\$ 10,944,836	\$ 3,123,121
Sponsorships	12,726,355	11,046,645
Station Fees	2,903,989	2,456,847
Distribution and PRSS Services	710,632	508,173
Public Interactive	164,760	194,418
License Fees	578,810	551,250
Commissions	249,189	218,462
Other	464,816	267,824
Total Receivables, Short-term	<u>28,743,387</u>	<u>18,366,740</u>
Allowance for Doubtful Accounts	<u>(1,441,395)</u>	<u>(1,463,705)</u>
Receivables, Short-term, Net	<u>27,301,992</u>	<u>16,903,035</u>
Receivables, Long-term:		
One to Five Years:		
Contributions	9,206,241	3,875,950
Public Radio Fund (Note 17)	2,500,000	1,500,000
Discount to Present Value	(372,769)	(129,924)
Receivables, Long-term, Net	<u>11,333,472</u>	<u>5,246,026</u>
Total Receivables, Net	<u>\$ 38,635,464</u>	<u>\$ 22,149,061</u>

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NOTE 8 PROPERTY AND EQUIPMENT

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

	2010	2009
Land	\$ 47,477,777	\$ 47,477,777
Buildings and Improvements	15,914,484	15,820,358
Technical Equipment	37,045,399	31,537,077
Office Furnishings	3,688,800	3,771,137
Vehicles	110,551	110,551
Construction in Progress	18,629,875	9,309,136
	122,866,885	108,026,036
Accumulated Depreciation	(38,844,112)	(34,204,469)
Total Property and Equipment, Net	\$ 84,022,773	\$ 73,821,567

Depreciation expense as of September 30, 2010 and September 30, 2009 totaled \$5,401,599 and \$4,430,153, respectively.

Construction in progress primarily includes multi-year project costs for the construction of a new headquarters building, costs for a new content production system used for audio distribution, and development of software for external marketing to stations. As of September 30, 2010, in association with the headquarters building project, NPR has incurred retainage payable of \$151,410 relating to a long-term construction contract, which is expected to be paid in November 2012.

In accordance with ASC 835, *Interest*, NPR capitalizes interest incurred during development and construction of the new headquarters building. As of September 30, 2010 and 2009, capitalized interest as a cost of property and equipment totaled \$4,868,878 and \$1,034,311, respectively. As construction in progress is completed and assets are placed in service, such assets are transferred to the appropriate property and equipment categories and depreciation begins.

NOTE 9 INTANGIBLE ASSETS

NPR's intangible assets are a result of purchases of assets of NPB and PI in October 2007 and August 2008, respectively. Intangible assets include a covenant not to compete, workforce in place, contracts in force, intellectual property and goodwill.

Based on the established criteria, amortizable intangible assets were amortized using the straight-line method over the estimated life of the asset, as follows: covenants not to compete – 60 months; workforce in place – 24 months; contracts in force – 36 months; intellectual property with a finite useful life – 36 months.

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NOTE 9 INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill represents the excess of the purchase price over the net amount assigned to identifiable assets acquired and liabilities assumed in the purchase and formation of NPM. In October 2007, goodwill was recorded in the amount of \$1,822,832. In accordance with ASC 350, *Intangibles - Goodwill and Other*, NPM performs an impairment assessment test annually as of September 30th or more frequently if indicators of impairment exist. The fair value of NPM is first assessed by modeling and analyzing its five-year projected cash flows. If the fair value of NPM is less than its carrying value, a second step is performed as per the guidance of ASC 805-10, *Business Combinations*, to allocate the fair value of NPM to the individual assets and liabilities so as to determine the implied fair value of goodwill. Any excess of the carrying value of goodwill over the implied fair value of goodwill is written off as a non-operating charge to the consolidated statement of activities. NPM's assessments of goodwill at September 30, 2010 and 2009 concluded that no goodwill impairment had occurred. The carrying value for goodwill as of September 30, 2010 and 2009 was \$1,822,832. In fiscal year 2009, goodwill recorded in connection with the purchase of PI in the amount of \$893,221 was written off given its assessed value of zero.

