

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2010)

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
National Public Radio, Inc.
Washington, DC

We have audited the accompanying consolidated statement of financial position of National Public Radio, Inc. as of September 30, 2011, 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, 2010, and in our report dated December 17, 2010, 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 2011 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, 2011, 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 16, 2011



(1)

An independent member of Nexia International

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 17,455,436	\$ -	\$ -	\$ 17,455,436	\$ 11,450,950
Restricted Cash and Investments	81,556,969	-	-	81,556,969	111,986,243
Investments	76,317,906	-	-	76,317,906	57,700,786
Receivables, Net	19,864,678	6,144,384	-	26,009,062	27,301,992
Prepaid and Other Assets	4,709,749	-	-	4,709,749	3,876,936
Interfund (Payable) Receivable	(6,002,181)	6,002,181	-	-	-
Total Current Assets	<u>193,902,557</u>	<u>12,146,565</u>	<u>-</u>	<u>206,049,122</u>	<u>212,316,907</u>
PROPERTY AND EQUIPMENT, NET	119,595,216	-	-	119,595,216	84,022,773
NON-CURRENT ASSETS					
Investments	98,526,901	31,544,687	195,594,071	325,665,659	347,872,156
Receivables, Net	2,375,000	7,215,618	-	9,590,618	11,333,472
Prepaid and Other Assets	85,416	(6,426)	-	78,990	85,712
Deferred Financing Costs, Net	3,289,837	-	-	3,289,837	3,394,276
Intangible Assets, Net	2,899,870	-	-	2,899,870	3,185,867
Total Non-current Assets	<u>107,177,024</u>	<u>38,753,879</u>	<u>195,594,071</u>	<u>341,524,974</u>	<u>365,871,483</u>
Total Assets	<u>\$ 420,674,797</u>	<u>\$ 50,900,444</u>	<u>\$ 195,594,071</u>	<u>\$ 667,169,312</u>	<u>\$ 662,211,163</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 25,335,181	\$ -	\$ -	\$ 25,335,181	\$ 18,614,438
Current Portion of Long-term Debt	-	-	-	-	500,000
Accrued Interest Payable	3,995,931	-	-	3,995,931	3,969,434
Deferred Revenues	27,690,526	-	-	27,690,526	15,435,519
Total Current Liabilities	<u>57,021,638</u>	<u>-</u>	<u>-</u>	<u>57,021,638</u>	<u>38,519,391</u>
NON-CURRENT LIABILITIES					
Other Accrued Expenses	3,127,761	-	-	3,127,761	2,103,620
Note Payable	1,971,115	-	-	1,971,115	1,432,428
Bonds Payable	165,784,991	-	-	165,784,991	165,818,659
Total Non-current Liabilities	<u>170,883,867</u>	<u>-</u>	<u>-</u>	<u>170,883,867</u>	<u>169,354,707</u>
Total Liabilities	227,905,505	-	-	227,905,505	207,874,098
NONCONTROLLING INTEREST	1,389,838	-	-	1,389,838	1,503,696
NET ASSETS	<u>191,379,454</u>	<u>50,900,444</u>	<u>195,594,071</u>	<u>437,873,969</u>	<u>452,833,369</u>
Total Liabilities and Net Assets	<u>\$ 420,674,797</u>	<u>\$ 50,900,444</u>	<u>\$ 195,594,071</u>	<u>\$ 667,169,312</u>	<u>\$ 662,211,163</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES					
Membership Dues	\$ 3,192,000	\$ -	\$ -	\$ 3,192,000	\$ 2,817,506
Station Programming Fees	67,726,427	-	-	67,726,427	65,009,631
Corporate Sponsorships	49,756,547	-	-	49,756,547	40,224,754
Grants and Contributions	10,597,918	5,916,770	-	16,514,688	23,167,246
Return on Long-term Investments Designated for					
Current Operations	3,347,967	-	-	3,347,967	418,044
Return on Working Capital Investments	477,532	-	-	477,532	1,686,153
Commissions	5,492,430	-	-	5,492,430	5,452,163
Distribution Services	16,916,943	-	-	16,916,943	34,602,423
Public Interactive Services	1,989,696	-	-	1,989,696	1,941,881
Other Revenues	7,353,543	-	-	7,353,543	7,914,014
Donated Goods and Services	1,036,368	-	-	1,036,368	1,029,791
Net Assets Released from Restrictions	10,208,180	(10,208,180)	-	-	-
Total Revenues	178,095,551	(4,291,410)	-	173,804,141	184,263,606
EXPENSES					
Program Services:					
News and Information	72,367,425	-	-	72,367,425	69,114,675
Distribution and Satellite Interconnection	18,966,596	-	-	18,966,596	36,566,555
Digital Media	17,834,838	-	-	17,834,838	16,341,900
Programming	15,768,743	-	-	15,768,743	15,429,651
Engineering	8,350,432	-	-	8,350,432	9,145,204
Public Interactive	3,244,130	-	-	3,244,130	2,454,395
Member and Audience Partnership	2,239,821	-	-	2,239,821	2,683,427
Consumer Products	1,384,494	-	-	1,384,494	1,364,661
Total Program Services	140,156,479	-	-	140,156,479	153,100,468
Support Services	45,005,641	-	-	45,005,641	39,420,782
Total Expenses	185,162,120	-	-	185,162,120	192,521,250
CHANGE IN NET ASSETS FROM OPERATIONS	(7,066,569)	(4,291,410)	-	(11,357,979)	(8,257,644)
Return on Long-term Investments, Net	9,569,317	(8,308,360)	25,042	1,285,999	30,620,968
Return on Long-term Investments Designated for					
Current Operations	(3,347,967)	-	-	(3,347,967)	(418,044)
Change in Value of Swap Contract on Debt	-	-	-	-	(4,090)
Amortization of intangible Assets	(776,431)	-	-	(776,431)	(1,322,281)
Early Redemption of Bonds	-	-	-	-	(204,877)
New HQ Building Fundraising Expenses	(635,148)	-	-	(635,148)	(495,622)
New HQ Building Fundraising Revenues	-	673,145	-	673,145	7,801,652
Loss on Impairment of Intangible Assets	-	-	-	-	(195,918)
Reorganization Costs	(704,877)	-	-	(704,877)	(605,441)
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	(2,961,675)	(11,926,625)	25,042	(14,863,258)	26,918,703
Noncontrolling Interest	(96,142)	-	-	(96,142)	(1,342)
CHANGE IN NET ASSETS	(3,057,817)	(11,926,625)	25,042	(14,959,400)	26,917,361
Net Assets - Beginning of Year	194,437,271	62,827,069	195,569,029	452,833,369	425,916,008
NET ASSETS - END OF YEAR	\$ 191,379,454	\$ 50,900,444	\$ 195,594,071	\$ 437,873,969	\$ 452,833,369

