



# National Public Radio, Inc.

## Consolidated Financial Statements, Supplemental Schedules, and Independent Auditors' Report

Years Ended September 30, 2015 and 2014

**National Public Radio, Inc.**

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**Consolidated Financial Statements,  
Supplemental Schedules, and  
Independent Auditors' Report**

Years Ended September 30, 2015 and 2014

# National Public Radio, Inc.

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Tel: 703-893-0600  
Fax: 703-893-2766  
www.bdo.com

8401 Greensboro Drive, Suite 800  
McLean, VA 22102

## Independent Auditors' Report

To the Board of Directors  
**National Public Radio, Inc.**

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of **National Public Radio, Inc.**, which comprise the consolidated statements of financial position as of September 30, 2015 and 2014 [restated], and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***Emphasis of a Matter***

As discussed in Note 2(R) to the consolidated financial statements, the 2014 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Matters***

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules of financial position, activities and cash flows for National Public Radio, Inc. (Parent Company Only) and NPR Foundation are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*BDO USA, LLP*

December 16, 2015

# National Public Radio, Inc.

## Consolidated Statements of Financial Position

<b>September 30,</b>	<b>2015</b>	<b>(Restated) 2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,468,961	\$ 10,339,895
Restricted cash and cash equivalents	3,954,674	3,954,674
Accounts receivable, net	23,447,743	21,063,715
Contributions receivable, net	14,596,593	18,297,874
Investments	377,383,477	395,947,134
Property and equipment, net	225,696,712	231,347,191
Prepaid expenses and other assets	3,603,320	3,779,492
Goodwill	1,822,832	1,822,832
<b>Total assets</b>	<b>\$ 663,974,312</b>	<b>\$ 686,552,807</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 25,778,475	\$ 31,179,797
Deferred revenue	20,839,094	11,984,967
Accrued interest payable	3,797,701	3,793,062
Outstanding draws under line of credit	2,000,000	—
Note payable	492,784	730,360
Bonds payable	168,669,952	168,562,029
<b>Total liabilities</b>	<b>221,578,006</b>	<b>216,250,215</b>
<b>Net assets (2014 restated; Note 2(R))</b>		
Unrestricted:		
Unrestricted net assets	134,051,308	139,716,865
Noncontrolling interest	1,069,482	1,078,704
<b>Total unrestricted</b>	<b>135,120,790</b>	<b>140,795,569</b>
Temporarily restricted	93,425,369	115,673,645
Permanently restricted	213,850,147	213,833,378
<b>Total net assets</b>	<b>442,396,306</b>	<b>470,302,592</b>
<b>Total liabilities and net assets</b>	<b>\$ 663,974,312</b>	<b>\$ 686,552,807</b>

*See accompanying notes to consolidated financial statements.*

# National Public Radio, Inc.

## Consolidated Statements of Activities

<i>For the years ended September 30,</i>			Temporarily restricted	Permanently Restricted	2015			Temporarily Restricted	Permanently Restricted	(Restated) 2014
	Unrestricted					Unrestricted				
<b>Operating revenues</b>										
Membership dues	\$ 3,308,550	\$ —	\$ —	\$ —	\$ 3,308,550	\$ 3,238,388	\$ —	\$ —	\$ —	\$ 3,238,388
Station programming fees	73,618,790	—	—	—	73,618,790	71,827,751	—	—	—	71,827,751
Corporate sponsorships	51,993,093	—	—	—	51,993,093	43,137,905	—	—	—	43,137,905
Grants and contributions	17,824,781	5,978,012	4,811	—	23,807,604	17,385,261	14,563,506	1,388	—	31,950,155
Distribution and satellite interconnection	12,403,696	—	—	—	12,403,696	25,562,533	—	—	—	25,562,533
Commissions	4,454,681	—	—	—	4,454,681	4,755,317	—	—	—	4,755,317
Digital services	4,670,740	—	—	—	4,670,740	5,193,085	—	—	—	5,193,085
Return on long-term investments designated for current operations	75,937	—	—	—	75,937	1,520,649	—	—	—	1,520,649
Use of prior year return on long-term investments for operations	2,345,738	—	—	—	2,345,738	4,087,524	—	—	—	4,087,524
Donated goods and services	1,467,895	—	—	—	1,467,895	1,356,848	—	—	—	1,356,848
Return on working capital investments, net	9,661	—	—	—	9,661	9,378	—	—	—	9,378
Other	7,585,656	(24,943)	—	—	7,560,713	8,056,136	—	—	—	8,056,136
Net assets released from restrictions:										
Distribution from endowment to support operations	15,059,002	(15,059,002)	—	—	—	10,567,484	(10,567,484)	—	—	—
Grants and contributions	13,949,330	(13,949,330)	—	—	—	12,489,692	(12,489,692)	—	—	—
<b>Total operating revenues</b>	<b>208,767,550</b>	<b>(23,055,263)</b>	<b>4,811</b>	<b>—</b>	<b>185,717,098</b>	<b>209,187,951</b>	<b>(8,493,670)</b>	<b>1,388</b>	<b>—</b>	<b>200,695,669</b>
<b>Operating expenses</b>										
Program services:										
News and information	77,523,617	—	—	—	77,523,617	79,027,168	—	—	—	79,027,168
Programming	16,970,117	—	—	—	16,970,117	16,482,517	—	—	—	16,482,517
Distribution and satellite interconnection	14,010,100	—	—	—	14,010,100	27,482,242	—	—	—	27,482,242
Digital media	13,501,562	—	—	—	13,501,562	12,482,580	—	—	—	12,482,580
Content strategy and operations	5,994,762	—	—	—	5,994,762	6,356,712	—	—	—	6,356,712
Engineering	7,000,107	—	—	—	7,000,107	6,604,105	—	—	—	6,604,105
Digital services	6,724,341	—	—	—	6,724,341	6,350,370	—	—	—	6,350,370
NPR music	4,996,846	—	—	—	4,996,846	4,714,492	—	—	—	4,714,492
Member partnership	1,444,875	—	—	—	1,444,875	1,304,509	—	—	—	1,304,509
Consumer products	970,387	—	—	—	970,387	1,070,922	—	—	—	1,070,922
<b>Total program services expenses</b>	<b>149,136,714</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>149,136,714</b>	<b>161,875,617</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>161,875,617</b>
Support services:										
General and administrative	48,101,195	—	—	—	48,101,195	44,834,065	—	—	—	44,834,065
Fundraising	5,608,693	—	—	—	5,608,693	4,896,516	—	—	—	4,896,516
<b>Total support services</b>	<b>53,709,888</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>53,709,888</b>	<b>49,730,581</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>49,730,581</b>
<b>Total operating expenses</b>	<b>202,846,602</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>202,846,602</b>	<b>211,606,198</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>211,606,198</b>
<b>Change in net assets from operations</b>	<b>5,920,948</b>	<b>(23,055,263)</b>	<b>4,811</b>	<b>—</b>	<b>(17,129,504)</b>	<b>(2,418,247)</b>	<b>(8,493,670)</b>	<b>1,388</b>	<b>—</b>	<b>(10,910,529)</b>
<b>Nonoperating activities</b>										
Return on long-term investments, net (2014 restated; Note 2(R))	(1,504,886)	865,607	11,958	—	(627,321)	3,128,229	35,668,926	11,759	—	38,808,914
Change in noncontrolling interest	9,222	—	—	—	9,222	231,151	—	—	—	231,151
Use of prior year return on long-term investments for operations	(2,345,738)	—	—	—	(2,345,738)	(4,087,524)	—	—	—	(4,087,524)
Interest expense	(7,586,076)	—	—	—	(7,586,076)	(7,572,243)	—	—	—	(7,572,243)
Reorganization costs	(73,503)	—	—	—	(73,503)	(13,148,429)	—	—	—	(13,148,429)
Net asset reclassification due to donor re-designation	—	—	—	—	—	—	(250,000)	250,000	—	—
Other, net	(144,144)	—	—	—	(144,144)	(274,311)	—	—	—	(274,311)
<b>Total nonoperating activities, net</b>	<b>(11,645,125)</b>	<b>865,607</b>	<b>11,958</b>	<b>—</b>	<b>(10,767,560)</b>	<b>(21,723,127)</b>	<b>35,418,926</b>	<b>261,759</b>	<b>—</b>	<b>13,957,558</b>
<b>Change in net assets before transfer for appropriation of underwater endowments</b>	<b>(5,724,177)</b>	<b>(22,189,656)</b>	<b>16,769</b>	<b>—</b>	<b>(27,897,064)</b>	<b>(24,141,374)</b>	<b>26,925,256</b>	<b>263,147</b>	<b>—</b>	<b>3,047,029</b>
Transfer for appropriation of underwater endowments (Note 2(R))	58,620	(58,620)	—	—	—	1,964,274	(1,964,274)	—	—	—
<b>Change in net assets</b>	<b>(5,665,557)</b>	<b>(22,248,276)</b>	<b>16,769</b>	<b>—</b>	<b>(27,897,064)</b>	<b>(22,177,100)</b>	<b>24,960,982</b>	<b>263,147</b>	<b>—</b>	<b>3,047,029</b>
<b>Net assets at beginning of the year (2014 restated; Note 2(R)), without noncontrolling interest</b>	<b>139,716,865</b>	<b>115,673,645</b>	<b>213,833,378</b>	<b>—</b>	<b>469,223,888</b>	<b>161,893,965</b>	<b>90,712,663</b>	<b>213,570,231</b>	<b>—</b>	<b>466,176,859</b>
Noncontrolling interest	1,069,482	—	—	—	1,069,482	1,078,704	—	—	—	1,078,704
<b>Net assets at end of the year</b>	<b>\$ 135,120,790</b>	<b>\$ 93,425,369</b>	<b>\$ 213,850,147</b>	<b>\$ —</b>	<b>\$ 442,396,306</b>	<b>\$ 140,795,569</b>	<b>\$ 115,673,645</b>	<b>\$ 213,833,378</b>	<b>\$ —</b>	<b>\$ 470,302,592</b>

See accompanying notes to consolidated financial statements.

# National Public Radio, Inc.

## Consolidated Statements of Cash Flows

<i>For the years ended September 30,</i>	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (27,897,064)	\$ 3,047,029
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Permanently restricted contributions	(4,811)	(1,388)
Net realized gains on investments	(23,365,262)	(14,722,614)
Net unrealized losses (gains) on investments	26,600,102	(20,834,155)
Amortization of deferred financing costs	156,925	113,543
Amortization of discount on note payable	12,424	17,185
Amortization of premium on bonds payable	(49,002)	(49,002)
Depreciation	10,600,619	10,874,209
Change in allowance for doubtful accounts	(121,166)	(370,424)
Change in allowance for uncollectible contributions receivable	(74)	(17,486)
Change in discount to present value on multi-year contributions receivable	(28,232)	161,748
(Gain) loss on disposal of property and equipment	(13,568)	22,431
Investment return restricted for investment in endowment corpus	(11,958)	(11,759)
Change in noncontrolling interest	(9,222)	(231,151)
Decrease (increase) in assets:		
Accounts receivable	(2,262,862)	1,447,333
Contributions receivable	3,729,587	(4,637,290)
Prepaid expenses and other assets	176,172	806,755
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(5,401,322)	5,673,282
Deferred revenue	8,854,127	(19,504,377)
Accrued interest payable	4,639	310,310
Bonds payable (net deferred financing costs)	—	(8,548)
Total adjustments	18,867,116	(40,961,398)
<b>Net cash used in operating activities</b>	<b>(9,029,948)</b>	<b>(37,914,369)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(175,751,881)	(195,396,419)
Sales and maturities of investments	191,080,698	231,329,998
Purchases of property and equipment	(4,936,572)	(5,358,268)
<b>Net cash provided by investing activities</b>	<b>10,392,245</b>	<b>30,575,311</b>
<b>Cash flows from financing activities</b>		
Draws from line of credit	13,000,000	9,000,000
Repayments to line of credit	(11,000,000)	(9,000,000)
Repayment under note payable	(250,000)	(250,000)
Change in restricted cash and cash equivalents—for interest payable	—	(312,826)
Distribution to members	—	(112,005)
Permanently restricted contributions	4,811	1,388
Investment return restricted for investment in endowment corpus	11,958	11,759
<b>Net cash provided by (used in) financing activities</b>	<b>1,766,769</b>	<b>(661,684)</b>
<b>Net change in cash and cash equivalents</b>	<b>3,129,066</b>	<b>(8,000,742)</b>
Cash and cash equivalents, beginning of year	10,339,895	18,340,637
<b>Cash and cash equivalents, end of year</b>	<b>\$ 13,468,961</b>	<b>\$ 10,339,895</b>
<b>Supplemental data</b>		
Donated securities	\$ 490,756	\$ 868,080
Cash paid for interest	7,613,796	7,293,791
Cash paid for income taxes	19,063	7,600

See accompanying notes to consolidated financial statements.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 1. ORGANIZATION AND BACKGROUND

National Public Radio, Inc. (NPR Inc.) was incorporated in 1970 following passage of the Public Broadcasting Act of 1967 (see 47 U.S.C. §396). NPR Inc. works in partnership with member stations to create a more informed public, one that is challenged and invigorated by a deeper understanding and appreciation of events, ideas, and cultures. To accomplish its mission, NPR Inc. (i) produces, acquires, and distributes noncommercial programming that meets the highest standards of public service in journalism and cultural expression; (ii) represents its member stations in matters of their mutual interest; and (iii) provides satellite interconnection for the entire public radio system.

