



National Public Radio, Inc.

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

As of and for the years ended
September 30, 2019 and 2018

National Public Radio, Inc.

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

As of and for the years ended September 30, 2019 and 2018

National Public Radio, Inc.

Contents

Independent Auditors' Report	1-2
---	-----

Consolidated Financial Statements

Consolidated Balance Sheets	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses.....	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-38

Supplemental Schedules

National Public Radio, Inc. (Parent Company Only)

Balance Sheets	39
Statements of Activities	40-41

NPR Foundation

Balance Sheets	42
Statements of Activities	43



Tel: 301-354-2500
Fax: 301-354-2501
www.bdo.com

12505 Park Potomac Avenue
Suite 700
Potomac, MD 20854

Independent Auditors' Report

To the Board of Directors
National Public Radio, Inc.

We have audited the accompanying consolidated financial statements of **National Public Radio, Inc.**, which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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, 2019 and 2018, 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.

BDO USA, LLP, a Delaware liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



Other Matters

Adoption of New Accounting Pronouncements

As discussed in Note 2(Q) to the consolidated financial statements, National Public Radio, Inc. changed its method for revenue recognition in 2019 as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, effective October 1, 2018. National Public Radio, Inc. also changed the presentation and related disclosures of net assets in 2019 and 2018 as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, effective September 30, 2019. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental balance sheets and statements of activities 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 20, 2019

Financial Statements and Footnotes

National Public Radio, Inc.
Consolidated Balance Sheets

September 30,	2019	2018
Assets		
Cash and cash equivalents	\$ 23,349,432	\$ 17,533,322
Restricted cash	3,943,100	4,037,336
Accounts receivable, net	35,986,581	41,075,598
Pledges receivable, net	10,170,175	14,642,604
Investments	434,500,447	420,205,695
Property and equipment, net	206,120,011	211,024,330
Prepaid expenses and other assets	6,692,977	5,137,619
Investment in Podcast Media LLC	2,010,819	483,333
Goodwill	911,421	1,822,832
Total assets	\$ 723,684,963	\$ 715,962,669
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	\$ 44,323,492	\$ 36,543,871
Deferred revenue	25,895,132	22,168,479
Accrued interest payable	3,503,840	3,589,470
Bonds payable	166,762,911	171,257,959
Total liabilities	240,485,375	233,559,779
Commitments and contingencies		
Net assets		
Net assets without donor restrictions:		
Undesignated	57,385,082	56,273,787
Board-designated	88,121,177	85,195,906
Noncontrolling interest	1,361,450	1,652,209
Total net assets without donor restrictions	146,867,709	143,121,902
Net assets with donor restrictions	336,331,879	339,280,988
Total net assets	483,199,588	482,402,890
Total liabilities and net assets	\$ 723,684,963	\$ 715,962,669

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.
Consolidated Statements of Activities

Years ended September 30,	2019	2018
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Revenue from contracts with customers:		
Station dues, programming and digital fees	\$ 89,020,136	\$ 85,474,802
Corporate sponsorships	111,271,829	97,071,058
Public Radio Satellite System contract	8,033,762	5,798,637
Satellite interconnection and distribution	8,609,794	9,576,404
Commissions	4,596,082	6,009,382
Other	9,304,092	8,177,792
Total revenue from contracts with customers	230,835,695	212,108,075
Contributions	23,140,957	18,708,499
Return on investments, net	4,028,679	2,808,052
Donated goods and services	3,042,690	2,765,658
Miscellaneous	912,021	1,190,275
Change in investment in subsidiary	(573,180)	—
Change in noncontrolling interest	136,759	(343,799)
Net assets released from donor restrictions	22,016,301	21,589,689
Total revenues, gains, and other support	283,539,922	258,826,449
Expenses and losses		
Compensation, taxes, and benefits	172,610,977	158,633,205
Content acquisition and production	24,699,168	22,131,727
Contracted services	22,447,931	21,295,356
Building and equipment	15,683,190	13,425,018
Travel, conferences, meetings, and events	9,163,791	8,266,452
Connectivity	2,850,927	2,475,090
Depreciation and amortization	10,815,630	10,319,173
Interest	5,755,160	5,901,409
Other	15,476,582	10,614,511
Total expenses and losses	279,503,356	253,061,941
Increase in net assets without donor restrictions	4,036,566	5,764,508
Changes in net assets with donor restrictions		
Contributions	13,517,529	11,221,235
Return on investments, net	5,549,663	16,706,789
Net assets released from donor restrictions	(22,016,301)	(21,589,689)
(Decrease) increase in net assets with donor restrictions	(2,949,109)	6,338,335
Change in net assets	1,087,457	12,102,843
Net assets, beginning of year, without noncontrolling interest	480,750,681	468,647,838
Noncontrolling interest	1,361,450	1,652,209
Net assets, end of year	\$ 483,199,588	\$ 482,402,890
Certain amounts disaggregated by net asset class above are presented below in the aggregate		
Contributions	\$ 36,658,486	\$ 29,929,734
Return on investments, net	\$ 9,578,342	\$ 19,514,841