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (14,959,400)	\$ 26,917,361
Adjustments to Reconcile Change in Net Assets to Net Cash Flows		
Provided by (Used in) Operating Activities:		
Decrease in Value of Swap Contract on Debt	-	4,090
Unrealized/Realized Gain on Investments	(673,680)	(29,897,463)
Loss on Impairment of Intangible Assets	-	195,918
Loss on Disposal of Property and Equipment	-	11,001
Amortization of Deferred Financing Costs	104,439	58,143
Amortization of Intangible Assets	776,431	1,322,281
Depreciation of Property and Equipment	5,769,502	5,401,599
Decrease (Increase) in Receivables	3,035,784	(16,486,403)
(Increase) Decrease in Prepaid and Other Assets	(826,091)	1,220,143
Increase in Intangible Assets	(490,434)	-
Increase in Deferred Financing Costs	-	(3,183,476)
Increase (Decrease) in Accounts Payable and Accrued Expenses	6,720,743	(2,420,768)
Increase (Decrease) in Other Accrued Expenses	1,024,141	(189,821)
Increase in Accrued Interest Payable	26,497	3,843,803
Increase (Decrease) in Deferred Revenues	12,255,007	(74,217)
Decrease in Noncontrolling Interest	(113,858)	(278,659)
Investment Return Restricted for Endowment Purposes	(25,042)	(7,261)
Net Cash Flows Provided by (Used in) Operating Activities	12,624,039	(13,563,729)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments:		
Purchases	(111,120,742)	(254,605,507)
Sales and Maturities	145,818,092	182,689,121
Property and Equipment:		
New Headquarters Building Purchases	(32,305,140)	(7,034,464)
Other Purchases	(9,036,805)	(5,770,084)
Net Cash Flows Used in Investing Activities	(6,644,595)	(84,720,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bonds and Notes Payable:		
Repayments of Bonds and Notes	-	(10,480,000)
Proceeds from Bonds Payable	-	165,835,493
Draw Down of Bond Proceeds to Fund New HQ Expenditures	-	(54,010,926)
Investment Return Restricted for Endowment Purposes	25,042	7,261
Net Cash Flows Provided by Financing Activities	25,042	101,351,828
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,004,486	3,067,165
Cash and Cash Equivalents - Beginning of Year	11,450,950	8,383,785
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 17,455,436	\$ 11,450,950
SUPPLEMENTAL DISCLOSURES		
Cash Payments for Interest	\$ 8,773,423	\$ 1,520,563
Cash Payments for Income Taxes	\$ 47,314	\$ 21,142

See accompanying Notes to Consolidated Financial Statements.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010)

NOTE 1 ORGANIZATION

National Public Radio, Inc. (NPR, Inc.) is a Section 501(c)(3) not-for-profit corporation whose purposes are to produce, acquire, and distribute non-commercial 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 and programming fees from member stations.

NPR, Inc. has a supporting foundation, NPR Foundation (the Foundation), which is a Section 501(c)(3) not-for-profit organization founded in 1992 with the purpose of raising charitable contributions for the benefit of NPR, Inc., disbursing funds only to NPR, Inc. for the operation, promotion, development, capital expansion, and other valid purposes of NPR, Inc., and conducting fundraising efforts and engaging in related activities for the benefit of NPR, Inc. NPR, Inc. is the sole member of the Foundation.

In April 2006, NPR, Inc. formed NPR Media Berlin gGmbH (NPR Media Berlin) to broadcast non-commercial educational radio programming, including news, talk and cultural programming in Berlin, Germany. The programming consists primarily of the English-language programming produced by NPR, Inc. The Media Authority of Berlin Brandenburg issued NPR Media Berlin an FM radio station license for the period April 1, 2006 through March 31, 2013. NPR, Inc. is the sole shareholder of NPR Media Berlin. NPR Media Berlin's activities are included in the accompanying consolidated financial statements.

In October 2007, NPR, Inc., along with another public broadcasting entity, formed National Public Media, LLC (NPM) for the purpose of securing public broadcasting sponsorship for public radio and television entities. Upon NPM's formation, NPR, Inc. held an 80% ownership interest. In October 2007, NPM acquired the assets and liabilities of National Public Broadcasting (NPB), retaining the former NPB staff and hiring the staff from NPR, Inc.'s Corporate Sponsorship division to form the new organization. As a result of the admission of an additional owner in 2009, NPR Inc.'s ownership interest was reduced to 72%. There have been no further changes in NPR, Inc.'s ownership interest.

In November 2007, NPR, Inc. entered into an agreement with seven partners to form Broadcaster Traffic Consortium, LLC (BTC). BTC was formed for the purpose of creating and operating a radio broadcast data system and high definition radio distribution network for content providers. Upon BTC's formation, each partner, including NPR, Inc. held a 12.5% ownership interest. An initial capital contribution was made in January 2008. No additional capital contributions have been made.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010)

NOTE 1 ORGANIZATION (CONTINUED)

In August 2008, NPR, Inc. 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, Inc. serves. PI is now an operating unit of NPR, Inc. and its revenues and expenses are reflected in the consolidated statement of activities.

In October 2008, NPR, Inc. signed a memorandum of understanding with PBS and WGBH with the intention of forming a limited liability company, the purposes of which are to own, operate, expand and improve and distribute the video/audio lecture website known as The Forum Network, currently owned and operated by WGBH. The memorandum of understanding obligated NPR, Inc. to fund a capital contribution of \$400,000 over a two-year period. As of September 30, 2011 and 2010, NPR, Inc. had funded \$400,000 and \$314,921, respectively, of its obligation. As of September 30, 2011, the limited liability company has not been formed.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (US GAAP) 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 net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2010, from which the summarized information was derived.

