

NPR FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

**NPR FOUNDATION
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(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
NPR Foundation
Washington, D.C.

We have audited the accompanying statement of financial position of the NPR Foundation as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the NPR Foundation as of September 30, 2007, and, in our report dated December 20, 2007, we expressed an unqualified opinion on those 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the NPR Foundation as of September 30, 2008, and the changes in its net assets and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.



LarsonAllen LLP

Arlington, VA
December 19, 2008

NPR FOUNDATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

	2008				2007
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
ASSETS					
Cash and cash equivalents	\$ 1,486,515	\$ -	\$ -	\$ 1,486,515	\$ 1,603,646
Investments	49,021,474	-	195,470,726	244,492,200	293,511,286
Receivables, net	833,329	2,265,427	-	3,098,756	1,318,066
Prepaid and other assets	12,000	-	-	12,000	-
Interfund (payable) receivable	594,972	(594,972)	-	-	-
TOTAL ASSETS	\$ 51,948,290	\$ 1,670,455	\$ 195,470,726	\$ 249,089,471	\$ 296,432,998
LIABILITIES AND NET ASSETS					
Due to National Public Radio	\$ 126,390	\$ -	\$ -	\$ 126,390	\$ 613,452
Accrued expenses	26,794	-	-	26,794	17,399
TOTAL LIABILITIES	153,184	-	-	153,184	630,851
NET ASSETS	51,795,106	1,670,455	195,470,726	248,936,287	295,802,147
TOTAL LIABILITIES AND NET ASSETS	\$ 51,948,290	\$ 1,670,455	\$ 195,470,726	\$ 249,089,471	\$ 296,432,998

See accompanying Notes to Financial Statements.

NPR FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

	2008				2007
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUES					
Contributions	\$ 5,151,450	\$ 1,515,088	\$ 9,003	\$ 6,675,541	\$ 4,618,211
Net assets released from restrictions	1,001,003	(1,001,003)	-	-	-
Other revenues	62,700	-	-	62,700	66,380
TOTAL REVENUES	6,215,153	514,085	9,003	6,738,241	4,684,591
EXPENSES					
Contributions to National Public Radio	15,559,924	-	-	15,559,924	11,160,950
Support services	1,272,894	-	-	1,272,894	1,285,173
TOTAL EXPENSES	16,832,818	-	-	16,832,818	12,446,123
CHANGE IN NET ASSETS FROM OPERATIONS	(10,617,665)	514,085	9,003	(10,094,577)	(7,761,532)
Return on investments, net	(36,787,165)	-	15,882	(36,771,283)	42,023,517
CHANGES IN NET ASSETS	(47,404,830)	514,085	24,885	(46,865,860)	34,261,985
NET ASSETS, BEGINNING OF YEAR	99,199,936	1,156,370	195,445,841	295,802,147	261,540,162
NET ASSETS, END OF YEAR	\$ 51,795,106	\$ 1,670,455	\$ 195,470,726	\$ 248,936,287	\$ 295,802,147

See accompanying Notes to Financial Statements.

NPR FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (46,865,860)	\$ 34,261,985
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH		
FLAWS USED IN OPERATING ACTIVITIES:		
Unrealized/realized loss (gain) on investments	43,047,274	(35,394,846)
Increase in receivables	(1,780,690)	(348,430)
(Increase) decrease in prepaid assets	(12,000)	4,946
(Decrease) increase in due to National Public Radio	(487,062)	413,563
Increase (decrease) in accrued expenses	9,395	(11,626)
Investment return restricted for endowment purposes	(15,882)	(28,837)
	(6,104,825)	(1,103,245)
CASH FLOWS FROM INVESTING ACTIVITIES:		
INVESTMENTS:		
Purchases	(53,554,423)	(36,495,226)
Sales and maturities	59,526,236	36,407,882
	5,971,813	(87,344)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment return restricted for endowment purposes	15,882	28,837
	15,882	28,837
NET DECREASE IN CASH AND CASH EQUIVALENTS	(117,130)	(1,161,752)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,603,646	2,765,398
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,486,515	\$ 1,603,646

See accompanying Notes to Financial Statements.

NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

NOTE 1 ORGANIZATION

NPR Foundation (the Foundation), a supporting organization of National Public Radio, Inc. (NPR), was founded in 1992 with the purpose of raising charitable contributions for the benefit of NPR, disbursing funds to NPR for the operation, promotion, development, capital expansion, and other valid purposes of NPR, and conducting fundraising efforts and engaging in related activities for the benefit of NPR.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Foundation are presented on the accrual basis of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended September 30, 2007, 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 the Foundation (Note 8).

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 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 unrestricted contributions, return on investments, and other inflows of assets whose use is not limited by donor-imposed restrictions less expenditures. To the extent authorized by the donor, earnings from permanently restricted net assets are available to support the unrestricted activities of the Foundation, including disbursing funds to NPR.

Contributions

Contribution revenue is recognized when assets or commitments of unconditional promises to give are received. 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

NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

restrictions are met in the current fiscal year are recognized as unrestricted revenue. When a donor-stipulated time restriction ends or purpose restriction is accomplished, or when an endowment pledge not designated for current year use is paid, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value, as well as reduced for any estimated uncollectible amounts.

Functional Expenses

Contributions to National Public Radio, Inc. are considered programmatic costs of the Foundation. Support services are predominantly comprised of General and Administrative expenses.