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Consolidated Statements of Functional Expenses

	Program Services			Supporting Services					2019
	Content production and distribution	Digital and other programs	Total program services	Management and general	Fundraising	Facilities and Information technology	Total supporting services		
Year ended September 30,									
Compensation, taxes, and benefits	\$ 102,509,826	\$ 18,253,874	\$ 120,763,700	\$ 38,042,143	\$ 5,276,003	\$ 8,529,131	\$ 51,847,277	\$ 172,610,977	
Content acquisition and production	24,669,520	4,102	24,673,622	10,582	10	14,954	25,546	24,699,168	
Contracted services	2,153,453	7,760,951	9,914,404	8,995,259	370,938	3,167,330	12,533,527	22,447,931	
Building and equipment	7,619,527	410,013	8,029,540	2,336,541	9,778	5,307,331	7,653,650	15,683,190	
Travel, conferences, meetings, and events	5,648,491	734,116	6,382,607	1,781,202	775,527	224,455	2,781,184	9,163,791	
Connectivity	1,477,840	95,984	1,573,824	214,306	19,719	1,043,078	1,277,103	2,850,927	
Depreciation and amortization	980,197	573,268	1,553,465	1,461,623	—	7,800,542	9,262,165	10,815,630	
Interest	—	—	—	—	—	5,755,160	5,755,160	5,755,160	
Other	5,428,882	3,043,888	8,472,770	6,089,204	213,537	701,071	7,003,812	15,476,582	
Total expenses	\$ 150,487,736	\$ 30,876,196	\$ 181,363,932	\$ 58,930,860	\$ 6,665,512	\$ 32,543,052	\$ 98,139,424	\$ 279,503,356	

	Program Services			Supporting Services					2018
	Content production and distribution	Digital and other programs	Total program services	Management and general	Fundraising	Facilities and Information technology	Total supporting services		
Year ended September 30,									
Compensation, taxes, and benefits	\$ 94,846,212	\$ 14,848,416	\$ 109,694,628	\$ 36,129,598	\$ 4,763,570	\$ 8,045,409	\$ 48,938,577	\$ 158,633,205	
Content acquisition and production	22,093,331	13,645	22,106,976	5,305	3,848	15,598	24,751	22,131,727	
Contracted services	2,688,315	6,111,582	8,799,897	9,205,155	513,906	2,776,398	12,495,459	21,295,356	
Building and equipment	5,669,774	424,780	6,094,554	1,664,141	11,056	5,655,267	7,330,464	13,425,018	
Travel, conferences, meetings, and events	5,162,935	472,412	5,635,347	1,602,345	873,687	155,073	2,631,105	8,266,452	
Connectivity	1,078,218	112,943	1,191,161	252,070	17,587	1,014,272	1,283,929	2,475,090	
Depreciation and amortization	994,190	919,453	1,913,643	444,518	—	7,961,012	8,405,528	10,319,173	
Interest	—	—	—	31,057	—	5,870,352	5,901,409	5,901,409	
Other	2,807,300	2,120,565	4,927,865	4,430,662	431,892	824,092	5,686,648	10,614,511	
Total expenses	\$ 135,340,275	\$ 25,023,796	\$ 160,364,071	\$ 53,764,851	\$ 6,615,546	\$ 32,317,473	\$ 92,697,870	\$ 253,061,941	