Classification of Net Assets

Net assets are reported separately by class as follows:

Permanently Restricted Net Assets – Net assets limited by donor-imposed stipulations that the resources must be maintained permanently.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Temporarily Restricted Net Assets – Net assets limited by donor-imposed stipulations that will expire by passage of time or actions of NPR.

Unrestricted Net Assets – Net assets not limited by donor-imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include balances in operating checking accounts, interest and non-interest-bearing liquid investment accounts, sweep accounts, money market accounts and assets with short maturities (six months or less), which have not been designated as working capital investment assets. For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value.

Restricted Cash and Investments

Restricted cash and investments consists of unspent bond proceeds, held with the bond trustee, which must be used for costs associated with NPR, Inc.'s new headquarters building in Washington, D.C. (the new headquarters building) and a deposit held as collateral for a standby letter of credit on NPM's office lease agreement.

Investments

Investment balances and return on investments, net of fees, including net appreciation, or 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 and depreciation, and investment fees are distributed to each fund.

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.

Global equities, global multi-asset strategy investments and fixed income securities, listed or traded on a securities exchange, are valued using closing sale, bid, or ask prices from the primary exchange where the security is traded, depending upon location convention or regulation. Money market account values are 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 in 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, 2011
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 investment and spending policies that have been approved by the NPR, Inc. Board of Directors (NPR, Inc. Board). 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 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 US GAAP 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:

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 US government, agency and fixed income 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.

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

Fair Value Measurements (Continued)

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) and inventory held for sale, primarily for the online shop, are carried at the lower of cost or market. Inventory costs are determined using the first-in, first-out method. Inventory was \$918,732 and \$634,122 as of September 30, 2011 and 2010, respectively, and is reported in prepaid and other assets in the consolidated statement of financial position.

Property and Equipment

NPR capitalizes all property and equipment with a useful life of more than one year and a unit value of \$1,000 or greater. The valuation of property or equipment, whether purchased or constructed, is based on the asset cost. The asset cost includes 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 of the asset at the date of the gift, if determinable. Otherwise, an appraised value is used. Repairs and maintenance costs are expensed as incurred. Property and equipment are depreciated on the straight-line method over the estimated useful lives of the respective assets. NPR, Inc. takes a half-year of depreciation expense in the first and last year of the asset's estimated useful life and NPM begins depreciating assets in the month it is placed in service.

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

Property and Equipment (Continued)

Estimated useful lives of property and equipment are as follows:

<u>Asset Category</u>	<u>Useful Lives</u>
Land	Non Depreciable
Building and Improvements:	
Building	32 years
Building Improvements	Shorter of Remaining Useful Life of the Building or the Life of the Improvement
Leasehold Improvements	Shorter of Remainder of the Lease Term or the Life of the Improvement
Technical Equipment and Software:	
Content Production System	5 years
Audio	3 years (5 years if purchased prior to October 1, 2006)
Computer	3 years
Software	Greater of 5 years or the Percentage of the Product's Current Year Revenues to its Anticipated Future Revenues
Telecommunications	5 years
Office Furniture	8 years (NPR, Inc.)/5 years (NPM)
Vehicles	5 years
Construction in Progress	Non Depreciable

NPR capitalizes software developed internally for external marketing in excess of \$500,000. Project spending below this threshold is expensed as incurred. In accordance with ASC 985, *Costs of Software to Be Sold, Leased, or Marketed*, costs incurred to create computer software are charged to expense 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.

Split-Interest Agreements

NPR is the beneficiary of a split-interest agreement in the form of a pooled income fund. Pooled income fund assets of \$13,206 and \$19,927 are included in the non-current prepaid and other assets in the consolidated statement of financial position as of September 30, 2011 and 2010, respectively. The value of the split-interest agreement represents NPR's share of the fair value of the assets. Liabilities of \$2,644 and \$9,365 associated with the agreement are included in non-current other accrued expenses in the consolidated statement of financial position as of September 30, 2011 and 2010, respectively.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2010)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Costs incurred in connection with the issuance of the Series 2010 District of Columbia Revenue Bonds (National Public Radio, Inc. Issue) (2010 DC Revenue Bonds) and Series 2002 California Statewide Communities Development Authority Revenue Bonds (National Public Radio, Inc. Project) (2002 CA Revenue Bonds) are amortized over the term of the bonds, using the straight-line method as required by ASC 835, *Interest*. For the years ended September 30, 2011 and 2010, amortization expense associated with the deferred financing costs was \$104,439 and \$58,143, respectively.

Derivatives

Prior to 2008, NPR entered into two interest rate swap contracts to minimize its exposure to interest rate fluctuation related to the variable rate debt on its Series 2001 District of Columbia Revenue Bonds and 2002 CA Revenue Bonds. These interest rate swap contracts were accounted for in accordance with ASC 815, *Derivatives and Hedging*. The bonds were retired in September 2008 and April 2010, respectively.

NPR retained both interest rate swap contracts as investments after the associated bonds were retired. The fair value of the contracts, based on amounts that would be due to or from counterparties under the contracts, is included in current investments in the consolidated statement of financial position. As of September 30, 2010, the fair value of the swap contracts was negative \$1,341,192, representing the net amount that would be due to the counterparties. These swap contracts were closed or matured in fiscal year 2011.

Prior to the bonds' retirement, the gains and losses on the swap contracts were reported as change in value of swap contract on debt in the non-operating section of the consolidated statement of activities. Subsequent to the bonds' retirement, the gains and losses on the swap contracts were reported as return on working capital investments in the operating section of the consolidated statement of activities.

Grants, Contributions and Corporate Sponsorships

NPR recognizes grants and contributions in accordance with ASC 958, *Not-For-Profit Entities* and corporate sponsorship revenue in accordance with ASC 605, *Revenue Recognition*. Contribution revenue is recognized when assets or commitments of unconditional promises to give are received. Grant revenue is recognized 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 are reported as temporarily restricted contributions, except those contributions whose restrictions are met in the current fiscal year, which are recognized as unrestricted revenue.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants, Contributions and Corporate Sponsorships (Continued)

When a donor-stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

All contributions for the new headquarters building are temporarily restricted. General building contributions will be released from restriction at the time the building is completed and put into service. Contributions restricted for costs incurred during construction will be released from restriction as NPR makes equity payments into the project. Any contributions 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 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 any discounts and estimated uncollectible amounts.