Intangible Assets Other Than Goodwill

Intangible assets other than goodwill include a covenant not to compete, workforce in place, contracts in force and intellectual property. Pursuant to ASC 350, *Intangibles - Goodwill and Other*, intangible assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate their carrying value may not be fully recoverable. If an impairment indicator exists, recoverability is assessed by comparing the carrying value to undiscounted cash flows expected to be generated by the assets. If impaired, the impairment recognized is the amount by which the carrying value exceeds its fair value, which is then charged as a non-operating charge to the statement of operations. In fiscal year 2010, PI software was being developed to substantially replace purchased un-amortizable intellectual property, thereby triggering a non-operating impairment loss in fiscal year 2010 in the amount of \$195,918, and a transfer to amortizable intangibles with a one-year estimated remaining useful life, as shown below. No impairment indicators existed for the remaining intangible assets other than goodwill in fiscal years 2010 and 2009; hence, no recoverability testing was warranted.

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NOTE 9 INTANGIBLE ASSETS (CONTINUED)

Intangible Assets Other Than Goodwill (Continued)

For the years ended September 30, 2010 and 2009, intangible assets were comprised of the following:

	2010				Ending Balance
	Beginning Balance	Impairments	Transfers	Amortization	
Amortized Intangible Assets:					
Covenants Not to Compete	\$ 1,515,748	\$ -	\$ -	\$ 464,573	\$ 1,051,175
Workforce in Place	75,950	-	-	75,950	-
Contracts in Force	658,244	-	-	607,608	50,636
Intellectual Property	337,415	-	97,960	174,150	261,225
Subtotal	<u>2,587,357</u>	<u>-</u>	<u>97,960</u>	<u>1,322,281</u>	<u>1,363,035</u>
Unamortized Intangible Assets:					
Goodwill	1,822,832	-	-	-	1,822,832
Intellectual Property	293,878	195,918	(97,960)	-	-
Subtotal	<u>2,116,710</u>	<u>195,918</u>	<u>(97,960)</u>	<u>-</u>	<u>1,822,832</u>
Total Intangible Assets	<u>\$ 4,704,067</u>	<u>\$ 195,918</u>	<u>\$ -</u>	<u>\$ 1,322,281</u>	<u>\$ 3,185,867</u>

	2009				Ending Balance
	Beginning Balance	Impairments	Transfers	Amortization	
Amortized Intangible Assets:					
Covenants Not to Compete	\$ 1,980,313	\$ -	\$ -	\$ 464,565	\$ 1,515,748
Workforce in Place	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>-</u>	<u>506,122</u>	<u>2,152,299</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>893,221</u>	<u>(506,122)</u>	<u>-</u>	<u>2,116,710</u>
Total Intangible Assets	<u>\$ 7,749,587</u>	<u>\$ 893,221</u>	<u>\$ -</u>	<u>\$ 2,152,299</u>	<u>\$ 4,704,067</u>

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NOTE 10 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of September 30:

	2010	2009
Accounts Payable and Accruals for Vendor Invoices	\$ 7,761,649	\$ 9,570,985
Accrued Compensation and Benefits	10,334,284	11,202,408
Other	354,393	97,701
Total	\$ 18,450,326	\$ 20,871,094

NOTE 11 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS

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. The CA Revenue Bonds were issued with a variable interest rate, reset each week based on the underwriter's weekly interest rate and no escrow requirements. On April 1, 2010, NPR extinguished its CA Revenue Bonds, by paying off the remaining principal in the amount of \$6,600,000 and related interest.

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 through June 15, 2014 with a principal payment due at the end of the term. The 2002 Term Note was issued with a variable interest rate, reset each week based on the underwriter's weekly interest rate with no escrow requirements. The Term Note had credit support via a letter of credit agreement with SunTrust Bank. In March 2010, NPR closed the Letter of Credit and extinguished its Loan Agreement with SunTrust Bank by paying off the remaining principal of \$2,880,000 and related interest.