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.
Consolidated Statements of Cash Flows

Years ended September 30,	2019		2018	
Cash flows from operating activities				
Change in net assets	\$	1,087,457	\$	12,102,843
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		9,711,077		10,115,558
Amortization of deferred financing costs		193,142		203,615
Amortization of goodwill		911,411		—
Amortization of premiums on bonds payable		(1,333,190)		(1,344,080)
Change in allowance for doubtful accounts		(760,548)		717,905
Change in discount on multi-year pledges receivable		(196,371)		158,100
Loss on disposal of property and equipment		4,869		116,270
Loss on impairment of software		230,502		—
Loss (gain) on lease due to office closure		31,046		(124,150)
Change in investment in subsidiary		(1,527,486)		(483,333)
Change in noncontrolling interest		(136,759)		343,799
Contributions restricted for long-term investment		7,510		(105,201)
Net realized and unrealized gains on investments		(5,969,146)		(15,258,758)
Investment return restricted for reinvestment		(12,906)		(17,068)
Decrease (increase) in assets:				
Accounts receivable		5,794,786		(5,007,939)
Pledges receivable		4,723,579		703,950
Prepaid expenses and other assets		(1,535,720)		(1,096,415)
Increase (decrease) in liabilities:				
Accounts payable and other liabilities		7,107,851		1,323,020
Deferred revenue		3,726,653		(1,096,293)
Accrued interest payable		(85,630)		(41,389)
Net cash provided by operating activities		21,972,127		1,210,434
Cash flows from investing activities				
Purchases of investments		(295,452,036)		(229,762,707)
Proceeds from sale and maturities of investments		287,126,430		237,267,493
Purchases of property and equipment		(4,401,405)		(5,401,756)
Net cash (used in) provided by investing activities		(12,727,011)		2,103,030
Cash flows from financing activities				
Proceeds from contributions restricted for:				
Investment in perpetual endowment		(7,510)		105,201
Investment subject to annuity trust agreements		(19,638)		—
Other financing activities:				
Investment return restricted for reinvestment		12,906		17,068
Draws from line of credit		—		5,000,000
Repayments to line of credit		—		(5,000,000)
Payments on bonds payable		(3,355,000)		(1,990,000)
Distribution to members		(154,000)		(35,000)
Net cash used in financing activities		(3,523,242)		(1,902,731)
Change in cash, cash equivalents, and restricted cash		5,721,874		1,410,733
Cash, cash equivalents, and restricted cash, beginning of year		21,570,658		20,159,925
Cash, cash equivalents, and restricted cash, end of year	\$	27,292,532	\$	21,570,658
Supplemental data				
Donated securities	\$	1,384,788	\$	1,403,899
Accrued purchases of property and equipment	\$	640,724	\$	18,394
Cash paid for interest	\$	7,170,019	\$	7,286,877
Cash paid for income taxes	\$	19,021	\$	13,586

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

1. Organization and Principles of Consolidation

National Public Radio, Inc. (NPR Inc.), a nonprofit membership corporation incorporated in 1970 following passage of the Public Broadcasting Act of 1967 (see 47 U.S.C. §396), works collaboratively with its member public radio station licensees to create a more informed public, one that is challenged and invigorated by a deeper understanding and appreciation of events, ideas, and cultures. NPR Inc. accomplishes its mission by producing, acquiring, and distributing noncommercial programming that meets the highest standards of public service in journalism and cultural expression; representing its member stations in matters of their mutual interest; and providing satellite interconnection for the entire public radio system.

NPR Inc. is governed by a 23-member Board of Directors (NPR Inc. Board) which consists of 12 individual member station managers who are elected by their fellow NPR members, and 11 other directors. The 11 directors include NPR Inc.'s President, the Chairperson of the NPR Foundation (Foundation) Board of Trustees (Foundation Board), and nine prominent members of the public elected by the NPR Inc. Board and confirmed by member stations.