Corporate sponsorships are considered exchange transactions and are recognized as revenue when credits are aired or delivered digitally (e.g., online web, mobile devices, podcasts, etc.). Sponsorships paid in advance of credits aired or delivered digitally are reflected as deferred revenue until the credits are aired or delivered.

Commissions

Commission revenue represents NPM's charges to non-NPR, Inc. customers for sponsorship placements.

Donated Goods and Services

NPR records contributions of goods and services at fair value, when received, as revenue with an offsetting expense. 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 are recognized ratably over the membership or service period, which is generally the fiscal year. Revenues from affiliate fees, non-programming services, investments and distribution services, other than distribution interconnection fees, are recognized when earned. Deferred revenues reflected in the consolidated statement of financial position consist primarily of advance funding of PRSS grants, programming fees and membership dues, which will be recognized in future years.

Functional Expenses

Support services are comprised of both general and administrative expenses and fundraising expenses. Fundraising expenses approximate 11% and 10% of total support services for fiscal years ended September 30, 2011 and 2010, respectively.

Concentration of Business Activity

Items, which potentially subject NPR to concentrations of credit risk and other types of financial risk, consist primarily of cash, cash equivalents, receivables, and investments. NPR maintains cash and cash equivalents and investments with multiple institutions. As of September 30, 2011 and 2010, 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 portfolio diversification and liquidity.

Membership dues and station programming fees, representing 41% and 37% of total operating revenues for fiscal years ended September 30, 2011 and 2010, respectively, are derived from non-commercial US radio stations. Funding of these stations is derived primarily 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, Inc. is party to two such agreements, which expire in March 2015 and June 2015. As of September 30, 2011, NPR, Inc. had a total of 911 employees. Of this total, approximately 530 are hourly workers and 381 are salaried. Approximately 84% of NPR, Inc.'s hourly employees and none of its salaried employees are represented by a union.

Income Taxes

Under the provisions of Section 501(c)(3) of the Internal Revenue Code, NPR, Inc. and the Foundation are exempt from taxes on income other than unrelated business income. No provision for income taxes is required for fiscal year 2011 or 2010 since any unrelated business income will be offset by existing net operating loss (NOL) carryforwards.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

As of September 30, 2011, NPR, Inc. and the Foundation had federal NOL carryforwards in the amount of \$13,188,403 and \$91,660, respectively, which begin to expire as early as fiscal year 2025 and as late as fiscal year 2031. As of September 30, 2011 and 2010, neither organization had recorded a deferred tax asset for the NOLs since their realization is uncertain.

NPM is treated as a partnership for federal 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. However, NPM is subject to income tax in certain state and local jurisdictions where NPM operates. For the years ended September 30, 2011 and 2010, NPM accrued \$38,350 and \$50,000, respectively, for state and local jurisdiction income taxes. In accordance with ASC 740, *Income Taxes*, NPR evaluated its tax positions and determined that all 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.

NPR's tax returns are subject to review and examination by federal, state and local authorities. NPR, Inc.'s and the Foundation's tax returns for the fiscal years ended September 30, 2008, 2009 and 2010 are subject to examination by federal, state and local authorities and NPR, Inc.'s tax returns for the fiscal year ended September 30, 2007 are subject to examination by federal authorities. NPM's tax returns for the eleven months ended September 30, 2008 and the years ended September 30, 2009 and 2010 are subject to examination by federal, state and local authorities.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Such estimates include allowance for doubtful accounts, discount rates used on long-term receivables, assumptions used surrounding split-interest agreements, loan loss reserve, useful lives of depreciable and amortizable assets, allocation of functional expenses, valuation of intangible assets and accrued expenses.

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.

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

Measure of Operations

Change in net assets from operations includes all revenues and expenses of regularly carried-on business. It does not include return on long-term investments, net of fees, impairment or amortization of intangible assets, changes in value of the interest rate swap contract associated with debt financing, loss on early redemption of debt, reorganization costs, investment returns not designated for current operations, net of fees, revenues and expenses related to the new 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, NPR 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, 2011.

Reclassifications

Certain items in the fiscal year 2010 consolidated financial statements have been reclassified to conform to the fiscal year 2011 presentation. These reclassifications have no impact on the previously reported change in net assets.

Subsequent Events

In preparing the consolidated financial statements in accordance to ASC 855, *Subsequent Events*, NPR has evaluated events and transactions for potential recognition or disclosure through December 16, 2011, the date the consolidated financial statements were issued. There were no events noted that required adjustment to or disclosure in these consolidated financial statements.

NATIONAL PUBLIC RADIO, INC.
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NOTE 3 RELATED PARTIES

NPR discloses its related party transactions in accordance with ASC 850, *Related Party Disclosures*. Members of the NPR, Inc. Board and the Foundation Board of Trustees (Foundation Trustees) are significant contributors to funding the new headquarters building and other valid purposes of NPR, Inc. New headquarters building contributions from the NPR, Inc. Board and Foundation Trustees totaled \$575,000 and \$8,000,000 for the years ended September 30, 2011 and 2010, respectively. New headquarters building contributions receivable were \$5,351,063 and \$6,401,238 as of September 30, 2011 and 2010, respectively. The Foundation Trustees' non-building contributions amounted to \$3,257,298 and \$3,352,444 for the years ended September 30, 2011 and 2010, respectively, with \$243,080 and \$497,000 remaining in non-building contributions receivable as of September 30, 2011 and 2010, respectively.

NOTE 4 INVESTMENTS

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

	2011	2010
Short-term Investments:		
Fixed Income	\$ 5,312,026	\$ 33,319,980
Limited Duration Fixed Income & Cash	71,005,880	25,721,998
Interest Rate Swap	-	(1,341,192)
Total Short-term Investments	76,317,906	57,700,786
Long-term Investments		
Global Equities	57,589,048	71,501,254
Global Multi-asset Strategy Investments	28,495,096	2,668,826
Multi-strategy Hedge Funds	97,640,174	102,515,251
Private Equity	31,963,471	25,551,375
Real Estate & Other	30,552,990	25,686,398
Fixed Income	26,672,492	37,268,473
Limited Duration Fixed Income & Cash	52,752,388	82,680,579
Total Long-term Investments	325,665,659	347,872,156
Total	\$ 401,983,565	\$ 405,572,942

NPR had outstanding investment commitments of \$31,493,354 and \$39,217,696 as of September 30, 2011 and 2010, respectively. These commitments represent amounts expected to be drawn by investment fund managers in the private equity, real estate and other investment categories of the portfolio. The commitments will be funded by liquidation of the other investments and available cash.