A 17-member Board of Directors (NPR Inc. Board) governs NPR Inc. The NPR Inc. Board consists of 10 individual member station managers who are elected by their fellow member stations and seven directors that include NPR Inc.'s President, the Chairperson of the NPR Foundation (Foundation) Board of Trustees (Foundation Board), and five prominent members of the public selected by the NPR Inc. Board and confirmed by member stations.

The consolidated financial statements do not include the activities of member stations because those stations are independently-owned and operated. However, the net assets and activities of the following entities for which NPR Inc. maintains management and/or financial control, are included in the consolidated financial statements (hereinafter, NPR Inc. and the following organizations are collectively referred to as "NPR"):

- **Foundation**—Incorporated in 1992 as a "supporting organization," the Foundation is organized and operated exclusively for the benefit of NPR Inc. and no other charitable organization. The Foundation supports NPR Inc. through several activities (e.g., soliciting charitable contributions, conducting fundraising events, and managing an endowment fund for the benefit of NPR Inc.). The Foundation disburses funds it raises and earns on the endowment to NPR Inc. for the operation, promotion, development, capital expansion, and other valid purposes of NPR Inc. The Foundation Board is comprised of up to 60 public radio supporters from across the nation. NPR Inc.'s President and the NPR Inc. Board Chairperson are NPR Inc.'s official voting representatives (NPR Inc. Representatives) on the Foundation Board. Foundation Trustees are elected by the Foundation Board and the NPR Inc. Representatives. NPR Inc. is the sole member of the Foundation and separate Foundation financial statements are presented in the supplemental schedules.
- **NPR Media Berlin gGmbH (NPR Media Berlin)**—Formed by NPR Inc. in 2006, NPR Media Berlin is a German nonprofit limited liability company which broadcasts noncommercial educational radio programming, including news, talk, and cultural programming in Berlin, Germany. The programming consists primarily of NPR Inc.'s English language programming. The Media Authority of Berlin Brandenburg issued NPR Media Berlin an FM radio station license for the period April 1, 2006, through March 31, 2020. NPR Inc. is the sole shareholder of NPR Media Berlin.
- **National Public Media, LLC (NPM)**—After acquiring National Public Broadcasting, Inc. (NPB), NPR Inc. integrated NPB with NPR Inc.'s former corporate sponsorship staff to form NPM in 2007. NPM secures public broadcasting and digital sponsorship for public radio stations and television entities, and other like-minded entities, including NPR Inc. and its member stations. NPM has three members, including NPR Inc., WGBH Educational Foundation (WGBH), and Public Broadcasting Service (PBS). Each member holds one of three positions on the NPM Board of Directors (NPM Board). Member capital percentages are 72%, 18% and 10%, for NPR Inc., WGBH, and PBS, respectively.

All significant intercompany balances and transactions were eliminated in consolidation.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of presentation

The consolidated financial statements were prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Based on the existence or absence of donor-imposed restrictions, NPR classifies resources into three categories as follows:

- **Unrestricted net assets** are free from donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this category. All expenses, excluding investment-related expenses, are reported as decreases in unrestricted net assets and are recognized during the period incurred. Investment expenses are netted against "Return on long-term investments" in the consolidated statements of activities in the appropriate classification of net assets.
- **Temporarily restricted net assets** are subject to donor-imposed stipulations that will be satisfied by the actions of NPR Inc. or the Foundation, the passage of time, or both. These net assets include unconditional gifts and accumulated appreciation on donor-restricted endowments which have not yet been approved for distribution by the NPR Inc. Board.
- **Permanently restricted net assets** are subject to donor-imposed restrictions that require the net assets be maintained permanently by the Foundation. Generally, the donors' imposed restrictions permit the Foundation to use all or some of the investment returns earned on related investments for certain general or specific purposes. These net assets include unconditional gifts and donor-restricted endowments (at historical value).

In the consolidated statements of activities, revenues from:

- **Contributions**, including unconditional promises to give, are recognized as revenue in the period received. Contributions for the acquisition or construction of property and equipment are released from restrictions in the period in which the assets are placed into service. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions that impose restrictions that are met in the same fiscal year the contributions are received are reported as increases in unrestricted net assets. Expirations of temporary restrictions on contributed net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as "Net assets released from restriction" between the applicable classifications of net assets in the consolidated statements of activities.
- **Corporate sponsorships** are considered exchange transactions and are recognized as revenue when credits either are aired or delivered digitally (e.g., online, mobile devices, podcasts). Corporate sponsorships paid in advance of crediting are reflected as deferred revenue until the credits either are aired or delivered digitally.
- **Commissions** represent amounts charged by NPM to customers other than NPR Inc. for securing corporate sponsorships.
- **Membership dues, station programming fees, digital services, distribution and satellite interconnection revenue** are recognized either ratably over the membership or service period, both of which generally coincide with NPR Inc.'s fiscal year or as services are provided.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Fair value measurements

Fair value measurements reflected in the consolidated financial statements represent the price that would be received either to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NPR uses a three-tiered hierarchy to categorize assets and liabilities based on the valuation methodologies employed. In addition, classification of certain investments within the fair value hierarchy is based on NPR's ability to redeem timely its interest rather than the valuation inputs. The hierarchy is defined as follows:

- **Level 1** valuation is based on unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- **Level 2** valuation is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, and also includes investments redeemable on or near the measurement date.
- **Level 3** valuation is based on unobservable inputs for situations in which little or no market data is available, and also includes alternative investments not redeemable near the measurement date.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. NPR utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability, or when alternative investments become more or less redeemable due to the term or other changes. Transfers between fair value categories are recognized at the end of the reporting period.

#### C. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand in bank accounts, in temporary overnight investments, in interest and non-interest bearing liquid investment accounts, and in money market accounts with maturities of ninety days or less at the date of acquisition. Cash and cash equivalents are carried at cost.

As of September 30, 2015 and 2014, NPR had \$4,464,059 and \$6,158,899 of cash deposits in excess of the federal deposit insurance limit, respectively. Although these funds exceeded the federal deposit insurance limit, NPR believes there is minimum risk to the account balance.

Cash and cash equivalents that are part of NPR's investment portfolio are included in "Investments" (see Note 4) as these funds are not used for operating needs.

#### D. Restricted cash and cash equivalents

Restricted cash and cash equivalents consist of amounts deposited to satisfy interest obligations on NPR Inc.'s bonds payable (see Note 7(B)) and a deposit held as collateral for a standby letter of credit on NPM's New York office lease agreement.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Accounts receivable

Accounts receivable primarily include amounts due from (i) corporate sponsors, (ii) public radio stations for use of NPR's programming, (iii) third parties licensing NPR material, and (v) third parties for commissions, digital, and other services provided by NPR. NPR records an allowance for doubtful accounts based on its determination of the likelihood of collection for each receivable balance considering the age of the receivable and other factors impacting collection (e.g., ongoing credit evaluations of customers' financial condition). These inputs represent Level 3 inputs in the fair value hierarchy. Accounts receivable are shown in the consolidated statements of financial position net of an allowance for doubtful accounts in the amount of \$1,091,346 and \$970,180 as of September 30, 2015 and 2014, respectively. Uncollectible amounts will be written off when all efforts to collect these receivables have been exhausted.

#### F. Contributions receivable

Pledges that represent unconditional promises to give are recognized at fair value as unrestricted, temporarily, or permanently restricted contribution revenue in such period the donor makes the promise. Contributions to be received after one year are discounted to present value using discount rates that approximate U.S. Treasury borrowing rates at the end of the fiscal year in which the gift was received for the respective duration of the donor's payment plan. Amortization of the discount is recorded as additional contribution revenue. NPR records an allowance for uncollectible contributions receivable based on its determination of the likelihood of collection for each contributions receivable balance considering the age of the receivable and other factors impacting collection. These inputs represent Level 3 inputs on the fair value hierarchy.

In contrast to unconditional promises to give, conditional promises to give are not recorded until donor conditions are substantially met. There were no conditional promises to give as of September 30, 2015 and 2014.

#### G. Property and equipment

Property and equipment includes land, construction-in-progress, technical equipment and software, building and improvements, office furniture, and vehicles. NPR capitalizes land, technical equipment, building and improvements, office furniture, and vehicles that cost \$1,000 or more. Land, technical equipment, building and improvements, office furniture, and vehicles are stated at cost on the dates of acquisition or if donated, at fair value on the dates of donation. NPR capitalizes software intended to be sold, leased or marketed that costs more than \$500,000. Software development costs below this threshold are expensed as incurred.

Depreciation is computed using the straight-line method (NPR Inc. uses a mid-month convention; NPM does not) over the assets' estimated useful lives. Useful lives range from (i) three to fifteen years for technical equipment, (ii) the greater of five years or the percentage of the product's current year revenues to its anticipated future revenues for software, (iii) ten to fifty years for buildings and building components, (iv) the shorter of the remaining useful life of the building or the life of the improvement for improvements, (v) five to eight years for office furniture, and (vi) five years for vehicles. Depreciation is not calculated on land and construction-in-progress.

#### H. Deferred financing costs

Costs related to the issuance of the District of Columbia Revenue Bonds (National Public Radio, Inc. Issue) Series 2010 (Series 2010 Bonds) and the District of Columbia Refunding Revenue Bonds (National Public Radio, Inc. Issue) Series 2013 (Series 2013 Bonds) were deferred and are being amortized over the remaining terms of the bonds, which is 20 years for the Series 2010 Bonds and 27 years for the Series 2013 Bonds as of September 30, 2015 (see Note 7(B)).

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Deferred financing costs (Continued)

NPR Inc. adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs* in 2015 (see Note 2(S)). As a result, NPR Inc. now presents the unamortized deferred financing costs as a direct deduction from the carrying amount of bonds payable which is consistent with the presentation of discounts and premiums.