The consolidated financial statements include the financial positions, activities, functional expenses, and cash flows of the following entities for which NPR Inc. maintains control (NPR Inc.'s members are excluded because those entities are legally and operationally distinct from NPR Inc.):

- **American Coalition for Public Radio (ACPR)**—Incorporated in 2017, ACPR supports the educational mission of publicly-funded, noncommercial, educational radio stations, networks, and systems (collectively, “Public Radio”). ACPR’s principal activities focus on soliciting and disseminating information about Public Radio by way of ProtectMyPublicMedia.org and related social media channels. ProtectMyPublicMedia.org and the related social media channels also include selected examples of Public Radio content and encourage the public to share their views about Public Radio publicly and with their elected representatives. ProtectMyPublicMedia.org and the related social media channels are co-owned and co-managed by ACPR and APTS Action, an organization affiliated with America’s Public Television Stations (APTS). ACPR is not affiliated with either APTS or APTS Action.

ACPR also operates the noncomMUSIC Alliance and disseminates information through noncommusic.org and related social media channels. The noncomMUSIC Alliance is a group of Public Radio music stations, musicians, and other organizations dedicated to providing information about the work of Public Radio as an essential component of music discovery, curation, preservation, performance, and community and helping Public Radio music stations serve their communities.

ACPR is governed by a three member Board of Directors, one of whom is appointed by the Chairperson of the NPR Inc. Board.

In 2019 and 2018, NPR Inc. provided all financial support to ACPR.

- **Foundation**—Incorporated in 1992, the Foundation is a supporting organization organized and operated exclusively for the benefit of its sole member, NPR Inc., and no other charitable organization. The Foundation supports NPR Inc. through various activities such as 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. subject to donor restrictions.

The Foundation is governed by a board of up to 60 elected Trustees. Additionally, NPR Inc.'s President, the NPR Inc. Board Chairperson, and the Chairperson of the NPR Inc. Board's Development Committee are ex officio Trustees of the Foundation. NPR Inc.'s President and NPR Inc. Board Chairperson are also NPR Inc.'s official voting representatives (Representatives) on the Foundation Board.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

1. Organization and Principles of Consolidation (Continued)

Foundation (Continued)—Furthermore, certain provisions of the Foundation’s Bylaws may only be amended or repealed by an affirmative vote of NPR Inc., provided such action is authorized, in advance, by a two-thirds vote cast at a meeting, duly called, and at which a quorum was present, of the NPR Inc. Board.

- **NPR Asset Holding Company, Inc. (NPRAH Inc.)**—Incorporated in 2018, NPRAH Inc. is a wholly owned, taxable corporation, which holds interests in commercial entities on behalf of NPR Inc.

NPRAH Inc. is governed by a three member Board of Directors which is currently composed of senior staff members from NPR Inc.

- **National Public Media LLC (NPM)**—Formed in 2007, NPM secures public broadcasting and digital sponsorship for public radio and television entities, and other like-minded entities, including NPR Inc. and certain of NPR’s members.

NPM is governed by NPRAH Inc., WGBH Educational Foundation (WGBH), and Public Broadcasting Service (PBS). Each member elects a manager and the three managers collectively comprise the NPM Board of Managers (NPM Board). Member capital percentages are 72%, 18% and 10%, for NPRAH Inc., WGBH, and PBS, respectively as of September 30, 2019 and 2018. NPRAH Inc. controls NPM’s Board due to its majority ownership. WGBH and PBS hold equal positions on the NPM Board. Depending upon the specific nature of a decision, WGBH and PBS have certain veto rights (e.g., to purchase, lease or sell any property, to borrow or lend money, to change material policy relating to the timing and structure of the distribution of cash, and the determination of employment or certain key executives) as more fully described in the limited liability company formation agreement, as amended.