NATIONAL PUBLIC RADIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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.

As of September 30, 2011 and 2010, the fair value of assets measured on a recurring basis is summarized below:

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2011</u>				
Investments:				
Global Equities	\$ 30,055,178	\$ 27,533,870	\$ -	\$ 57,589,048
Global Multi-asset Strategy Investments	28,495,096	-	-	28,495,096
Multi-strategy Hedge Funds	-	16,808,062	80,832,112	97,640,174
Private Equity	-	-	31,963,471	31,963,471
Real Estate & Other	14,536,504	-	16,016,486	30,552,990
Fixed Income	31,984,518	-	-	31,984,518
Limited Duration Fixed Income & Cash	123,758,268	-	-	123,758,268
Total Investments	228,829,564	44,341,932	128,812,069	401,983,565
Beneficial Interest in Perpetual Trust, Net	-	-	13,206	13,206
Total	<u>\$ 228,829,564</u>	<u>\$ 44,341,932</u>	<u>\$ 128,825,275</u>	<u>\$ 401,996,771</u>

	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2010</u>				
Investments:				
Global Equities	\$ 36,386,002	\$ 35,115,252	\$ -	\$ 71,501,254
Global Multi-asset Strategy Investments	2,668,826	-	-	2,668,826
Multi-strategy Hedge Funds	-	-	102,515,251	102,515,251
Private Equity	-	-	25,551,375	25,551,375
Real Estate & Other	16,261,228	-	9,425,170	25,686,398
Interest Rate Swap	-	(1,341,192)	-	(1,341,192)
Fixed Income	70,588,453	-	-	70,588,453
Limited Duration Fixed Income & Cash	108,402,577	-	-	108,402,577
Total Investments	234,307,086	33,774,060	137,491,796	405,572,942
Beneficial Interest in Perpetual Trust, 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>

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

As of September 30, 2011 and 2010, 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, 2011</u>				
Obligations Related to Pooled Income Fund	\$ -	\$ -	\$ 2,644	\$ 2,644
<u>As of September 30, 2010</u>				
Obligations Related to Pooled Income Fund	\$ -	\$ -	\$ 9,365	\$ 9,365

As of September 30, 2011 and 2010, there were no assets measured on a non-recurring basis.

Level 3 Assets and Liabilities

The following tables provide a summary of changes in fair value of Level 3 financial assets and liabilities for the years ended September 30, 2011 and 2010:

	Multi-strategy Hedge Funds	Private Equity	Real Estate	Beneficial Interest in Perpetual Trust, Net	Obligations Related to Pooled Income Fund	Total
Beginning Balance October 1, 2010	\$ 102,515,251	\$ 25,551,375	\$ 9,425,170	\$ 19,927	\$ 9,365	\$ 137,521,088
Transfers from Level 3	(7,701,200)	-	-	-	-	(7,701,200)
Net Realized and Unrealized Gain on Investments	2,248,977	3,374,959	2,435,488	-	-	8,059,424
Purchase of Investments	11,085,792	5,443,333	4,788,912	-	-	21,318,037
Sale of Investments	(27,316,708)	(2,406,196)	(633,084)	-	-	(30,355,988)
Change in Value of Beneficial Interest in Perpetual Trust	-	-	-	(6,721)	-	(6,721)
Change in Obligations Related to Pooled Income Fund	-	-	-	-	(6,721)	(6,721)
Balance as of September 30, 2011	<u>\$ 80,832,112</u>	<u>\$ 31,963,471</u>	<u>\$ 16,016,486</u>	<u>\$ 13,206</u>	<u>\$ 2,644</u>	<u>\$ 128,827,919</u>

	Multi-strategy Hedge Funds	Private Equity	Real Estate	Beneficial Interest in Perpetual Trust, Net	Obligations Related to Pooled Income Fund	Total
Beginning Balance October 1, 2009	\$ 87,859,497	\$ 17,193,972	\$ 9,944,727	\$ 19,607	\$ 9,045	\$ 115,026,848
Transfers to Level 3	28,605,605	-	-	-	-	28,605,605
Net Realized and Unrealized Gain (Loss) on Investments	13,153,067	2,535,007	(2,254,421)	-	-	13,433,653
Purchase of Investments	10,919,747	6,364,482	2,958,040	-	-	20,242,269
Sale of Investments	(38,022,665)	(542,086)	(1,223,176)	-	-	(39,787,927)
Change in Value of Beneficial Interest in Perpetual Trust	-	-	-	320	-	320
Change in Obligations Related to Pooled Income Fund	-	-	-	-	320	320
Balance as of September 30, 2010	<u>\$ 102,515,251</u>	<u>\$ 25,551,375</u>	<u>\$ 9,425,170</u>	<u>\$ 19,927</u>	<u>\$ 9,365</u>	<u>\$ 137,521,088</u>

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

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

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global Equities	\$ 27,533,870	\$ -	Weekly/Monthly	5-30 days
Multi-strategy Hedge Funds	\$ 97,640,174	\$ -	Qrtly to Bi-annually	30-90 days
Real Estate & Other	\$ 16,016,486	\$ 10,286,802	Not Eligible	N/A
Private Equity	\$ 31,963,471	\$ 21,206,552	Not Eligible	N/A

Global equities may invest in varying industries of public and non-public equity securities, funds, partnerships, 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.

Multi-strategy 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.

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

Private equity includes domestic and international investments in venture capital as well as funds-of-funds investments.