#### I. Inventory

Inventory is carried at the lower of cost or market. Item costs are determined using the first-in, first-out method. Inventory, which is reported in “Prepaid expenses and other assets” in the consolidated statements of financial position, consists of the following:

<b>As of September 30,</b>	<b>2015</b>	<b>2014</b>
Equipment purchased for resale to participants in the Public Radio Satellite System (see Note 9(H))	\$ 578,923	\$ 306,800
Merchandise held for sale	805,917	799,934
<b>Total inventory</b>	<b>\$ 1,384,840</b>	<b>\$ 1,106,734</b>

#### J. Charitable gift annuity split-interest agreements

NPR Inc.’s split-interest agreements with donors consist of charitable gift annuities for which NPR Inc. holds the assets. Assets held for the annuitants totaling \$181,809 and \$207,974 as of September 30, 2015 and 2014, respectively, are included in “Prepaid expenses and other assets” in the consolidated statements of financial position. Contribution revenue is recognized on the date NPR Inc. establishes the donor accounts, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Where required by states, NPR Inc. maintains separate annuitant asset accounts, reserves, and specific investment allocations. As of September 30, 2015 and 2014, NPR Inc. satisfied all state reserve requirements. NPR Inc. records the associated charitable gift annuity split-interest agreements liabilities at fair value using (i) a single life actuarial rate, adjusted by an annuity adjustment factor, provided in Section 7520 of the Internal Revenue Code of 1986, as amended (Code) and (ii) the 2000CM Mortality Table. Each year, NPR Inc. adjusts the estimated liability to reflect changes in the life expectancy of the donor (or other beneficiary) and amortization of the discount in subsequent periods. This change is recorded in “Other” in the nonoperating section of the consolidated statements of activities. At September 30, 2015 and 2014, NPR Inc.’s charitable gift annuity split-interest agreement liabilities totaled \$79,320 and \$64,072, respectively. These liabilities are reported in “Accounts payable and other liabilities” in the consolidated statements of financial position.

#### K. Federal awards and contracts

In 2015, NPR Inc. recorded unrestricted revenue from the National Endowment for the Arts. In 2014, NPR Inc. recorded unrestricted revenue from the U.S. Department of Homeland Security and the National Endowment for the Arts. Unrestricted revenue was recorded in the consolidated statements of activities as follows:

<b>For the years ended September 30,</b>	<b>2015</b>	<b>2014</b>
Grants and contributions	\$ 65,000	\$ 110,000
Other operating revenue	—	148,197
Net assets released from restriction – Grants and contributions	—	66,667
<b>Total revenue from federal agencies</b>	<b>\$ 65,000</b>	<b>\$ 324,864</b>

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Tax status and uncertain tax positions

NPR Inc. and the Foundation are exempt from federal income taxes to the extent provided in Section 501(c)(3) of the Code. However, each organization is liable for income tax on unrelated business activities as described in Section 512 of the Code. Any potential tax liability resulting from the activities of NPR Inc. and the Foundation will be offset by existing net operating loss (NOL) carry-forwards, so no provision for income taxes has been recorded in either 2015 or 2014. Because NPR Inc. and the Foundation file their respective informational returns nearly one year in arrears, the NOL carry-forwards reported below are as of the end of the preceding fiscal years (e.g., in 2015, the NOL carry-forward represents the amount as of September 30, 2014). NOL carry-forwards for NPR Inc. and the Foundation are:

<i>As of September 30,</i>	<b>2015</b>	<b>2014</b>
NPR Inc.	\$ 14,663,240	\$ 13,550,597
Foundation	808,611	882,309

The latest NOL carry-forwards will expire in fiscal year 2034.

Because the realization of the NOL carry-forwards is uncertain, neither NPR Inc. nor the Foundation recorded a deferred tax asset as of September 30, 2015 and 2014.

NPM is treated as a partnership for federal income tax purposes. Each member is, therefore, separately liable for any related taxes thereon. Accordingly, no provision for federal income tax has been made. NPM is, however, liable for income taxes in certain states and local jurisdictions where NPM operates. For the years ended September 30, 2015 and 2014, NPM accrued state and local income taxes totaling \$9,800 which is included in the "Accounts payable and other accrued liabilities" in the consolidated statements of financial position.

NPR Media Berlin is registered as a nonprofit limited liability company under German law (denoted by "gGmbH"). As such, NPR Media Berlin is exempt from corporate income and trade taxes on all operations except those that do not serve the nonprofit purpose of the entity (i.e., unrelated business activities). Similar to NPR Inc. and the Foundation, because returns are filed one year in arrears (e.g., in 2015, the NOL carry-forward represents the amount as of September 30, 2014), the NOL carry-forward for NPR Media Berlin totaled \$834,886 and \$802,769 as of September 30, 2015 and 2014, respectively. Because the realization of the NOL carry-forward is uncertain, NPR Media Berlin has not recorded a deferred tax asset as of September 30, 2015.

Management believes that NPR is no longer subject to income tax examinations by U.S. federal, state and local, or non-U.S. taxing authorities for fiscal years prior to fiscal year 2012.

There were no material interest or penalties recorded in either fiscal year 2015 or 2014.

The effects of a tax position cannot be recognized in the consolidated financial statements unless it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that NPR is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of September 30, 2015, there were no uncertain tax positions for which a liability should be recorded.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### M. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period as well as the disclosure of contingent assets and liabilities. Actual results ultimately could differ from management's estimates and assumptions.

Significant items in NPR's consolidated financial statements subject to such estimates and assumptions include (i) valuations for certain investments without readily determinable fair values, (ii) fair value considerations, (iii) allowances for uncollectible accounts and contributions receivables, (iv) discount rates used on long-term contributions receivable, (v) useful lives of depreciable and amortizable assets, and (vi) the valuation of goodwill.

#### N. Concentration of credit risk

Credit risk with respect to accounts and contributions receivable is partially mitigated by NPR through the creation of allowances for uncollectible receivables and the discounting of long-term contributions to present value. However, as of September 30, 2015, 20% of donors (13 donors) comprise approximately 76% of the contributions receivable balance. Comparatively, as of September 30, 2014, 21% of donors (13 donors) comprised approximately 78% of the contributions receivable balance. NPR believes that it has limited credit risk with respect to these donors given their relationship with and support of NPR and its activities. NPR believes that it has limited credit risk associated with the remaining balance of accounts and contributions receivable due to the diversity of its customer and donor base and the size of the amounts owed. For credit risk associated with NPR's investments, see discussion in Note 4.

#### O. Impairment of long-lived assets

NPR reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, through a nonoperating charge in the consolidated statements of activities, to its current fair value.

During fiscal year 2014, NPR Inc. determined that software acquired for use by its Human Resources department would no longer be used for its intended purpose because it was being replaced with a new, internally-developed application. Therefore, NPR Inc. considered the asset impaired and wrote-off the carrying amount of the asset. Concurrent with the write-off, NPR Inc. also recognized a liability to the software vendor for unpaid, but disputed, invoices. The 2014 loss totaled \$163,283 and was included in "Other" in the nonoperating section of the consolidated statements of activities. During fiscal year 2015, NPR Inc. determined that it was not obligated to pay the disputed vendor invoices. As a result, NPR Inc. reversed the liability recorded in 2014 resulting in a gain of \$86,270 in 2015. This gain is included in "Other" in the nonoperating section of the consolidated statements of activities.

#### P. Restructuring costs

In September 2013, the NPR Inc. Board approved an organization-wide Voluntary Buyout Program (VBP), which began on September 20, 2013. Employees were required to submit an application by mid-October 2013, to be considered for participation in the VBP. Although management had the ability to either accept or reject applications based upon corporate needs and other factors, management elected to accept all VBP applications. Additionally, NPR Inc.'s and NPM's management executed a number of involuntary separations during both 2014 and 2015. These combined actions were designed to reduce administrative costs, eliminate excess capacity, and align resources with strategic ambitions. As of September 30, 2015 and 2014, the remaining liability associated with the restructuring activities totaled \$652,675 and \$5,596,497, and is reported in "Accounts payable and other liabilities" in the consolidated statements of financial position.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Q. Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and support services benefited, based on direct salaries and fringe benefits.

#### R. Restatement

Subsequent to the issuance of the 2014 consolidated financial statements and as a result of a routine review of its records, NPR Inc. determined that certain donor gifts and grants either made to or stewarded by the Foundation (some of which dated as far back as the early 1990s) were subject to a classification misstatement, being reported as unrestricted instead of permanently restricted. Correcting the classification misstatement results in the reclassification of consolidated September 30, 2013 net assets as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets as of September 30, 2013, as previously stated:	\$178,346,575	\$ 90,712,663	\$ 197,117,621	\$ 466,176,859
Restatement:				
Donor gift amounts	(16,452,610)	—	16,452,610	—
Return on long-term investments related to reclassified donor gift amounts	3,208,895	(3,208,895)	—	—
Transfer for appropriation of underwater endowment assets for expenditure	(3,208,895)	3,208,895	—	—
Restatement, net	(16,452,610)	—	16,452,610	—
Net assets as of September 30, 2013, as restated	\$161,893,965	\$ 90,712,663	\$ 213,570,231	\$ 466,176,859

Correcting the classification misstatement also impacts the fiscal year 2014 nonoperating return on long-term investments as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Return on long-term investments, net, as previously stated	\$ 5,092,503	\$ 33,704,652	\$ 11,759	\$ 38,808,914
Restatement: Return on long-term investments related to reclassified donor gift amounts	(1,964,274)	1,964,274	—	—
Return on long-term investments, net, as restated	\$ 3,128,229	\$ 35,668,926	\$ 11,759	\$ 38,808,914

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### R. Restatement (Continued)

As indicated, the fair value of the investments associated with the restated permanently restricted donor gifts is below the original values of the donors' gifts. See Note 10(C) for a discussion of endowment funds with deficiencies.

#### S. Accounting pronouncements adopted and recent accounting pronouncements

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. The update clarifies the scope of transactions that are subject to disclosures about offsetting and enables users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The guidance was effective for NPR in fiscal year 2014 and NPR's adoption of this update did not have a material effect on NPR's consolidated financial statements.

In April 2013, the FASB issued ASU 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. The update relates to personnel services that are received from an affiliate (e.g., parent, subsidiary, common control entity) for which the affiliate does not charge the recipient nonprofit organization. The recipient nonprofit organization should recognize revenue related to those personnel services received equal to the cost incurred by the affiliate organization. NPR Inc. and the Foundation adopted this update in 2015. The adoption of this update did not have an effect on NPR's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update provides that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset. However, if the net unrecognized tax benefit is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or if the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purposes, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The guidance is effective for NPR's fiscal year 2016. Presently, management does not anticipate that the adoption of this update will have a material effect on NPR's consolidated financial statements.

In January 2014, the FASB issued ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*. The update allows an accounting alternative for the subsequent measurement of goodwill. An entity that elects the accounting alternative should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. An entity that elects the accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. Goodwill should be tested for impairment when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. When a triggering event occurs, an entity has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more-likely-than-not that goodwill is impaired, the entity must perform the quantitative test to compare the entity's fair value with its carrying amount, including goodwill (or the fair value of the reporting unit with the carrying amount, including goodwill, of the reporting unit). If the qualitative assessment indicates that it is not more-likely-than-not that goodwill is impaired, further testing is unnecessary. NPM adopted this guidance during fiscal year 2015. This update, however, is not applicable to nonprofit organizations. The FASB recently added a project to its agenda on the subsequent accounting for goodwill for nonprofit organizations.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### S. Accounting pronouncements adopted and recent accounting pronouncements (Continued)

Management will monitor the progress of the FASB's agenda. Until such time, NPR Inc. is required to reverse NPM's amortization during consolidation (see Note 6).

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update establishes a comprehensive revenue recognition standard for virtually all industries including those that previously followed industry-specific guidance. The update requires that revenue should be recognized to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The original effective date for ASU 2014-09 would have required NPR to adopt the update in fiscal year 2018. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (topic 606) – Deferral of the Effective Date*, which deferred the effective date for one year. Accordingly, the guidance is now effective for NPR's fiscal year 2019. Management continues to evaluate the potential impact of this update on NPR's consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. The update also provides related disclosures. The guidance is effective for NPR's fiscal year 2017. Presently, management does not anticipate that the adoption of this update will have a material effect on NPR's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs*. This update requires that debt issuance costs related to issued debt be presented in the consolidated statements of financial position as a direct deduction from the carrying amount of the associated debt which is consistent with the presentation of discounts and premiums. NPR Inc. early adopted this updated in 2015. Retrospectively, management changed the 2014 presentation to conform fiscal year 2014 to fiscal year 2015.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. This update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. NPR Inc. and the Foundation early adopted this update in 2015. Retrospectively, management changed the 2014 disclosure to conform fiscal year 2014 to fiscal year 2015.