In accordance with ASC 405, *Extinguishment of Liabilities*, by paying off the remaining balances of the CA Revenue Bonds and 2002 Term Note, NPR is relieved of its obligation and derecognized the liability. A loss on early retirement of bonds in the amount of \$204,877 was recorded in fiscal year 2010 for the early retirement of the CA Revenue Bonds.

In fiscal year 2008, through the acquisition of PI, 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, with no escrow requirements. Principal payments are due in February 2011, 2012, and 2013. Based upon the imputed rate of 3.09% on this note, the principal balance has been adjusted to \$1,932,429 and \$1,893,545 as of September 30, 2010 and 2009, respectively.

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NOTE 11 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS (CONTINUED)

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 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%. The Bridge Loan Note had no escrow requirements. The remaining balance due was paid in fiscal year 2010, rendering an outstanding balance as of September 30, 2010 and September 30, 2009 of zero and \$1,000,000, respectively.

On April 1, 2010, NPR entered into a Loan Agreement with the District of Columbia to issue District of Columbia Revenue Bonds (National Public Radio Inc. Issue) Series 2010 in the amount of \$162,125,000. The purpose of this issuance was to provide financing for the construction of NPR's new headquarters building, which will consolidate all of its three current District of Columbia facilities into one location. The District of Columbia Revenue Bonds Series 2010 were issued as fixed rate debt with per annum interest rates ranging from 3.0% to 5.0%. Interest is payable semi-annually and is due each October 1st and April 1st. The serial portion of the bonds have maturity dates ranging from April 1, 2014 through April 1, 2022, and the term portion of the bonds have maturities ranging from April 1, 2025 through April 1, 2043. The District of Columbia Revenue Series 2010 bonds were issued at a premium of \$3,710,492, and in accordance with ASC 835, *Interest*, the premium is amortized using the effective interest method. As of September 30, 2010, interest in the amount of \$3,845,891 related to this loan has been capitalized and is reflected in the construction in progress (Note 8). The outstanding principal balance of the District of Columbia Revenue Bonds Series 2010 at September 30, 2010 is \$162,125,000. The fair value of the District of Columbia Revenue Bonds Series 2010 at September 30, 2010 was \$166,306,915 and was determined based on the quoted market prices for the same or similar issues.

The District of Columbia Revenue Series 2010 bonds may be subject to redemption prior to maturity through optional, extraordinary optional, or mandatory redemptions. Bonds with a maturity date of April 1, 2043 are subject to an optional redemption at the discretion of the issuer beginning on April 1, 2015 equal to 100% of the principal amount plus accrued interest. Bonds with a maturity date of April 1, 2021 through April 1, 2035 are subject to an optional redemption at the discretion of the issuer equal to 100% of the principal amount plus accrued interest beginning on April 1, 2020. Bonds with a maturity date of April 1, 2025 and later are subject to mandatory sinking fund redemption prior to the April 1st maturities, equal to 100% of the principal amount plus accrued interest.

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NOTE 11 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS (CONTINUED)

The variable interest rate ranges for the years ended September 30, 2010 and 2009, for the CA Revenue Bonds, Bridge Loan, and Term Note were:

<u>Interest Expense</u>	2010	2009
Series 2002 - CA Revenue Bonds	0.20% to 0.60%	0.46% to 3.64%
Term Note	0.73% to 0.74%	0.75% to 4.79%
Bridge Loan	-	0.74% to 4.07%

Interest, both expensed and capitalized for the years ended September 30, 2010 and 2009, for all debt is:

<u>Interest Expensed</u>	2010	2009
Series 2002 - CA Revenue Bonds	\$ 134,512	\$ 300,165
Ford Foundation Note	58,887	57,879
Term Note	8,909	43,057
Series 2001 - DC Revenue Bonds	-	518,152
Total Interest Expensed	202,308	919,253
 <u>Capitalized Interest</u>		
Series 2010 - DC Revenue Bonds	3,845,891	-
Bridge Loan	(11,324)	773,008
Total Capitalized Interest	3,834,567	773,008
Total Interest	\$ 4,036,875	\$ 1,692,261