NOTE 6 RETURN ON INVESTMENTS

NPR's return on investments was comprised of the following for the years ended September 30:

	2011	2010
Working Capital Investments:		
Dividends and Interest	\$ (193,429)	\$ 656,094
Realized Gain	1,018,360	305,296
Unrealized (Loss) Gain	(347,399)	724,763
Total Return on Working Capital Investments	477,532	1,686,153
Long-term Investments:		
Dividends and Interest	2,222,440	2,639,582
Realized Gain	11,830,261	4,399,131
Unrealized (Loss) Gain	(11,827,542)	24,468,273
Direct Investment Services Fees	(939,160)	(886,018)
Total Return on Long-term Investments	1,285,999	30,620,968
Total	\$ 1,763,531	\$ 32,307,121

NATIONAL PUBLIC RADIO, INC.
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NOTE 7 RECEIVABLES

Receivables consist of the following as of September 30:

	2011	2010
Receivables, Short-term (Less than one year):		
Grants and Contributions	\$ 8,610,182	\$ 10,944,836
Corporate Sponsorships	13,818,415	12,726,355
Station Fees	3,114,408	2,903,989
Distribution and PRSS Services	704,396	710,632
Public Interactive	140,553	164,760
License Fees	610,253	578,810
Commissions	114,162	249,189
Other	323,524	464,816
Total Receivables, Short-term	27,435,893	28,743,387
Allowance for Doubtful Accounts	(1,426,831)	(1,441,395)
Total Receivables, Short-term, Net	26,009,062	27,301,992
Receivables, Long-term:		
One to Five Years:		
Contributions	7,427,441	9,206,241
Public Radio Fund	2,500,000	2,500,000
Total Receivables, Long-term	9,927,441	11,706,241
Loan Loss Reserve	(125,000)	-
Discount to Present Value	(211,823)	(372,769)
Total Receivables, Long-term, Net	9,590,618	11,333,472
Total	\$ 35,599,680	\$ 38,635,464

The carrying amount of receivables approximates fair value because of the short maturity of these instruments.

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NOTE 8 PROPERTY AND EQUIPMENT

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

	2011	2010
Land	\$ 52,633,978	\$ 47,477,777
Construction in Progress	48,277,087	18,050,485
Technical Equipment and Software	43,432,074	37,624,788
Buildings and Improvements	15,995,776	15,914,484
Office Furniture	3,724,254	3,688,800
Vehicles	110,551	110,551
	164,173,720	122,866,885
Accumulated Depreciation	(44,578,504)	(38,844,112)
Total	\$ 119,595,216	\$ 84,022,773

Depreciation expense for the years ended September 30, 2011 and 2010 totaled \$5,769,502 and \$5,401,599, respectively.

Construction in progress consists of costs associated with the construction of the new headquarters building. As of September 30, 2011 and 2010, NPR has incurred retainage payable of approximately \$1,499,659 and \$151,410, respectively, relating to a long-term construction contract associated with the new headquarters building, 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, 2011 and 2010, interest capitalized as property and equipment totaled \$12,827,054 and \$4,868,878, respectively. As construction in progress is completed, and assets are placed into service, such assets are transferred to the appropriate property and equipment categories and depreciation begins.

NOTE 9 INTANGIBLE ASSETS

Intangible assets include goodwill, contracts in force, workforce in place, covenants not to compete, intellectual property, and transferable development rights (TDRs).

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*, NPR 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 INTANGIBLE ASSETS (CONTINUED)

Goodwill (Continued)

NPR's assessment of goodwill as of September 30, 2011 and 2010 concluded that no goodwill impairment had occurred. The carrying value for goodwill as of September 30, 2011 and 2010 was \$1,822,832.

Intangible Assets Other Than Goodwill

In connection with the purchase of PI assets in August 2008, NPR acquired a covenant not to compete relating to a key employee and intellectual property related to software. Based on the established criteria, PI amortizable intangible assets are amortized using the straight-line method over the estimated life of the asset, as follows: covenant not to compete – 60 months and intellectual property with a finite use of life – 36 months.

In July 2008, NPR purchased land for its development of its new headquarters building. Included in the purchase of the land were 109,229 square feet of TDRs, which permit the construction of buildings of larger size than would otherwise be permissible under applicable District of Columbia zoning laws. Prior to fiscal year 2011, the TDRs were classified as property and equipment. During fiscal year 2011, management reclassified the TDRs, at their estimated fair value of \$6 per TDR square foot on the purchase date, to intangible assets. During fiscal year 2011, 27,490 square feet of TDRs were used in the construction of the new headquarters and were therefore transferred to construction in progress. The remaining TDRs classified as intangible assets are deemed to have an indefinite life and therefore are not being amortized.

Pursuant to ASC 350, *Intangible Assets – Goodwill and Other*, intellectual property is tested for impairment, using both financial and operational criteria, if events or changes in circumstances indicate that the asset might be impaired. In fiscal year 2010, software was being developed to substantially replace purchased unamortizable intellectual property, thereby triggering a non-operating impairment loss in fiscal year 2010 in the amount of \$195,918, and a transfer to amortizable intangible assets with a one-year estimated remaining useful life, as shown.

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NOTE 9 INTANGIBLE ASSETS (CONTINUED)

As of September 30, 2011 and 2010, intangible assets were comprised of the following:

	2011				Ending Balance
	Beginning Balance	Impairments	Transfers	Amortization	
Amortizable Intangible Assets:					
Covenants Not to Compete	\$ 1,051,174	\$ -	\$ -	\$ 464,570	\$ 586,604
Contracts in Force	50,636	-	-	50,636	-
Intellectual Property	261,225	-	-	261,225	-
Total Amortizable Intangible Assets	<u>1,363,035</u>	<u>-</u>	<u>-</u>	<u>776,431</u>	<u>586,604</u>
Unamortizable Intangible Assets:					
Goodwill	1,822,832	-	-	-	1,822,832
TDRs	-	-	490,434	-	490,434
Total Unamortizable Intangible Assets	<u>1,822,832</u>	<u>-</u>	<u>490,434</u>	<u>-</u>	<u>2,313,266</u>
Total	<u>\$ 3,185,867</u>	<u>\$ -</u>	<u>\$ 490,434</u>	<u>\$ 776,431</u>	<u>\$ 2,899,870</u>
2010					
	Beginning Balance	Impairments	Transfers	Amortization	Ending Balance
Amortizable Intangible Assets:					
Covenants Not to Compete	\$ 1,515,747	\$ -	\$ -	\$ 464,573	\$ 1,051,174
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
Total Amortizable Intangible Assets	<u>2,587,356</u>	<u>-</u>	<u>97,960</u>	<u>1,322,281</u>	<u>1,363,035</u>
Unamortizable Intangible Assets:					
Goodwill	1,822,832	-	-	-	1,822,832
Intellectual Property	293,878	195,918	(97,960)	-	-
Total Unamortizable Intangible Assets	<u>2,116,710</u>	<u>195,918</u>	<u>(97,960)</u>	<u>-</u>	<u>1,822,832</u>
Total	<u>\$ 4,704,066</u>	<u>\$ 195,918</u>	<u>\$ -</u>	<u>\$ 1,322,281</u>	<u>\$ 3,185,867</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:

	2011	2010
Accounts Payable and Accruals for Vendor Invoices	\$ 12,534,161	\$ 7,925,761
Accrued Compensation and Benefits	12,084,010	10,334,284
Other	717,010	354,393
Total	\$ 25,335,181	\$ 18,614,438

The carrying amount of accounts payable and accrued expenses approximates fair value because of the short maturity of these obligations.