In July 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330) – Simplifying the Measurement of Inventory*. The update requires that inventory be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for NPR Inc.'s fiscal year 2018. Presently, management does not anticipate that the adoption of this update will have a material effect on NPR's consolidated financial statements.

#### T. Reclassification

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation. In the consolidated statements of financial position, and as discussed in Note 2(S), NPR reclassified deferred issuance costs from assets to notes payable. In the consolidated statements of activities, NPR (a) reclassified the return on charitable gift annuities from "Other" operating revenues to "Other" in the nonoperating activities section and (b) reclassified expenses associated with three shows from the "Programming" and "Content strategy and operations" operating expense line items to the "News and information" line item.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### U. Subsequent events

NPR evaluated subsequent events from the date of the consolidated statements of financial position through December 16, 2015, the date on which NPR's consolidated financial statements were issued. No material subsequent events, other than the extension of the office lease discussed in Note 9(B), were identified for either recognition or disclosure.

### 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized below:

<i>As of September 30,</i>	2015	2014
Amounts due in:		
Less than one year	\$ 9,429,865	\$ 13,619,247
One to five years	5,452,834	4,993,039
Subtotal	14,882,699	18,612,286
Less:		
Allowance for uncollectible contributions receivable	(112,576)	(112,650)
Discount to present value (with rates ranging from 0.40% to 4.56%)	(173,530)	(201,762)
Contributions receivable, net	\$ 14,596,593	\$ 18,297,874

### 4. INVESTMENTS

The fair value of investments consists of the following:

<i>As of September 30,</i>	2015	2014
Cash and money market funds	\$ 6,720,692	\$ 9,006,546
Private equity	20,724,355	20,751,538
Real assets	28,994,685	30,457,221
Fixed income	78,721,325	83,431,459
Equity	108,543,501	115,583,261
Diversifiers	131,232,112	133,461,425
Privately held stock	89,640	—
Other	2,357,167	3,255,684
Investments	\$ 377,383,477	\$ 395,947,134

Investments consist almost entirely of the Foundation's investment portfolio. A smaller portion of the investment portfolio relates to a quasi-endowment fund, long-term reserves, operating reserve funds, and working capital funds.

NPR's investment classes, which are described in further detail below, include direct holdings that are generally traditional marketable securities such as fixed income securities, equities, mutual funds, and exchange traded funds (ETFs). NPR also holds shares or units in either institutional funds or partnerships which, where possible, are stated at net asset value (NAV) as a practical expedient.

- **Cash and money market funds** include cash and cash equivalent securities and money market funds.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

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### 4. INVESTMENTS (CONTINUED)

- **Private equity** includes investments in funds which employ buyout and venture capital strategies and may focus on investments in turnaround situations.
- **Real assets** include investments in funds which generally hold interests in public real estate investment trusts, commercial properties or commodities, or oil and gas, normally through commingled funds.
- **Fixed income** includes investments in U.S. government debt and credit securities, and funds holding similar securities.
- **Equity** includes investments in funds which invest in U.S. and non-U.S. equity securities, equity-based derivatives, and interests in funds that invest predominantly in long but also short stocks.
- **Diversifiers** include investments in funds whose managers utilize hedged strategies and have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include equity securities, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly.
- **Privately held stock** includes shares in a privately held company.
- **Other** includes investments in funds whose managers invest in and sell short securities and instruments, including but not limited to: (a) merger arbitrage and other forms of arbitrage involving corporate takeovers; (b) investments in companies experiencing financial distress; (c) investments in restructuring companies; (d) direct investments in operating and services businesses; and (d) other investments in securities or instruments that the fund manager believes are either undervalued or overvalued or likely to appreciate or depreciate.

Private equity, real assets, some equity, and other investment strategies frequently require the estimation of fair values by fund managers due to the absence of readily determinable market values.

**Investment policy**—The Investment Committee implements the *Statement of Investment Policy, Objectives and Guidelines* (Investment Policies) as approved by the NPR Inc. Board and Foundation Board. The Investment Committee is comprised of individuals from both boards and it acts as the controlling body relative to each investment under management. The Investment Committee employs an investment advisor to monitor investment managers, as well as to benchmark and evaluate each funds' performance, including investments in Level 3. Monthly evaluations are prepared for management's review and the results are communicated to the Investment Committee when the Investment Committee meets during the year. Each year, where available and applicable, management reviews the report on internal controls for fund managers and compares each fund's per share NAV to the fund's audited financial statements. There were no changes in valuation techniques noted for these funds during either 2015 or 2014.

**Basis of reporting**—Investments are recorded at estimated fair value. If an investment is held directly by NPR and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Fair values for shares in registered mutual funds are based on published share prices. NPR's interests in alternative investment funds are generally reported at either NAV or its equivalent (e.g., partnership interest) reported by the fund managers and assessed as reasonable by NPR. NPR uses the NAV as a practical expedient to estimate the fair value of NPR's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different than NAV. As of September 30, 2015 and 2014, NPR had no plans or intentions to sell investments at amounts different from NAV.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 4. INVESTMENTS (CONTINUED)

**Basis of reporting (Continued)**—Because of the inherent uncertainties of valuation, estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

The following table summarizes NPR's investments within the fair value hierarchy as of September 30, 2015:

	Level 1	Level 2	Level 3	Investments reported at NAV <sup>1</sup>	Total
Cash and money market funds	\$ 6,720,692	\$ —	\$ —	\$ —	\$ 6,720,692
Private equity	—	—	20,724,355	—	20,724,355
Real assets	—	—	26,479,506	2,515,179	28,994,685
Fixed income	78,721,325	—	—	—	78,721,325
Equity	57,222,677	—	18,295,411	33,025,413	108,543,501
Diversifiers	—	—	106,022,648	25,209,464	131,232,112
Privately held stock	—	—	89,640	—	89,640
Other	—	—	2,116,159	241,008	2,357,167
<b>Investments</b>	<b>\$ 142,664,694</b>	<b>\$ —</b>	<b>\$ 173,727,719</b>	<b>\$ 60,991,064</b>	<b>\$ 377,383,477</b>

The following table summarizes NPR's investments within the fair value hierarchy as of September 30, 2014:

	Level 1	Level 2	Level 3	Investments reported at NAV <sup>1</sup>	Total
Cash and money market funds	\$ 9,006,546	\$ —	\$ —	\$ —	\$ 9,006,546
Private equity	—	—	20,751,538	—	20,751,538
Real assets	—	—	30,457,221	—	30,457,221
Fixed income	83,431,459	—	—	—	83,431,459
Equity	59,409,221	5,041,706	17,862,656	33,269,678	115,583,261
Diversifiers	—	—	113,788,900	19,672,525	133,461,425
Other	—	—	2,978,661	277,023	3,255,684
<b>Investments</b>	<b>\$ 151,847,226</b>	<b>\$ 5,041,706</b>	<b>\$ 185,838,976</b>	<b>\$ 53,219,226</b>	<b>\$ 395,947,134</b>

Registered mutual funds, ETFs, and directly held fixed income securities are classified in Level 1 of the fair value hierarchy. Most investments classified in Levels 2 and 3 consist of shares or units in non-registered investment funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable or not difficult to value. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities. Although no investments currently contain rolling lockup provisions, certain investments previously contained rolling lockup provisions. Under such provisions, tranches of the investment are available for redemption after a specified period of time, if the Foundation makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement.

<sup>1</sup>: Investments that are measured at fair value using the NAV practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the "Investments reported at NAV" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 4. INVESTMENTS (CONTINUED)

**Basis of reporting (Continued)**—The following table presents the activities for NPR’s investments classified in Level 3:

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 185,838,976	\$ 167,875,081
Net realized gains	15,727,739	5,647,921
Net unrealized (losses) gains	(5,998,785)	24,267,129
Purchases	4,451,571	6,101,365
Sales	(26,291,782)	(18,052,520)
Net transfers in (out)	—	—
Ending balance	\$ 173,727,719	\$ 185,838,976

**Quantitative information**—As of September 30, 2015, quantitative information with respect to assets measured and carried at fair value on a recurring basis using significant unobservable inputs (Level 3) follows:

Description	Fair Value	Principal Valuation Technique	Unobservable Inputs	Weighted Average
Private equity	\$ 20,724,355	Market approach	Values assigned to underlying funds less liabilities	N/A
Real assets	\$ 26,479,506	Market approach	Values assigned to underlying funds less liabilities	N/A
Equity	\$ 18,295,411	Market approach	Values assigned to underlying funds less liabilities	N/A
Diversifiers	\$ 106,022,648	Market approach	Values assigned to underlying funds less liabilities	N/A
Other	\$ 2,116,159	Market approach	Values assigned to underlying funds less liabilities	N/A

**Investment income**—The components of investment income are summarized below:

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
Interest and dividends	\$ 3,860,412	\$ 5,782,571
Net realized gain	23,365,262	14,722,614
Net unrealized (loss) gain	(26,600,102)	20,834,155
Investment expenses	(1,167,295)	(1,000,399)
Investment (loss) income	\$ (541,723)	\$ 40,338,941

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 4. INVESTMENTS (CONTINUED)

**Investment income (Continued)**—Investment income reported in the consolidated statements of activities was as follows:

<b>For the years ended September 30,</b>	<b>2015</b>	<b>2014</b>
Operating activities:		
Return on working capital investments—unrestricted	\$ 9,661	\$ 9,378
Return on long-term investments designated for current operations—unrestricted	75,937	1,520,649
Nonoperating activities:		
Return on long-term investments, net:		
Unrestricted (2014 restated; Note 2(R))	(1,504,886)	3,128,229
Temporarily restricted (2014 restated; Note 2(R))	865,607	35,668,926
Permanently restricted	11,958	11,759
<b>Investment (loss) income</b>	<b>\$ (541,723)</b>	<b>\$ 40,338,941</b>

**Liquidity**—Investment liquidity as of September 30, 2015, is aggregated below based on redemption or sale period:

	<b>Total</b>
Daily (consists of cash and money market funds, fixed income investments, and portions of equity and real asset investments)	\$ 145,179,874
Monthly (consists of a portion of equity investments)	33,025,413
Quarterly (consists of portions of diversifiers and equity investments)	84,626,370
Annually (consists of a portion of diversifiers)	43,341,511
Other (e.g., every second anniversary of investment; consists of a portion of diversifiers)	4,630,670
Amount considered to be illiquid (consists of privately held stock, private equity investments, and portions of diversifiers, private equity investments, and real assets investments)	66,579,639
<b>Total investments</b>	<b>\$ 377,383,477</b>

Investments with daily liquidity generally do not require advance notice prior to withdrawal. Investments with monthly, quarterly, annual, and other similar extended redemption frequencies typically require notice periods ranging from ten to ninety days.

**Commitments**—Certain private equity, diversifiers, and real asset investments are made through limited partnerships. Under the terms of these agreements, the Foundation is obligated to remit additional funding periodically as capital calls are exercised by the manager. These partnerships have a limited existence, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital liquidity calls expected to be exercised in any particular future year is uncertain. Unfunded commitments will be funded either by cash available in the investment portfolio or by liquidating other investments based on management's assessment. The aggregate amount of unfunded commitments associated with private equity, diversifiers, and real asset investments as of September 30, 2015, was \$3,622,250, \$1,800,000, and \$13,469,639, respectively.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 5. PROPERTY AND EQUIPMENT

Property and equipment is summarized below:

<i>As of September 30,</i>	<b>2015</b>	<b>2014</b>
Land	\$ 55,753,066	\$ 55,753,180
Construction-in-progress	305,645	611,703
Technical equipment and software	62,518,662	65,044,740
Building and improvements	150,938,974	150,608,664
Office furniture	7,524,630	7,318,251
Vehicles	56,133	98,371
Total property and equipment	<b>277,097,110</b>	279,434,909
Less: Accumulated depreciation	<b>(51,400,398)</b>	(48,087,718)
Property and equipment, net	<b>\$ 225,696,712</b>	\$ 231,347,191

In April 2013, NPR Inc. completed construction of and occupied its new headquarters building. During the construction of the headquarters building, NPR Inc. capitalized interest totaling \$25,146,322. NPR Inc. is amortizing this interest over the remaining life of the building. In 2015 and 2014, amortization of capitalized interest was \$502,926 and is included in depreciation expense. The unamortized balance of capitalized interest is \$23,909,961 as of September 30, 2015 and \$24,412,887 as of September 30, 2014.