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

Fiscal Year	Series 2010 - DC Revenue Bonds	Ford Foundation Note	Scheduled Payment Amount
2011	\$ -	\$ 500,000	\$ 500,000
2012	-	500,000	500,000
2013	-	1,000,000	1,000,000
2014	2,540,000	-	2,540,000
2015	2,615,000	-	2,615,000
2016 and Thereafter	156,970,000	-	156,970,000
Total	\$ 162,125,000	\$ 2,000,000	\$ 164,125,000

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 both the Series 2001 District of Columbia Revenue Bonds swap and Series 2002 California Revenue Bonds swap was retired in September 2008 and April 2010, respectively.

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NOTE 11 BONDS AND NOTES PAYABLE/INTEREST RATE SWAP CONTRACTS (CONTINUED)

As of September 30, 2010, both swaps were retained as investments and are reflected on the consolidated statement of financial position in the short-term investment section with a negative value at (\$1,341,192) for amounts due the counterparties (Note 4). As of September 30, 2009 the Series 2001 District of Columbia Revenue Bonds swap was reported at (\$1,730,909) in the investment section of the consolidated statement of financial position, while the Series 2002 California Revenue Bonds swap, which was still associated with debt financing, was reported at \$574,309 in the liabilities section of the consolidated statement of financial position.

NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2010 and 2009, temporarily restricted net assets are available for the following purposes:

	2010	2009
News and Information	\$ 10,569,566	\$ 10,142,291
Music and Entertainment	96,250	90,000
New Headquarters Building	7,801,653	-
Endowment	4,506,553	1,265,744
Unappropriated Earnings	39,853,047	19,062,977
Total	<u>\$ 62,827,069</u>	<u>\$ 30,561,012</u>

NOTE 13 PERMANENTLY RESTRICTED NET ASSETS

In 1999, NPR 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 2010 and 2009, \$7,261 and \$8,147, respectively, were added for this purpose. The remaining return on investments is permitted to be used to support current operations.

In 2004, NPR received a contribution from a single donor of cash and investments totaling \$194,259,782. The contribution and smaller subsequent gifts established a permanently restricted endowment for the support of NPR operations.

Permanently restricted gifts are combined with other unrestricted gifts and invested using NPR investment policies.

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NOTE 14 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

As of September 2010 and 2009 net assets of \$7,356,017 and \$10,811,905, 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 15 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 the original gift as of the gift dates of the donor restricted endowment gift 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 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 appropriated.

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 PRSS (Note 18). 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 assets. See Note 2 for investment and spending policies that also pertain to endowment assets.

The composition of funds by type follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment	\$ -	\$ 39,853,047	\$ 195,569,029	\$ 235,422,076
Board Designated Endowment	11,102,195	-	-	11,102,195
Total Endowment Funds	<u>\$ 11,102,195</u>	<u>\$ 39,853,047</u>	<u>\$ 195,569,029</u>	<u>\$ 246,524,271</u>

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment	\$ -	\$ 19,062,977	\$ 195,555,690	\$ 214,618,667
Board Designated Endowment	10,248,380	-	-	10,248,380
Total Endowment Funds	<u>\$ 10,248,380</u>	<u>\$ 19,062,977</u>	<u>\$ 195,555,690</u>	<u>\$ 224,867,047</u>

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NOTE 15 BOARD DESIGNATED AND DONOR RESTRICTED ENDOWMENTS (CONTINUED)

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

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund Balance, September 30, 2009	\$ 10,248,380	\$ 19,062,977	\$ 195,555,690	\$ 224,867,047
Investment Return:				
Investment Income	113,826	1,516,014	-	1,629,840
Net Realized and Unrealized Gains	765,952	19,866,674	-	20,632,626
Total Investment Return	879,778	21,382,688	-	22,262,466
Fees	(25,963)	(592,618)		(618,581)
Contributions	-	-	6,078	6,078
Purchasing Power Addition	-	-	7,261	7,261
Endowment Fund Balance, September 30, 2010	<u>\$ 11,102,195</u>	<u>\$ 39,853,047</u>	<u>\$ 195,569,029</u>	<u>\$ 246,524,271</u>