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 the 2002 CA Revenue Bonds in the amount of \$8,000,000 for a term of 30 years. The 2002 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 the 2002 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 (2002 Term Note) 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 and no escrow requirements. The 2002 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, *Liabilities*, by paying off the remaining balances of the 2002 CA Revenue Bonds and 2002 Term Note, NPR is relieved of its obligation and derecognized the liability. A loss on early redemption of bonds in the amount of \$204,877 was recorded in fiscal year 2010.

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 of zero as of September 30, 2011 and 2010.

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

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. The original note called for principal payments in February 2011, 2012 and 2013. During 2011, the note was amended. Under the amended note, principal payments are due in February 2013, 2014, 2015, 2016 and 2017. Based upon the imputed rate of 3.09% on this note, the principal balance has been adjusted to \$1,971,115 and \$1,932,428 as of September 30, 2011 and 2010, respectively.

On April 1, 2010, NPR entered into a loan agreement with the District of Columbia to issue the 2010 DC Revenue Bonds in the amount of \$162,125,000. The purpose of this issuance was to provide financing for the construction of the new headquarters building, which will consolidate the three current District of Columbia facilities into one location. The 2010 DC Revenue Bonds 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 has 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 2010 DC Revenue 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. For the years ended September 30, 2011 and 2010, interest in the amount of \$7,958,176 and \$3,845,891, respectively, related to this loan has been capitalized in construction in progress. The outstanding principal balance of the 2010 DC Revenue Bonds as of September 30, 2011 and 2010 was \$162,125,000. The unamortized balance of the 2010 DC Revenue Bond premium was \$3,659,991 and \$3,693,659 as of September 30, 2011 and 2010, respectively. The fair value of the 2010 DC Revenue Bonds, based on the quoted market prices and yields for the same or similar issues, was \$167,965,169 and \$166,306,915, as of September 30, 2011 and 2010, respectively.

The 2010 DC Revenue Bonds may be subject to redemption prior to maturity in whole or in part 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 in whole or in part beginning on April 1, 2015 equal to 100% of the principal amount plus accrued interest. The optional redemption amount is up to \$75,000,000. Bonds with a maturity date of April 1, 2021 through April 1, 2035 are subject to an optional redemption in whole or in part at the discretion of the issuer equal to 100% of the principal amount plus accrued interest beginning on April 1, 2020. All outstanding bonds, in whole or in part, as of April 1, 2020 are subject to optional redemption equal to 100% of the principal amount plus accrued interest. Bonds with a maturity date of April 1, 2025 and later are subject to a mandatory sinking fund redemption prior to the April 1st maturities, equal to 100% of the principal amount plus accrued interest.

The variable interest rate ranges for the years ended September 30, 2011 and 2010, for the 2002 CA Revenue Bonds and 2002 Term Note were:

	2011	2010
2002 CA Revenue Bonds	N/A	0.20% to 0.60%
2002 Term Note	N/A	0.73% to 0.74%

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

Interest, both expensed and capitalized, for the years ended September 30, 2011 and 2010, for all debt is as follows:

Interest Expensed:	2011	2010
2002 CA Revenue Bonds	\$ -	\$ 134,512
Ford Foundation Note	58,691	58,887
2002 Term Note	-	8,909
Total Interest Expensed	<u>58,691</u>	<u>202,308</u>
Capitalized Interest:		
2010 DC Revenue Bonds	7,958,176	3,845,891
Bridge Loan Note	-	(11,324)
Total Capitalized Interest	<u>7,958,176</u>	<u>3,834,567</u>
Total	<u>\$ 8,016,867</u>	<u>\$ 4,036,875</u>

As discussed in Note 2, 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 2002 CA Revenue Bonds swap were retired in September 2008 and April 2010, respectively.

In May 2006, NPR entered into a letter of credit agreement with SunTrust Bank, in the amount of \$149,804, to comply with the New York Bureau office lease. As of September 30, 2011, there has been no activity on this letter of credit since the issuance date.

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

Fiscal Year	2010 DC Revenue Bonds	Ford Foundation Note	Scheduled Payment Amount
2012	\$ -	\$ -	\$ -
2013	-	1,000,000	1,000,000
2014	2,540,000	250,000	2,790,000
2015	2,615,000	250,000	2,865,000
2016	2,720,000	250,000	2,970,000
2017 and Thereafter	154,250,000	250,000	154,500,000
Total	<u>\$ 162,125,000</u>	<u>\$ 2,000,000</u>	<u>\$ 164,125,000</u>

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NOTE 12 TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2011 and 2010, temporarily restricted net assets are restricted as follows:

	2011	2010
News and Information	\$ 9,861,862	\$ 13,986,330
Music and Entertainment	96,250	96,250
New Headquarters Building	8,474,798	7,801,652
Unappropriated Earnings	31,544,686	39,853,047
Time Restricted	922,848	1,089,790
Total	\$ 50,900,444	\$ 62,827,069

NOTE13 PERMANENTLY RESTRICTED NET ASSETS

In 1999, NPR received contributions totaling \$1,000,000 with donor stipulations that 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 2011 and 2010, \$25,042 and \$7,261, 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.

NOTE 14 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the fiscal years ended September 2011 and 2010, net assets of \$10,208,180 and \$7,356,017, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or the passage of time.

NOTE 15 BOARD DESIGNATED AND DONOR RESTRICTED ENDOWMENTS

The NPR, Inc. Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, NPR classifies (a) the original value of gifts donated to a permanent endowment, (b) the original value of subsequent gifts to a permanent endowment and (c) accumulations to a permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment

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NOTE 15 BOARD DESIGNATED AND DONOR RESTRICTED ENDOWMENTS (CONTINUED)

fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets.