### 6. GOODWILL

Goodwill represents the excess of the purchase price over the net amount assigned to identifiable assets acquired and liabilities assumed in the purchase of NPB and formation of NPM in 2007. As discussed in Note 2(S), NPM adopted ASU 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill* in 2015. NPM performed a qualitative assessment test to determine if indicators of impairment existed and concluded that no goodwill impairment had occurred as of September 30, 2015. However, NPM elected the accounting alternative for the subsequent measurement of goodwill as provided for in the literature and began to amortize the goodwill on a straight-line basis over a period of 10 years. Amortization expense in 2015 totaled \$182,283. However, under guidance developed by the American Institute of Certified Public Accountants Not-for-Profit Entities Expert Panel, if the reporting consolidated entity is a nonprofit organization, the nonprofit is not currently permitted to adopt the accounting alternative. Accordingly, NPR reversed the amortization expense in consolidation.

### 7. DEBT

#### A. Note payable

In 2008, NPR Inc. assumed a \$2 million term note with The Ford Foundation as a result of its acquisition of the nonprofit Public Interactive (which has since ceased operations and become NPR Inc.'s Digital Services division). The note originally matured in February 2013. In 2011, NPR Inc. and The Ford Foundation negotiated an amendment to the note which extended the maturity date until February 6, 2017.

The amended note continues to bear interest at a fixed annual rate of one percent and interest is payable each calendar quarter, in arrears, until maturity. Because the note bears interest at a below-market rate, NPR Inc. recorded the fair value of the note using the imputed interest rate of 3.09%. Each year, NPR Inc. accretes the carrying amount of the note using the effective interest method and records a corresponding release of temporarily restricted net assets.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 7. DEBT (CONTINUED)

#### A. Note payable (Continued)

In 2015 and 2014, the accretion of the note carrying value totaled \$12,424 and \$17,185, respectively, which was included in "Interest expense" in the consolidated statements of activities. NPR Inc. recognized \$18,259 and \$25,518 in total interest expense related to this note in the consolidated statements of activities for the years ended September 30, 2015 and 2014, respectively.

Future principal payments on the note as of September 30, 2015, were as follows:

2016	\$	250,000
2017		250,000
<u>Total</u>	<u>\$</u>	<u>500,000</u>

#### B. Bonds payable

NPR Inc. financed the construction of its new headquarters building using the Series 2010 Bonds. Originally, the Series 2010 Bonds totaled \$162,125,000.

**Early Extinguishment of Debt**—In 2013, NPR Inc. completed an advance refunding of \$87,430,000 of the Series 2010 Bonds when the District of Columbia issued the Series 2013 Bonds. The proceeds of the Series 2013 Bonds were deposited into an irrevocable defeasance account to provide for all future debt service on the refunded portion of the Series 2010 Bonds. As a result, NPR Inc. considered the refunded portion of the Series 2010 Bonds defeased and reduced its liability on the Series 2010 Bonds.

**Series 2010 Bonds**—The unrefunded Series 2010 Bonds bear interest at fixed rates ranging from four to five percent. Interest, which is payable semi-annually, is due each October 1<sup>st</sup> and April 1<sup>st</sup>. Interest expense on the Series 2010 Bonds totaled \$3,877,656 in 2015 and 2014.

The serial portion of the unrefunded Series 2010 Bonds has maturities ranging from April 1, 2017, through April 1, 2022. The term portion has maturities ranging April 1, 2023, through April 1, 2035.

Subject to the discretion of the issuer, the portions of the unrefunded Series 2010 Bonds that have maturities ranging from April 1, 2021, through April 1, 2035, are subject to an optional redemption either in whole or in part beginning on April 1, 2020. All Series 2010 Bonds outstanding as of April 1, 2020, are subject to an optional redemption either in whole or in part. Series 2010 Bonds with a maturity date either on or after April 1, 2025, are subject to mandatory sinking fund redemption prior to the April 1<sup>st</sup> maturities. The redemption price of these bonds equals 100% of the principal amount being redeemed, plus interest accrued through the redemption date.

**Series 2013 Bonds**—The Series 2013 Bonds bear interest at fixed rates ranging from three to five percent. Similar to the Series 2010 Bonds, interest is payable semi-annually and due each October 1<sup>st</sup> and April 1<sup>st</sup>. Interest expense on the Series 2013 Bonds totaled \$3,659,332 in 2015 and 2014.

The serial portion of the Series 2013 Bonds has maturities ranging from April 1, 2017, through April 1, 2026. The term portion has maturities ranging April 1, 2027, through April 1, 2042.

Subject to the discretion of the issuer, the portions of the Series 2013 Bonds that have maturities either on or after April 1, 2024, are subject to an optional redemption either in whole or in part beginning on April 1, 2023. Series 2013 Bonds that have maturities either on or after April 1, 2034, are subject to mandatory sinking fund redemption prior to the April 1<sup>st</sup> maturities. The redemption price of these bonds equals 100% of the principal amount being redeemed, plus interest accrued through the redemption date.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 7. DEBT (CONTINUED)

#### B. Bonds payable (Continued)

**Deferred financing costs**—NPR Inc. deferred costs totaling \$3,446,496 related to the issuance of the Series 2010 Bonds. During 2013, and as a result of the defeasance of a portion of the Series 2010 Bonds, NPR Inc. wrote off \$1,597,168 of the unamortized deferred financing costs. In 2013 and 2014, NPR Inc. deferred an additional \$1,762,690 and \$8,548, respectively, in costs related to the issuance of the Series 2013 Bonds.

In 2015 and 2014, bond issuance cost amortization expense was \$156,925 and 113,543, respectively, and is reported in “Other” in the nonoperating section of the consolidated statements of activities.

**Outstanding Principal, Unamortized Premium, and Unamortized Deferred Financing Cost Balances**—The outstanding principal and unamortized premium and deferred financing cost balances on the Series 2010 Bonds and Series 2013 Bonds were:

<i>As of September 30, 2015</i>	Series 2010 Bonds	Series 2013 Bonds	Total
Outstanding principal balance	\$ 79,250,000	\$ 87,430,000	\$ 166,680,000
Unamortized premium balance	3,687,134	1,285,411	4,972,545
Deferred financing costs, net	(1,359,484)	(1,623,109)	(2,982,593)
<b>Totals</b>	<b>\$ 81,577,650</b>	<b>\$ 87,092,302</b>	<b>\$ 168,669,952</b>

<i>As of September 30, 2014</i>	Series 2010 Bonds	Series 2013 Bonds	Total
Outstanding principal balance	\$ 79,250,000	\$ 87,430,000	\$ 166,680,000
Unamortized premium balance	3,734,517	1,287,030	5,021,547
Deferred financing costs, net	(1,454,983)	(1,684,535)	(3,139,518)
<b>Totals</b>	<b>\$ 81,529,534</b>	<b>\$ 87,032,495</b>	<b>\$ 168,562,029</b>

**Schedule of Maturities**—Maturities of bonds payable were as follows:

<i>As of September 30, 2015</i>	Series 2010 Bonds	Series 2013 Bonds	Total
2016	\$ —	\$ —	\$ —
2017	2,855,000	85,000	2,940,000
2018	2,970,000	90,000	3,060,000
2019	3,110,000	90,000	3,200,000
2020	3,265,000	95,000	3,360,000
Thereafter	67,050,000	87,070,000	154,120,000
<b>Totals</b>	<b>\$ 79,250,000</b>	<b>\$ 87,430,000</b>	<b>\$ 166,680,000</b>

**Total Interest Expense on Bonds Payable**—NPR Inc. recognized \$7,536,988 of interest expense related to the bonds payable in the consolidated statements of activities during the years ended September 30, 2015 and 2014.

#### C. Line of Credit

In November 2012, NPR Inc. established an unsecured revolving line of credit with SunTrust Bank to support either working capital or general corporate uses. The maximum loan amount is \$25 million, and any amounts borrowed are payable on March 31, 2017. The line of credit accrues interest at a rate equal to LIBOR plus 0.99%. The line of credit contains nonfinancial covenants with which NPR Inc. complied in 2015 and 2014.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 7. DEBT (CONTINUED)

#### C. Line of Credit (Continued)

During fiscal years 2015 and 2014, NPR Inc. made draws under the line of credit and, as a result, had interest expense of \$30,829 and \$9,737, respectively. As of September 30, 2015, there was \$2,000,000 outstanding on this credit facility. There was no balance outstanding on this credit facility on September 30, 2014.

#### D. Aggregate maturities on NPR Inc.'s debt obligations

The aggregate maturities on NPR Inc.'s debt obligations as of September 30, 2015, were as follows:

2016	\$	2,250,000
2017		3,190,000
2018		3,060,000
2019		3,200,000
2020		3,360,000
Thereafter		154,120,000
Total debt obligations	\$	169,180,000

### 8. RETIREMENT PLAN

NPR Inc. offers a defined contribution plan under Section 403(b) of the Code for its administrative and union employees (NPR Plan). Under the NPR Plan, NPR Inc. contributes a percentage of the base compensation of each properly enrolled employee who has completed two years of qualified service with NPR Inc. For the years ended September 30, 2015 and 2014, NPR Inc. made contributions to the NPR Plan of \$4,907,706 and \$5,150,110, respectively.

In fiscal year 2003, NPR Inc. established two deferred compensation plans to provide certain highly compensated employees with the ability to defer a portion of their compensation under Section 457(b) of the Code (NPR Deferred Plans). The assets of the NPR Deferred Plans are held by NPR Inc. until disbursed to the participating employees. The NPR Deferred Plans are funded entirely from the compensation of the participating employees. Contributions made by the participating employees either vest immediately or vest upon the completion of specified events. During 2014, one of the participating employees withdrew the balance of his funds. The remaining participating employee had a balance, including interest, of \$39,253 and \$40,270 as of September 30, 2015 and 2014, respectively. In the consolidated statements of financial position, the assets and liability associated with the NPR Deferred Plans are components of "Prepaid expenses and other assets" and "Accounts payable and other liabilities", respectively.

NPM offers a savings plan under Section 401(k) of the Code for its employees (NPM Plan). Participants may, voluntarily, contribute and defer a portion of their wages up to the maximum amount allowable. NPM, at the discretion of the NPM Board, may make contributions on behalf of the employees. For the years ended September 30, 2015 and 2014, NPM made contributions to the NPM Plan of \$511,635 and \$519,275, respectively.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 9. CONTINGENCIES AND COMMITMENTS

#### A. Concentration of Employees Covered by Collective Bargaining Agreements

At the end of 2015 and 2014, approximately 48% and 47%, respectively, of NPR Inc.'s active employees were members of either the National Association of Broadcast Employees and Technicians union (NABET) or the Screen Actors Guild—American Federation of Television and Radio Artists, Washington-Baltimore union (SAG—AFTRA). During 2015, NPR ratified new contracts with each union. The SAG—AFTRA collective bargaining agreement expires on June 30, 2017 and the NABET collective bargaining agreement expires March 31, 2019.

#### B. Leases and space licenses

NPR has operating leases for equipment and office space. Rental expense for equipment, office space, and program requirements included in the consolidated statements of activities for the years ended September 30, 2015 and 2014, was \$2,787,831 and \$2,945,153, respectively.