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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 (Losses) Gains	(11,419)	4,779,072	-	4,767,653
Total Investment Return	152,127	7,640,081	-	7,792,208
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>\$ 10,248,380</u>	<u>\$ 19,062,977</u>	<u>\$ 195,555,690</u>	<u>\$ 224,867,047</u>

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NOTE 16 RETIREMENT PLAN

NPR (with the exception of NPM) maintains an employee defined-contribution retirement plan under Section 403(b) of the Internal Revenue Code, 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 May 2009 to initially reduce the contribution percentage to zero during the remainder of fiscal year 2009 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, 2010 and 2009 was \$3,059,360 and \$3,565,775, 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 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.

At September 30, 2010 and 2009, former and present participants in the 457(b) plan had accrued and vested balances, including interest, totaling \$68,235 and \$135,727, respectively.

NPM sponsors a savings plan under Section 401(k) under the Internal Revenue Code for its employees. Participants may voluntarily contribute and defer a portion of their wages, up to a maximum amount provided by the plan, and NPM, at the discretion of the Board, may make matching contributions. For the years ended September 30, 2010 and 2009, NPM made matching contributions of \$377,235 and \$382,665, respectively, to the plan.

NOTE 17 COMMITMENTS AND LONG-TERM CONTRACTS

In accordance with ASC 440, *Commitments*, NPR has made agreements that grant specified future rights and/or obligations to unrelated parties. The aggregate commitments under these agreements for future fiscal years are:

	Payments by Fiscal Year					2016 and Thereafter	Totals
	2011	2012	2013	2014	2015		
Series 2010 - DC Revenue Bonds							
Principal and Interest	\$ 7,858,646	\$ 7,991,843	\$ 7,991,843	\$ 10,531,843	\$ 10,530,643	\$ 294,866,429	\$ 339,771,247
Ford Note Principal and Interest	516,767	511,767	1,003,534	-	-	-	2,032,068
Office Lease Obligations	9,566,387	9,510,037	2,755,116	824,430	868,490	5,591,988	29,116,448
Headquarters Construction	5,063,255	4,137,918	2,041,143	-	-	-	11,242,316
Acquired Programming	8,208,215	957,500	270,000	-	-	-	9,435,715
Personal Service Contracts	2,142,981	1,845,893	610,268	242,030	150,167	-	4,991,339
Union Buy-outs (Rounds 1 and 2)	967,244	-	-	-	-	-	967,244
FM Transmitter	76,020	76,228	37,906	-	-	-	190,154
Totals	<u>\$ 34,399,515</u>	<u>\$ 25,031,186</u>	<u>\$ 14,709,810</u>	<u>\$ 11,598,303</u>	<u>\$ 11,549,300</u>	<u>\$ 300,458,417</u>	<u>\$ 397,746,531</u>

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NOTE 17 COMMITMENTS AND LONG-TERM CONTRACTS (CONTINUED)

On April 1, 2010, NPR entered into a Loan Agreement with the District of Columbia to issue District of Columbia Revenue Bonds (National Public Radio, Inc. Issue) Series 2010 in the amount of \$162,125,000 for a term of up to 33 years (Note 11).

In fiscal year 2008, through the acquisition of Public Interactive, NPR assumed a term note with the Ford Foundation for \$2,000,000 (Note 11).

NPR leases office space, equipment, and distribution facilities under noncancellable leases expiring at various dates. 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, 2010 and 2009 was \$11,313,831 and \$11,168,618, respectively. Rental income from the sublease of excess office space was \$36,450 and \$125,250 for the years ended September 30, 2010 and 2009, respectively.

NPR entered into three major long-term contracts totaling more than \$19,000,000 related to construction of the new headquarters facility at 1111 North Capital Street, NE, Washington, DC, which has a final completion date during calendar year 2013. In fiscal year 2010, work in the amount of \$8,193,196 was completed under these construction contracts and the related retainage is accrued for and included in these accompanying consolidated financial statements (Note 8).