In 1998, the NPR, Inc. Board approved the creation of a quasi-endowment with the operating reserves of its Distribution division (Distribution Quasi-endowment Fund) for the purpose of generating revenue for the long-term support of the PRSS. The NPR, Inc. Board retains the authority to alter or eliminate quasi-endowment funds; therefore, the Distribution Quasi-endowment Fund is classified as a component of unrestricted net assets.

The composition of the endowment funds is as follows as of September 30:

		2011			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment	\$	-	\$ 31,544,689	\$ 195,594,071	\$ 227,138,760
Distribution Quasi-endowment Fund		10,323,448	-	-	10,323,448
Total		\$ 10,323,448	\$ 31,544,689	\$ 195,594,071	\$ 237,462,208

		2010			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment	\$	-	\$ 39,853,047	\$ 195,569,029	\$ 235,422,076
Distribution Quasi-endowment Fund		11,102,195	-	-	11,102,195
Total		\$ 11,102,195	\$ 39,853,047	\$ 195,569,029	\$ 246,524,271

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NOTE 15 BOARD DESIGNATED AND DONOR RESTRICTED ENDOWMENTS (CONTINUED)

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

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund Balance, September 30, 2010	\$ 11,102,195	\$ 39,853,047	\$ 195,569,029	\$ 246,524,271
Investment Return:				
Investment Income	170,579	1,364,105	-	1,534,684
Net Realized and Unrealized (Loss)Gain	(465,263)	1,124,253	-	658,990
Total Investment Return	(294,684)	2,488,358	-	2,193,674
Fees	(65,449)	(660,690)	-	(726,139)
Distributions	(418,614)	(10,136,026)	-	(10,554,640)
Purchasing Power Addition	-	-	25,042	25,042
Endowment Fund Balance, September 30, 2011	<u>\$ 10,323,448</u>	<u>\$ 31,544,689</u>	<u>\$ 195,594,071</u>	<u>\$ 237,462,208</u>

	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>

NOTE 16 RETIREMENT PLANS

NPR, Inc. maintains a defined contribution retirement plan in accordance with Section 403(b) of the Internal Revenue Code. Under the plan, NPR, Inc. contributes a percentage of the base salary of each employee who has completed two years of qualified service with NPR, Inc. and has submitted prescribed enrollment forms. Employer contributions, together with voluntary employee contributions, are vested in the employees' accounts. Retirement plan expense for the years ended September 30, 2011 and 2010 was \$4,482,623 and \$3,059,360, respectively.

In fiscal year 2003, NPR, Inc. 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 Section 457(b) of the Internal Revenue Code. The assets of the plans are held by NPR, Inc. until disbursed to the participant.

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NOTE 16 RETIREMENT PLANS (CONTINUED)

The plans are funded entirely from the compensation of the participants and vest with the employee either immediately or based upon specific future events. As of September 30, 2011 and 2010, former and present participants in the 457(b) plan had accrued and vested balances, including interest, totaling \$68,235 for both years.

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 NPM's Board of Directors, may make matching contributions. For the years ended September 30, 2011 and 2010, NPM made matching contributions of \$461,859 and \$377,235, 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:

	2012	2013	2014	2015	2016	2017 and Thereafter	Total
2010 DC Revenue Bonds							
Principal and Interest	\$ 7,991,843	\$ 7,991,843	\$10,531,843	\$10,530,643	\$10,531,043	\$ 284,335,386	\$331,912,601
Ford Foundation Note							
Principal and Interest	20,000	1,013,333	258,333	255,833	253,333	251,042	2,051,874
Office Lease Obligations	9,825,883	3,118,293	1,175,415	971,837	944,851	4,887,425	20,923,704
Headquarters Construction							
Agreements	43,716,374	31,162,037	-	-	-	-	74,878,411
Acquired Programming							
Agreements	7,101,883	260,000	-	-	-	-	7,361,883
Personal Service Contracts	3,142,771	1,241,372	529,948	165,769	-	-	5,079,860
FM Transmitter	76,228	37,906	-	-	-	-	114,134
Totals	<u>\$71,874,982</u>	<u>\$ 44,824,784</u>	<u>\$12,495,539</u>	<u>\$11,924,082</u>	<u>\$11,729,227</u>	<u>\$ 289,473,853</u>	<u>\$442,322,467</u>

NPR leases office space, equipment, and distribution facilities under noncancelable leases expiring on 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, 2011 and 2010 was \$11,285,408 and \$11,313,831, respectively. Rental income from the sublease of excess office space was \$444,042 and \$782,988 for the years ended September 30, 2011 and 2010, respectively.

NPR entered into four long-term contracts totaling \$106,540,177 related to the construction of the new headquarters building, which has a scheduled final completion date during fiscal year 2013. In fiscal year 2011, work in the amount of \$31,661,766 was completed under these contracts and the related retainage is accrued for and included in the accompanying consolidated financial statements.

NPR has commitments for acquired programming rights that are aired by member stations. NPR recognizes these acquired rights at the commencement of the licensing period when

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NOTE 17 COMMITMENTS AND LONG-TERM CONTRACTS (CONTINUED)

the cost of the station programming is known or reasonably determinable, the program material has been accepted and the programming is available to air.

During fiscal year 2006, NPR entered into an agreement to receive full-time FM transmitter and terrestrial services over a seven-year period.

During fiscal year 2007, NPR agreed to support the Public Radio Fund (the Fund), established by Public Radio Capital, by making a loan of \$2,500,000 to the Fund. The Fund, in which NPR is a senior investor, is a revolving loan fund that offers public broadcasting station licensees the opportunity to obtain short-term financing for the acquisition and expansion of their public broadcasting capital assets, which secure the loan.

During fiscal year 2010, NPR fully satisfied its commitments to the Fund, having made cumulative loan deposits of \$2,500,000. The loan earns 3.0% interest per annum and is scheduled to be repaid in January 2013. As of September 30, 2011, NPR has recorded a loan loss reserve of \$125,000 in connection with this loan.

NOTE 18 PUBLIC RADIO SATELLITE SYSTEM

Ownership and Operation

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.

The SuperTrust is a qualified 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 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.

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NOTE 18 PUBLIC RADIO SATELLITE SYSTEM (CONTINUED)

Ownership and Operation (Continued)

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. 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 was appropriated over a three-year period, totaling \$77,925,000. The annual appropriation amounts were 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 2011 and 2010, CPB disbursed to NPR \$19,550,801 and \$30,625,000, respectively, for these purposes.