NPR Inc. licenses excess office space to organizations. The space license agreements expire at various times through 2022. Income from space license agreements included in the consolidated statements of activities was \$391,268 and \$406,142 for fiscal years 2015 and 2014, respectively.

The future minimum lease payments (FMLP), net of space license income, associated with NPR's equipment and space rental leases and office space licenses are as follows as of September 30, 2015:

	Office space rental FMLP	Less: Office space license Income	Total FMLP, net
2016	\$ 1,386,408	\$ (462,396)	\$ 924,012
2017	1,343,678	(627,499)	716,179
2018	1,335,956	(552,318)	783,638
2019	1,239,289	(568,884)	670,405
2020	981,690	(585,950)	395,740
Thereafter	1,125,018	(347,711)	777,307
<b>Total</b>	<b>\$ 7,412,039</b>	<b>\$ (3,144,758)</b>	<b>\$ 4,267,281</b>

Subsequent to the end of fiscal year 2015, NPR ratified a lease extension for its office space in Chicago, Illinois. For disclosure purposes, NPR included the FMLP per the executed lease agreement in the table above.

#### C. Audits of costs incurred under select foundation and all government grants

Costs incurred under select foundation and all government grants are subject to audit. Two non-federal audits were performed in 2015 and 2014.

In 2015, one of the audits resulted in potential questioned costs approximating \$1.2 million for NPR Inc. NPR Inc. is working with the primary awarding agency to determine the amount of the final liability, if any, and the manner of repayment. Until resolution and in light of the fact that NPR Inc. can determine its maximum exposure, NPR Inc. (a) wrote-off all receivables from the awarding agency related to this activity and (b) recorded a liability of approximately \$760,000 for money already paid to NPR Inc. as of September 30, 2015. The liability is recorded in "Accounts payable and other liabilities" in the consolidated statements of financial position. In 2014, one of the audits resulted in a liability of approximately \$100,000 for NPR Inc. NPR Inc. satisfied this liability by reinvesting the questioned costs in the activities of the associated non-federal award.

The ultimate liability, if any, from future audits is not expected to have a material adverse effect on NPR's financial position.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

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### 9. CONTINGENCIES AND COMMITMENTS (CONTINUED)

#### D. Litigation

NPR Inc. is subject to various legal claims and contingencies arising in the ordinary course of NPR Inc.'s business. NPR Inc.'s exposure is generally limited through insurance coverage. While the outcomes of such matters are uncertain, management believes that their ultimate resolution will not have a material adverse effect on the NPR Inc.'s financial position.

#### E. Personal services contracts, contributor and employment agreements

Personal services contracts, contributor and employment agreements exist between NPR Inc. and news analysts, hosts, freelancers, and story contributors. Agreements with fixed termination dates expire at various times through fiscal year 2020. NPR Inc. has four agreements which continue in perpetuity until terminated.

#### F. Indemnification

From time to time, NPR Inc. enters into agreements for the acquisition or sale (including licensing) of goods or services in which NPR Inc. agrees to indemnify the other party. During 2015 and 2014, NPR Inc. had no losses as a result of its indemnification obligations. Additionally, NPR Inc. is not aware of any material liability arising from its indemnification obligations as of September 30, 2015.

#### G. Letter of credit

In 2006, and to comply with the requirements of the lease of its New York Bureau office space, NPR Inc. entered into a letter of credit agreement with SunTrust Bank totaling \$149,804. From the inception of the letter of credit through September 30, 2015, there has been no activity.

#### H. Public Radio Satellite System

The Public Radio Satellite System (PRSS) consists of a lease of satellite transponders and related ground equipment, through which public radio programming is distributed to interconnected public radio stations. The leasehold rights for the satellite transponders and ground equipment not owned by individual interconnected stations are owned by the Public Radio Satellite Interconnection System Charitable Trust (SuperTrust) which was created on July 16, 1990. The original SuperTrust agreement, created on July 16, 1990, was amended on May 13, 2014. The May 2014 amendment replaces all previous trust arrangements.

The SuperTrust is a qualified tax-exempt charitable trust that 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 actions contemplated by the SuperTrust agreement, however, require a majority vote of the participating interconnected public radio stations.

Since inception, the SuperTrust has executed various agreements with NPR Inc. to either lease or sublease its assets to NPR Inc. These agreements, under which NPR Inc. operates the PRSS, include leases for the satellite transponders and the ground equipment not owned by individual interconnected stations. While the various agreements do not require NPR Inc. to make lease payments, NPR Inc. is responsible for the cost of maintaining and repairing the equipment covered by the lease.

The SuperTrust lease covering the ground equipment not owned by individual interconnected stations automatically renews each year. The leases may be terminated, without cause, by a majority vote of the participating public radio stations at any time with 24 months' notice. In the event of default by NPR Inc., the leases may be terminated after conclusion of the specified cure period provided in the SuperTrust lease by a majority vote of the SuperTrust trustees.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 9. CONTINGENCIES AND COMMITMENTS (CONTINUED)

#### H. Public Radio Satellite System (Continued)

On October 27, 2000, the SuperTrust and NPR executed a new transponder sublease agreement covering the satellite transponders on a Galaxy IVR satellite (since replaced by the Galaxy 16). The term of the transponder sublease parallels the terms of the transponder lease with the satellite's owner, Intelsat. In October 2008, a fourth C-band transponder was secured from Intelsat, after which the lease contract with Intelsat was extended to June 25, 2018. NPR Inc. made the final lease payment in December 2013. This payment, which totaled approximately \$13 million, covers the period from the end of fiscal year 2014 through June 25, 2018.

Beginning in 1988, Congress has, periodically, 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 Inc. 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 totaled \$72.9 million. In May 2008, NPR Inc. and CPB entered into an agreement to utilize these funds for not only the satellite lease agreement, but also for the upgrade of the ContentDepot® System (which is utilized by the stations and producers within PRSS), replacement of ground equipment, and business continuity planning and testing. CPB disbursed the following amounts to NPR for these purposes:

#### *For the years ended September 30,*

2008	\$	5,078,062
2009		3,430,000
2010		30,625,000
2011		19,550,801
2012		5,328,000
2013		2,369,653
2014		1,060,000
2015		1,900,000
Total	\$	69,341,516

### 10. NET ASSETS

#### A. Temporarily restricted net assets

Temporarily restricted net assets consisted of the following:

<i>As of September 30,</i>	<b>2015</b>	<b>2014</b>
Purpose (e.g., international reporting, education reporting, NPR Music)	\$ 15,681,379	\$ 21,204,335
Charitable gift annuities	84,423	62,663
Time restricted for periods after fiscal year end	1,123,846	3,815,010
Earnings on donor-restricted endowment available for distribution (see Note 10(C))	76,535,721	90,591,637
Temporarily restricted net assets	\$ 93,425,369	\$ 115,673,645

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 10. NET ASSETS (CONTINUED)

#### A. Temporarily restricted net assets (Continued)

Net assets released from donor-imposed restrictions are summarized below:

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
Grants and contributions:		
Purpose restriction fulfilled	\$ 12,250,167	\$ 10,120,514
Time restrictions expired	1,699,163	2,369,178
Distribution from endowment to support operations	15,059,002	10,567,484
Contributions released from restrictions	\$ 29,008,332	\$ 23,057,176

#### B. Permanently restricted net assets

Permanently restricted net assets consisted of the following (2014 restated; see Note 2(R)):

<i>As of September 30,</i>	<b>2015</b>	<b>2014</b>
NPR's general mission and operations	\$ 198,727,992	\$ 198,727,329
Journalistic excellence	11,052,610	11,052,610
Digital innovations/new technologies	1,500,000	1,500,000
Cultural journalism	1,215,398	1,203,439
Jazz journalism and programming	1,000,000	1,000,000
Operation of NPR facilities	250,000	250,000
Science journalism	100,000	100,000
Permanently restricted net assets	\$ 213,846,000	\$ 213,833,378

#### C. Endowment net assets

NPR's endowment consists of 52 funds established by donors for a variety of purposes as outlined in Note 10(B). The endowment balance also includes a quasi-endowment account that was established by the NPR Inc. Board in 1998 with the operating cash reserves of NPR Inc.'s Distribution division. The NPR Inc. Board directed that the quasi-endowment be maintained to provide long-term support of the PRSS. Because the NPR Inc. Board retains the authority to alter or eliminate the quasi-endowment fund, it is classified as a component of unrestricted net assets.

Endowment net assets consisted of the following as of September 30, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted				
endowment accounts	\$ (1,186,001)	\$ 76,535,721	\$ 213,846,000	\$ 289,195,720
Quasi-endowment account	12,625,900	—	—	12,625,900
Total endowment net assets	\$ 11,439,899	\$ 76,535,721	\$ 213,846,000	\$ 301,821,620

The total permanently restricted endowment net asset amount reported in the table above does not agree to the amount reported in the consolidated statements of financial position. The difference of \$4,147 represents permanently restricted contributions which management was unable to deposit into the endowment investment account before the end of fiscal year 2015. These gifts will be deposited into the endowment in fiscal year 2016.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 10. NET ASSETS (CONTINUED)

#### C. Endowment net assets (Continued)

Endowment net assets consisted of the following as of September 30, 2014 (restated; see Note 2(R)):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
endowment accounts	\$ (1,244,621)	\$ 90,591,637	\$ 213,833,378	\$ 303,180,394
Quasi-endowment account	13,626,876	—	—	13,626,876
Total endowment net assets	\$ 12,382,255	\$ 90,591,637	\$ 213,833,378	\$ 316,807,270

**Interpretation of Relevant Law**—The NPR Inc. Board requires the preservation of the corpus (historic dollar value) of donor-restricted endowment funds absent explicit donor stipulations to the contrary. NPR therefore classifies as permanently restricted net assets (i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment, and (iii) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. Appreciation on donor-restricted endowment funds is classified in temporarily restricted net assets until those amounts are approved for distribution by the Foundation Board in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act incorporated into NPR's Investment Policies. The amounts appropriated for expenditure are based on the endowment distribution policy.

**Distribution Policy**—NPR utilizes the total return concept (income yield and appreciation) in the management of its endowment. NPR's distribution policy is designed to stabilize the annual spending levels and preserve the real value of the endowment over time. In accordance with NPR's policy, a predetermined endowment-distribution rate consistent with NPR's total return objective has been established and approved by the NPR Inc. Board. The distribution rate is calculated as 4% of the average March 31<sup>st</sup> fair value of investments for the preceding twelve fiscal quarters. This amount is reported as "Distribution from endowment to support operations" in the consolidated statements of activities.

**Return Objectives and Risk Parameters**—Under NPR's Investment Policies, NPR invests its endowment assets in a manner that is intended to produce an average real rate of return that exceeds the 4% distribution rate over the long term and provides a predictable stream of funding to programs and operations supported by the endowment assets. Actual returns in any given year may vary from this amount.

**Funds with Deficiencies**—From time to time, the fair value of the investment assets associated with a permanently restricted fund may fall below the fund's corpus. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair value of such fund to the corpus will be reported as an increase in unrestricted net assets within the consolidated statements of activities.