NPR has commitments for programming rights acquired that are aired on member stations. NPR recognizes these acquired rights at the commencement of the licensing period when the cost of the station programming is known or reasonably determinable, the program material has been accepted and the programming is available to air.

Personal service contracts are agreements between NPR and contributors, freelancers, and news analysts and hosts that extend to 2015. During fiscal year 2006, NPR entered into an agreement to receive full-time FM transmitter and terrestrial services over a seven-year period.

In April 2010, NPR entered into a five-year collective bargaining agreement to amend its previous agreement with NABET. As part of that agreement, and in light of technology investments and advancements in broadcast operations, NPR has the right to effectuate three rounds of buy-outs and/or layoffs of up to 17 Broadcast Radio Technicians (BRTs) during fiscal years 2010 and 2011. In May 2010, NPR announced the first round of such buy-outs for five BRTs, and in accordance with ASC 420, *Accounting for Exit or Disposal Cost Obligations*, NPR has recorded a liability and non-operating reorganization charge for severance and other exit costs in the amount of \$605,441 on the accompanying consolidated financial statements. In November 2010, the second round of buy-outs for four BRTs was announced. The estimated second round buy-out costs are \$361,804 and will be recorded during the first quarter of fiscal year 2011 (Note 19). Should NPR effectuate a third round of buy-outs in fiscal year 2011, the potential liability could be up to \$569,139 for up to eight BRTs.

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NOTE 17 COMMITMENTS AND LONG-TERM CONTRACTS (CONTINUED)

During fiscal year 2007, NPR agreed to support the Public Radio Fund (the Fund), established by Public Radio Capital (PRC) via a commitment to fund a \$2,500,000 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 \$2,500,000 grant to cover NPR's loan to the Fund. During fiscal year 2010, NPR fully satisfied its commitments to the Fund, having made cumulative loan deposits of \$2,500,000 and \$1,500,000 as of September 30, 2010 and 2009, respectively. The PRC loans earn 3.0% interest per annum, and PRC will reimburse NPR in January 2013.

NOTE 18 PUBLIC RADIO SATELLITE SYSTEM

Ownership and Operation

The Public Radio Satellite System (PRSS) 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 from NPR to the SuperTrust and describe the arrangements under which NPR operates the PRSS. 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 PRSS until June 25, 2018.

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NOTE 18 PUBLIC RADIO SATELLITE SYSTEM (CONTINUED)

Ownership and Operation (Continued)

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. The most recent of these Congressional funding arrangements for public radio occurred in 2008, and were appropriated over a three-year period and totals \$77,925,000. The appropriation amounts that occurred were approximately as follows:

Fiscal Year 2008: \$26,283,000

Fiscal Year 2009: \$26,642,000

Fiscal Year 2010: \$25,000,000

In May 2008, NPR and CPB entered into an agreement to utilize these funds for procurement of 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 PRSS, stations and producers within PRSS, ground equipment replacement and business continuity. In fiscal years 2010 and 2009, CPB disbursed to NPR \$30,625,000 and \$3,430,000, respectively, for these purposes.

NOTE 19 SUBSEQUENT EVENTS

In November 2010, NPR entered a memorandum of agreement with AFTRA to amend the existing collective bargaining agreement held between NPR and AFTRA which ended September 2010. The memorandum of agreement is effective October 2010 through June 30, 2015.

In November 2010, pursuant to the collective bargaining agreement between NPR and NABET that commenced April 2010, NPR announced it will exercise Round 2 of its option to buy-out four BRTs during fiscal year 2011. The estimated liability for severance and other exit costs associated with the Round 2 buy-out of the four BRTs is \$361,804 and in accordance with ASC 420, *Exit or Disposal Cost Obligations*, this amount will be charged as a non-operating reorganization charge on the consolidated statement of activities during the first quarter of fiscal year 2011 (Note 17).

Other than the above disclosures, there were no additional events noted that required adjustment to or disclosure in these consolidated financial statements.