Cash and Cash Equivalents

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

Investments

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

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

Alternative investments, principally private equity, real estate, and hedge and absolute return funds, are valued using the most recent valuation available by the respective external fund manager. Hedge funds encompass a wide range of investments, including long/short, distressed debt, merger arbitrage, real estate, and others. The allocations to each strategy vary, depending on market conditions. The fair value of certain alternative investments,

**NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

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

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

Concentration of Business Activity

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist primarily of cash, cash equivalents, receivables, and investments. As of September 30, 2008 and 2007, substantially all of the balances were in excess of the Federal Deposit Insurance Corporation insurance limit. The Foundation maintains cash and cash equivalents and current investments with high quality institutions and has established guidelines relative to the diversification and maturities of non-current investments to limit the amount placed with any single investment manager. The Foundation has not incurred any losses due to the credit risk on these instruments or receivables.

Income Taxes

The Foundation is exempt from Federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income. Under the regulations of FASB Interpretation No. 48 (FIN48), the Foundation evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination. No provision for income tax is required for 2008 and 2007.

**NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on available information that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

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

Measure of Operations

Change in net assets from operations includes all revenues and expenses of regularly carried on business with the exception of return on investments, net.

NOTE 3 RELATED PARTIES

Most expenses are initially paid for by NPR and periodically throughout the year the Foundation will reimburse NPR for the expenses paid on its behalf. The amounts due to/from NPR, if any, are reflected in the accompanying financial statements.

Members of the Board of Trustees are significant contributors to the Foundation. Their gifts amounted to \$2,255,009 and \$2,218,245 in fiscal years 2008 and 2007, respectively.

NOTE 4 INVESTMENTS

The Foundation's investments at September 30, 2008 and 2007, stated at fair value, are comprised of the following:

NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS (CONTINUED)

	<u>2008</u>	<u>2007</u>
Alternative investments		
Hedge funds	\$ 69,818,623	\$ 63,250,929
Real estate and other assets	21,623,965	19,548,917
Private equities	<u>10,131,096</u>	<u>2,743,781</u>
Total alternative investments	<u>101,573,684</u>	<u>85,543,627</u>
Equities	87,552,666	145,446,287
Fixed income	54,596,208	59,463,136
Money market funds	<u>769,642</u>	<u>3,058,236</u>
Total	<u>\$ 244,492,200</u>	<u>\$ 293,511,286</u>

The estimated net realizable value of stock in Overseas Partners Ltd. (OPL), a Bermuda-based reinsurance company, was \$125,334 as of September 30, 2007 and was included in private equities. OPL made the final payment of liquidating distributions of \$171,841 in December 2007.

The Foundation had outstanding commitments of \$39,739,078 and \$42,498,278 as of September 30, 2008 and 2007, respectively. These commitments represented amounts expected to be drawn by investment fund managers in the Alternative Investments category of the portfolio. The commitments will be funded by liquidating other investments.

NOTE 5 RETURN ON INVESTMENTS

For the years ended September 30, 2008 and 2007 investment return was comprised of the following:

	<u>2008</u>	<u>2007</u>
Dividends and interest	\$ 7,212,050	\$ 7,734,410
Realized gain	4,644,321	1,779,031
Unrealized (loss) gain	(47,691,595)	33,615,816
Direct investment services fees	<u>(936,060)</u>	<u>(1,105,740)</u>
Total return	<u>\$ (36,771,283)</u>	<u>\$ 42,023,517</u>

NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2007)

NOTE 6 RECEIVABLES, NET

As of September 30, 2008 and 2007, contributors to the Foundation have pledged within five years as follows:

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 865,833	\$ 316,727
One to five years	<u>2,429,472</u>	<u>1,025,972</u>
Total	3,295,305	1,342,699
Allowance for doubtful accounts	(32,504)	(15,000)
Discount to present value	<u>(164,045)</u>	<u>(9,633)</u>
Total	<u>\$ 3,098,756</u>	<u>\$ 1,318,066</u>

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, consisting primarily of future year pledges, are all time restricted and total \$1,670,455 and \$1,156,370 as of September 30, 2008 and 2007, respectively.

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS

Several years ago, the Foundation received contributions totaling \$1,000,000, with donor stipulations that permanently limit the use of assets. Under the terms of the contributions, the amount of each contribution was to establish a permanently restricted fund. The return on investments from the funds is to be used for the support of cultural programming. Further, one contribution required a portion of investment earnings to be added to the principal annually in order to preserve the purchasing power of the fund. In fiscal years 2008 and 2007, \$15,882 and \$28,837, respectively, were added for this purpose. The remaining return on investments is permitted to be used to support current operations.

Over several years the Foundation received a contribution from a single donor of cash and investments totaling \$194,333,663. The contribution established a permanently restricted endowment for the support of NPR operations. The income and net appreciation or depreciation of the endowment are recorded as unrestricted revenue as earned.

NOTE 9 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

For the years ended September 30, 2008 and 2007 net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, passage of time, or by occurrence of other events specified by donors as follows:

NPR FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 NET ASSETS RELEASED FROM DONOR RESTRICTIONS (CONTINUED)

	2008	2007
Endowment for excellence	\$ 160,000	\$ 161,497
Mergent fund	831,003	125,000
Fund for new initiatives	10,000	10,000
Total restrictions released	\$ 1,001,003	\$ 296,497

NOTE 10 NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework of measuring fair value, and expands disclosures about fair value measurements. SFAS 157 applies to reporting periods beginning after November 15, 2007. The Foundation is evaluating the impact of SFAS 157 disclosures for subsequent financial statements.

NOTE 11 SUBSEQUENT EVENTS

Due to the broad-based decline in the financial markets subsequent to September 30, 2008, the valuation of the Foundation's investment portfolio(s) has been impacted. The Foundation continually monitors its investment portfolios and their movements in relation to broad indices. Based on the composition of asset classes within the portfolios, a weighted index of market performance has declined by 13% during the months of October and November.