As a result of the restatement (see Note 2(R)), the new permanently restricted endowment funds recorded by NPR had accumulated deficiencies totaling \$3,208,895 as of September 30, 2013. At September 30, 2014, the cumulative amount of deficiencies reported in unrestricted net assets was \$1,244,621 after \$1,964,274 in recoveries during 2014. At September 30, 2015, the cumulative amount of deficiencies reported in unrestricted net assets was \$1,186,001 after \$58,620 in recoveries during 2015.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 10. NET ASSETS (CONTINUED)

#### C. Endowment net assets (Continued)

**Changes in endowment net assets**—Changes in endowment net assets for the year ended September 30, 2015 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at September 30, 2014 (restated)	\$ 12,382,255	\$ 90,591,637	\$ 213,833,378	\$ 316,807,270
Investment income:				
Interest and dividends	282,075	2,643,513	—	2,925,588
Net realized and unrealized loss	(748,295)	(609,019)	—	(1,357,314)
Investment management expenses	(42,293)	(960,830)	—	(1,003,123)
Total investment income	(508,513)	1,073,664	—	565,151
Distribution from endowment to support operations	(492,463)	(15,059,002)	—	(15,551,465)
Contributions	—	—	664	664
Reclassification for underwater endowments	58,620	(58,620)	—	—
Purchasing power addition	—	(11,958)	11,958	—
September 30, 2015 balance	\$ 11,439,899	\$ 76,535,721	\$ 213,846,000	\$ 301,821,620

Changes in endowment net assets for the year ended September 30, 2014 (restated; see Note 2(R)), were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at September 30, 2013 (restated)	\$ 10,068,043	\$ 67,797,202	\$ 213,570,231	\$ 291,435,476
Investment income:				
Interest and dividends	210,844	4,671,346	—	4,882,190
Net realized and unrealized gain	718,561	31,318,428	—	32,036,989
Investment management expenses	(85,339)	(651,822)	—	(737,161)
Total investment income	844,066	35,337,952	—	36,182,018
Distribution from endowment to support operations	(494,128)	(10,567,484)	—	(11,061,612)
Contributions	—	—	1,388	1,388
Reclassification due to donor re-designation	—	—	250,000	250,000
Reclassification for underwater endowments	1,964,274	(1,964,274)	—	—
Purchasing power addition	—	(11,759)	11,759	—
September 30, 2014 balance (restated)	\$ 12,382,255	\$ 90,591,637	\$ 213,833,378	\$ 316,807,270

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 11. DONATED SERVICES AND MATERIALS

From time to time, NPR Inc. receives contributed professional services from third parties. Donated services and materials received during the years ended September 30, 2015 and 2014, were measured at their estimated fair value based on similar value of like goods and services and have been included as support and expense in the consolidated statements of activities.

NPR Inc. receives other donated services from volunteers in connection with its operations. These services do not require specialized skills and, therefore, do not meet the requirement to be recognized in the consolidated financial statements.

NPR Inc. periodically receives contributed long-lived assets from donors. NPR Inc. does not imply a time restriction that expires over the useful life of a contributed long-lived asset unless otherwise stipulated by the donor. Generally, the value for contributed long-lived assets is recognized when the contributed long-lived asset is acquired and placed into service. During the year ended September 30, 2015, NPR Inc. received a contributed long-lived asset valued at \$2,995. For the year ended September 30, 2014, NPR Inc. did not receive a contributed long-lived asset.

### 12. BARTER TRANSACTIONS

Periodically, NPR Inc. enters into barter transactions with third parties. In these transactions, NPR Inc. and the third party exchange services in approximately the same value provided by each party. NPR Inc. records the value of the services provided under such agreements as support and expense in the consolidated statements of activities similar to the manner in which NPR Inc. records donated services and materials. During the year ended September 30, 2015, NPR Inc. recorded \$76,394 as support and expense. During the year ended September 30, 2014, NPR Inc. recorded \$324,450 as support and expense.

### 13. NONCONTROLLING INTEREST

Noncontrolling interest on the consolidated statements of financial position consists of capital contributed by WGBH and PBS adjusted by net income (loss) and after reductions for distributed capital. Net income (loss) is allocated as defined in the NPM limited liability company agreement, as amended (NPM LLC Agreement). Future liquidations, if any, are proportionate to the extent of either WGBH's or PBS' positive capital balances. As of the end of fiscal years 2015 and 2014, noncontrolling interest is as follows:

<i>As of September 30,</i>	<b>2015</b>		<b>2014</b>	
WGBH	\$	<b>536,110</b>	\$	542,039
PBS		<b>533,372</b>		536,665
Total noncontrolling interest	\$	<b>1,069,482</b>	\$	1,078,704

During 2015, NPM made no distributions to either WGBH or PBS. During 2014, NPM distributed \$72,000 to WGBH and \$40,000 to PBS in accordance with the NPM LLC Agreement.

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 14. RELATED PARTY TRANSACTIONS

NPM conducts activities on behalf of and with WGBH and PBS. With regard to NPM's gross billings:

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
Percentage of NPM's gross billings placed with WGBH	<b>2%</b>	2%
Percentage of NPM's gross billings placed with PBS	<b>14%</b>	13%

With regard to NPM's accounts payable:

<i>As of September 30,</i>	<b>2015</b>	<b>2014</b>
Percentage of NPM's accounts payable owed to WGBH	<b>1%</b>	2%
Percentage of NPM's accounts payable owed to PBS	<b>5%</b>	8%

During fiscal year 2009, NPM launched the Public Media Interactive (PMI) network, of which WGBH is a member. The PMI network is a digital offering that monetizes unsold digital inventory on member stations' websites. The PMI network provides incremental digital revenues to participating stations. For fiscal years 2015 and 2014:

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
Number of stations and producers that participated in the PMI network	<b>93</b>	96
Income generated by NPM from the PMI network which is shown as "Other" in the operating section of the consolidated statements of activities	<b>\$ 112,038</b>	\$ 94,012

### 15. NONRECURRING FAIR VALUE MEASUREMENTS

NPR's financial instruments that are not measured at fair value on a recurring basis as of September 30, 2015 and 2014, consisted of (i) accounts and contributions receivable, (ii) prepaid expenses and other assets, (iii) accounts payable and accrued liabilities, (iv) deferred revenue, (v) outstanding draws under the line of credit, (vi) note payable, and (vii) bonds payable.

The fair value of (i) accounts receivable, (ii) prepaid expenses and other assets, (iii) accounts payable and accrued liabilities, (iv) outstanding draws under the line of credit, and (v) deferred revenue approximates the carrying amount due to the standard terms and relatively short maturity of the financial instruments. The carrying amount represents the amount at which the financial instrument is recorded on NPR's books. The fair value is the estimated amount at which an instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following tables present the carrying amounts and the estimated fair values of NPR's remaining financial instruments:

<i>As of September 30, 2015</i>	<b>Level in fair value hierarchy</b>	<b>Carrying amount</b>	<b>Fair value</b>
Contributions receivable, net	<b>2</b>	<b>\$ 14,596,593</b>	<b>\$ 14,659,985</b>
Note payable	<b>2</b>	<b>492,784</b>	<b>502,598</b>
Bonds payable, excluding deferred financing costs	<b>2</b>	<b>171,652,545</b>	<b>177,913,282</b>

# National Public Radio, Inc.

## Notes to Consolidated Financial Statements

### 15. NONRECURRING FAIR VALUE MEASUREMENTS (CONTINUED)

<i>As of September 30, 2014</i>	Level in fair value hierarchy	Carrying amount	Fair value
Contributions receivable, net	2	\$ 18,297,874	\$ 18,300,798
Note payable	2	730,360	746,705
Bonds payable, excluding deferred financing costs	2	171,701,547	179,142,763

NPR's fair value estimation methodology is detailed below.

- **Contributions receivable**—Fair value of contributions to be received within one year approximates the carrying amount due to the relatively short maturity of these financial instruments. Receivables for contributions to be received after one year are initially recorded using the present value of future cash flows, discounted using risk-free rates that approximate U.S. Treasury borrowing rates at the time of the gift for the respective periods of contribution. The estimated fair value of the contributions to be received after one year reflects the present value of the future cash flows using risk-free rates that approximate U.S. Treasury borrowing rates at the end of 2015 and 2014 for the respective remaining period of contribution.
- **Note payable**—NPR Inc. utilized a third-party financial institution to determine the fair value of the note payable (see Note 7(A)). The third-party financial institution estimated the fair value by discounting the projected future cash outflows at a rate which approximated the taxable borrowing cost, as of the valuation date, for maturities equivalent to the note. Management has analyzed the various estimates and cash flow data provided by the third party and concluded these estimates appropriately present the fair value of the notes payable.
- **Bonds payable**—NPR Inc. utilized a third-party financial institution to determine the fair value of the bonds payable (see Note 7(B)). The estimated fair value reflects current market values for bonds with similar maturities, credit quality, coupons, and call features. Management has analyzed the various estimates, assumed credit quality, call features and cash flow data provided by the third party and concluded these estimates appropriately present the fair value of the bonds payable.

## Supplemental Schedules

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# National Public Radio, Inc. (Parent-company only)

## Supplemental Statements of Financial Position

<b>September 30,</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,922,692	\$ 6,776,127
Restricted cash and cash equivalents	3,792,997	3,792,997
Accounts receivable, net	25,172,948	18,228,507
Contributions receivable, net	8,716,380	12,676,185
Investments	68,633,580	73,287,452
Property and equipment, net	225,476,010	231,132,213
Prepaid expenses and other assets	3,506,122	3,686,028
Investment in subsidiary	2,013,187	2,168,161
<b>Total assets</b>	<b>\$ 344,233,916</b>	<b>\$ 351,747,670</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 20,850,900	\$ 26,407,528
Deferred revenue	20,839,094	11,984,967
Accrued interest payable	3,797,701	3,793,062
Outstanding draws under line of credit	2,000,000	—
Note payable	492,784	730,360
Bonds payable	168,669,952	168,562,029
<b>Total liabilities</b>	<b>216,650,431</b>	<b>211,477,946</b>
<b>Net assets</b>		
Unrestricted	114,389,935	120,362,217
Temporarily restricted	13,193,550	19,907,507
<b>Total net assets</b>	<b>127,583,485</b>	<b>140,269,724</b>
<b>Total liabilities and net assets</b>	<b>\$ 344,233,916</b>	<b>\$ 351,747,670</b>

**National Public Radio, Inc. (Parent-company only)**

Supplemental Statements of Activities

<i>For the years ended September 30,</i>	Unrestricted		Temporarily restricted	Permanently Restricted	2015	Unrestricted		Temporarily Restricted	Permanently Restricted	2014		
<b>Operating revenues</b>												
Membership dues	\$	3,308,550	\$	—	\$	3,308,550	\$	3,238,388	\$	—	\$	3,238,388
Station programming fees		73,618,790		—		73,618,790		71,827,751		—		71,827,751
Corporate sponsorships		51,993,093		—		51,993,093		43,137,905		—		43,137,905
Grants and contributions		20,560,426		4,688,111		25,248,537		19,989,209		11,101,383		31,090,592
Distribution and satellite interconnection		12,403,696		—		12,403,696		25,562,533		—		25,562,533
Distribution from endowment to support operations		14,742,358		—		14,742,358		10,312,118		—		10,312,118
Digital services		4,670,740		—		4,670,740		5,193,085		—		5,193,085
Return on long-term investments designated for current operations		75,937		—		75,937		1,520,649		—		1,520,649
Use of prior year return on long-term investments for operations		2,345,738		—		2,345,738		4,087,524		—		4,087,524
Donated goods and services		1,467,895		—		1,467,895		1,356,848		—		1,356,848
Return on working capital investments, net		6,685		—		6,685		6,147		—		6,147
Other		7,318,651		(24,943)		7,293,708		7,371,270		—		7,371,270
Net assets released from restrictions:												
Grants and contributions		11,181,026		(11,181,026)		—		9,884,393		(9,884,393)		—
<b>Total operating revenues</b>		<b>203,693,585</b>		<b>(6,517,858)</b>		<b>197,175,727</b>		<b>203,487,820</b>		<b>1,216,990</b>		<b>204,704,810</b>
<b>Operating expenses</b>												
Program services:												
News and information		77,523,617		—		77,523,617		79,027,168		—		79,027,168
Programming		16,970,117		—		16,970,117		16,482,517		—		16,482,517
Distribution and satellite interconnection		14,010,100		—		14,010,100		27,482,242		—		27,482,242
Digital media		13,501,562		—		13,501,562		12,482,580		—		12,482,580
Content strategy and operations		5,994,762		—		5,994,762		6,356,712		—		6,356,712
Engineering		7,000,107		—		7,000,107		6,604,105		—		6,604,105
Digital services		6,724,341		—		6,724,341		6,350,370		—		6,350,370
NPR music		4,996,846		—		4,996,846		4,714,492		—		4,714,492
Member partnership		1,444,875		—		1,444,875		1,304,509		—		1,304,509
Consumer products		970,387		—		970,387		1,070,922		—		1,070,922
Total program services expenses		149,136,714		—		149,136,714		161,875,617		—		161,875,617
Support services:												
General and administrative		43,498,899		—		43,498,899		39,937,529		—		39,937,529
Fundraising		5,289,031		—		5,289,031		4,641,156		—		4,641,156
Total support services		48,787,930		—		48,787,930		44,578,685		—		44,578,685
<b>Total operating expenses</b>		<b>197,924,644</b>		<b>—</b>		<b>197,924,644</b>		<b>206,454,302</b>		<b>—</b>		<b>206,454,302</b>
<b>Change in net assets from operations</b>		<b>5,768,941</b>		<b>(6,517,858)</b>		<b>(748,917)</b>		<b>(2,966,482)</b>		<b>1,216,990</b>		<b>(1,749,492)</b>
<b>Nonoperating activities</b>												
Return on long-term investments, net		(1,579,777)		(196,099)		(1,775,876)		1,143,562		342,734		1,486,296
Use of prior year return on long-term investments for operations		(2,345,738)		—		(2,345,738)		(4,087,524)		—		(4,087,524)
Interest expense		(7,586,076)		—		(7,586,076)		(7,572,243)		—		(7,572,243)
Reorganization costs		(73,503)		—		(73,503)		(12,269,512)		—		(12,269,512)
Transfer of residual contribution from NPR Foundation		—		—		—		—		5,241,901		5,241,901
Other, net		(156,129)		—		(156,129)		(274,311)		—		(274,311)
<b>Total nonoperating activities, net</b>		<b>(11,741,223)</b>		<b>(196,099)</b>		<b>(11,937,322)</b>		<b>(23,060,028)</b>		<b>5,584,635</b>		<b>(17,475,393)</b>
<b>Change in net assets</b>		<b>(5,972,282)</b>		<b>(6,713,957)</b>		<b>(12,686,239)</b>		<b>(26,026,510)</b>		<b>6,801,625</b>		<b>(19,224,885)</b>
<b>Net assets at beginning of the year</b>		<b>120,362,217</b>		<b>19,907,507</b>		<b>140,269,724</b>		<b>146,388,727</b>		<b>13,105,882</b>		<b>159,494,609</b>
<b>Net assets at end of the year</b>	\$	<b>114,389,935</b>	\$	<b>13,193,550</b>	\$	<b>127,583,485</b>	\$	<b>120,362,217</b>	\$	<b>19,907,507</b>	\$	<b>140,269,724</b>

# National Public Radio, Inc. (Parent-company only)

## Supplemental Statements of Cash Flows

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (12,686,239)	\$ (19,224,885)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized gains on investments	(4,016,968)	(1,540,851)
Net unrealized losses (gains) on investments	6,604,889	(936,274)
Amortization of deferred financing costs	156,925	113,543
Amortization of discount on note payable	12,424	17,185
Amortization of premium on bonds payable	(49,002)	(49,002)
Depreciation	10,559,301	10,828,052
Change in allowance for doubtful accounts	118,644	366,879
Change in discount to present value on multi-year contributions receivable	4,426	22,640
(Gain) loss on disposal of property and equipment	(13,568)	22,431
Change in investment in subsidiary	154,974	660,175
Decrease (increase) in assets:		
Accounts receivable	(7,063,085)	460,025
Contributions receivable	3,955,379	(3,016,649)
Prepaid expenses and other assets	179,906	784,063
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(5,556,628)	101,691
Deferred revenue	8,854,127	(19,466,877)
Accrued interest payable	4,639	310,310
Bonds payable (net deferred financing costs)	—	(8,548)
<b>Total adjustments</b>	<b>13,906,383</b>	<b>(11,331,207)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>1,220,144</b>	<b>(30,556,092)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(71,241,851)	(89,868,152)
Sales and maturities of investments	73,307,802	120,290,402
Purchases of property and equipment	(4,889,530)	(5,358,268)
<b>Net cash (used in) provided by investing activities</b>	<b>(2,823,579)</b>	<b>25,063,982</b>
<b>Cash flows from financing activities</b>		
Draws from line of credit	13,000,000	9,000,000
Repayments to line of credit	(11,000,000)	(9,000,000)
Repayment under note payable	(250,000)	(250,000)
Change in restricted cash and cash equivalents—for interest payable	—	(315,249)
Distribution from subsidiary	—	288,000
<b>Net cash provided by (used in) financing activities</b>	<b>1,750,000</b>	<b>(277,249)</b>
<b>Net change in cash and cash equivalents</b>	<b>146,565</b>	<b>(5,769,359)</b>
Cash and cash equivalents, beginning of year	6,776,127	12,545,486
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,922,692</b>	<b>\$ 6,776,127</b>
<b>Supplemental data</b>		
Cash paid for interest	\$ 7,613,796	\$ 7,293,791
Cash paid for income taxes	5,719	750

# NPR Foundation

## Supplemental Statements of Financial Position

<b>September 30,</b>	<b>2015</b>	<b>(Restated) 2014</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,140,479	\$ 2,228,629
Contributions receivable, net	5,880,213	5,621,689
Investments	308,749,897	322,659,682
<b>Total assets</b>	<b>\$ 317,770,589</b>	<b>\$ 330,510,000</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ —	\$ 15,058
Due to NPR Inc.	4,158,494	1,540,785
<b>Total liabilities</b>	<b>4,158,494</b>	<b>1,555,843</b>
<b>Net assets (2014 restated)</b>		
Unrestricted	19,530,129	19,354,641
Temporarily restricted	80,231,819	95,766,138
Permanently restricted	213,850,147	213,833,378
<b>Total net assets</b>	<b>313,612,095</b>	<b>328,954,157</b>
<b>Total liabilities and net assets</b>	<b>\$ 317,770,589</b>	<b>\$ 330,510,000</b>

# NPR Foundation

## Supplemental Statements of Activities

<i>For the years ended September 30,</i>	2015			2014			(Restated) 2014	
	Unrestricted	Temporarily restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Operating revenues</b>								
Grants and contributions	\$ 7,572,231	\$ 1,289,901	\$ 4,811	\$ 8,866,943	\$ 9,754,371	\$ 3,462,123	\$ 1,388	\$ 13,217,882
Return on working capital investments, net	358	—	—	358	466	—	—	466
Other	—	—	—	—	(3,368)	—	—	(3,368)
Net assets released from restrictions:								
Distribution from endowment to support operations	15,059,002	(15,059,002)	—	—	10,567,484	(10,567,484)	—	—
Grants and contributions	2,768,304	(2,768,304)	—	—	2,605,626	(2,605,626)	—	—
<b>Total operating revenues</b>	<b>25,399,895</b>	<b>(16,537,405)</b>	<b>4,811</b>	<b>8,867,301</b>	<b>22,924,579</b>	<b>(9,710,987)</b>	<b>1,388</b>	<b>13,214,980</b>
<b>Operating expenses</b>								
Contributions to NPR Inc.:								
Annual support	10,307,876	—	—	10,307,876	12,358,318	—	—	12,358,318
Endowment support for operations	14,742,358	—	—	14,742,358	10,312,118	—	—	10,312,118
Total contributions to NPR Inc.	25,050,234	—	—	25,050,234	22,670,436	—	—	22,670,436
Support services:								
Fundraising	319,662	—	—	319,662	255,361	—	—	255,361
Total support services	319,662	—	—	319,662	255,361	—	—	255,361
<b>Total operating expenses</b>	<b>25,369,896</b>	<b>—</b>	<b>—</b>	<b>25,369,896</b>	<b>22,925,797</b>	<b>—</b>	<b>—</b>	<b>22,925,797</b>
<b>Change in net assets from operations</b>	<b>29,999</b>	<b>(16,537,405)</b>	<b>4,811</b>	<b>(16,502,595)</b>	<b>(1,218)</b>	<b>(9,710,987)</b>	<b>1,388</b>	<b>(9,710,817)</b>
<b>Nonoperating activities</b>								
Return on long-term investments, net (2014 restated)	74,891	1,061,706	11,958	1,148,555	1,984,667	35,326,192	11,759	37,322,618
Reorganization costs	—	—	—	—	(97,820)	—	—	(97,820)
Transfer of residual contribution to NPR Inc.	—	—	—	—	—	(5,241,901)	—	(5,241,901)
Net asset reclassification due to donor re-designation	—	—	—	—	—	(250,000)	250,000	—
Other	11,978	—	—	11,978	—	—	—	—
<b>Total nonoperating activities, net</b>	<b>86,869</b>	<b>1,061,706</b>	<b>11,958</b>	<b>1,160,533</b>	<b>1,886,847</b>	<b>29,834,291</b>	<b>261,759</b>	<b>31,982,897</b>
<b>Change in net assets before transfer for appropriation of underwater endowments</b>	<b>116,868</b>	<b>(15,475,699)</b>	<b>16,769</b>	<b>(15,342,062)</b>	<b>1,885,629</b>	<b>20,123,304</b>	<b>263,147</b>	<b>22,272,080</b>
Transfer for appropriation of underwater endowments	58,620	(58,620)	—	—	1,964,274	(1,964,274)	—	—
<b>Change in net assets</b>	<b>175,488</b>	<b>(15,534,319)</b>	<b>16,769</b>	<b>(15,342,062)</b>	<b>3,849,903</b>	<b>18,159,030</b>	<b>263,147</b>	<b>22,272,080</b>
<b>Net assets at beginning of the year (2014 restated)</b>	<b>19,354,641</b>	<b>95,766,138</b>	<b>213,833,378</b>	<b>328,954,157</b>	<b>15,504,738</b>	<b>77,607,108</b>	<b>213,570,231</b>	<b>306,682,077</b>
<b>Net assets at end of the year</b>	<b>\$ 19,530,129</b>	<b>\$ 80,231,819</b>	<b>\$ 213,850,147</b>	<b>\$ 313,612,095</b>	<b>\$ 19,354,641</b>	<b>\$ 95,766,138</b>	<b>\$ 213,833,378</b>	<b>\$ 328,954,157</b>

# NPR Foundation

## Supplemental Statements of Cash Flows

<i>For the years ended September 30,</i>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (15,342,062)	\$ 22,272,080
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Permanently restricted contributions	(4,811)	(1,388)
Net realized gains on investments	(19,348,294)	(13,181,763)
Net unrealized losses (gains) on investments	19,995,213	(19,897,881)
Change in allowance for uncollectible contributions receivable	(74)	(17,486)
(Decrease) increase in discount to present value on multi-year contributions receivable	(32,658)	139,108
Investment return restricted for investment in endowment corpus	(11,958)	(11,759)
Decrease (increase) in assets:		
Contributions receivable	(225,792)	(1,620,726)
Due from NPR Inc.	—	4,379,490
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(15,058)	15,058
Deferred revenue	—	(37,500)
Due to NPR Inc.	2,617,709	1,540,785
Total adjustments	2,974,277	(28,694,062)
<b>Net cash used in operating activities</b>	<b>(12,367,785)</b>	<b>(6,421,982)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(104,510,030)	(105,528,267)
Sales and maturities of investments	117,772,896	111,039,596
<b>Net cash provided by investing activities</b>	<b>13,262,866</b>	<b>5,511,329</b>
<b>Cash flows from financing activities</b>		
Permanently restricted contributions	4,811	1,388
Investment return restricted for investment in endowment corpus	11,958	11,759
<b>Net cash provided by financing activities</b>	<b>16,769</b>	<b>13,147</b>
<b>Net change in cash and cash equivalents</b>	<b>911,850</b>	<b>(897,506)</b>
Cash and cash equivalents, beginning of year	2,228,629	3,126,135
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,140,479</b>	<b>\$ 2,228,629</b>
<b>Supplemental data</b>		
Donated securities	\$ 490,756	\$ 868,080