All intercompany balances and transactions were eliminated in consolidation. Unless otherwise noted, NPR Inc. and the above consolidated organizations are hereinafter collectively referred to as “NPR.”

2. Summary of Significant Accounting Policies

A. Basis of presentation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). Based on the existence or absence of donor-imposed restrictions, NPR classifies resources as follows:

- **Net assets without donor restrictions**—Resources that are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors, and all expenses, excluding investment-related expenses, are included in this category. Investment-related expenses are netted against return on investments in the appropriate net asset category.

“Board-designated” amounts included in net assets without donor restriction in the Consolidated Balance Sheets are:

September 30,		2019		2018
Public Radio Satellite System (PRSS) activities	\$	8,318,696	\$	8,305,094
Liquidity reserves		79,802,481		76,890,812
Total board-designated amounts	\$	88,121,177	\$	85,195,906

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

A. Basis of presentation (Continued)—

- **Net assets with donor restrictions**—Resources that are subject to donor-imposed restrictions that will be satisfied by the actions of NPR Inc., the Foundation or ACPR or the passage of time. These net assets include donor restricted endowments, unconditional pledges, and charitable gift annuity split interest agreements. Generally, the donors' imposed restrictions on the use of these assets permit NPR Inc., the Foundation, or ACPR to use all or a portion of the income earned on related investments only for certain general or specific purposes.

B. Use of estimates in preparation of financial statements

The preparation of the consolidated financial statements in conformity with 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 may differ from the estimates used in preparing the consolidated financial statements.

Estimates and assumptions used by NPR related to the valuations of certain investments without readily determinable fair values, determinations of the fair value of certain financial instruments, the calculation of allowances for uncollectible accounts and pledges receivables, the determination of discount rates for long-term pledges receivable, the evaluation of goodwill for impairment, and the determination of the useful lives of depreciable and amortizable assets.

C. Fair value measurements

Fair value measurements reflected in the consolidated financial statements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect NPR's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are described briefly as follows:

- **Level 1**—Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- **Level 2**—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, at the measurement date. Level 2 also includes investments redeemable on or near the measurement date.
- **Level 3**—Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement. Level 3 also includes alternative investments not redeemable near the measurement date.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer between fair value hierarchies, such transfers are recognized at the end of the reporting period.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

D. Cash, cash equivalents, and restricted cash

Cash and cash equivalents include demand deposits as well as amounts 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 that are part of NPR's investment portfolio are included in "Investments" in the Consolidated Balance Sheets (see Note 5) because those amounts are not considered available for operating needs. Cash and cash equivalents are carried at cost. At September 30, 2019 and 2018, NPR had \$7,507,869 and \$9,276,323 of demand 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.

Restricted cash consists of amounts deposited to satisfy interest obligations on NPR Inc.'s bonds payable (see Note 7(A)); an undistributed insurance settlement held by NPR Inc. on behalf of a third party; a deposit held as collateral for a standby letter of credit on NPM's New York office lease agreement; demand deposits under the control of the NPR Inc. Board; and, amounts set aside by NPM management to collateralize a line of credit should NPM make a draw (see Note 7(B)).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total shown in the Consolidated Statements of Cash Flows.

<i>September 30,</i>	2019	2018
Cash and cash equivalents	\$ 23,349,432	\$ 17,533,322
Restricted cash	3,943,100	4,037,336
Total cash, cash equivalents, and restricted cash	\$ 27,292,532	\$ 21,570,658

E. Accounts receivable

Accounts receivable represents unconditional amounts due to NPR as a result of NPR's satisfaction of performance obligations. Accounts receivable is comprised principally of amounts owed by corporate sponsors, public radio stations for programming, and customers 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 considering the age of the receivable and other factors that would impact collection. Accounts receivable in the Consolidated Balance Sheets are shown net of an allowance for doubtful accounts totaling \$2,472,258 and \$3,178,027 as of September 30, 2019 and 2018, respectively. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted.

F. Pledges receivable

Pledges to be received after one year are discounted to present value. NPR Inc. and the Foundation use discount rates that approximate U.S. Treasury borrowing rates at the end of the fiscal year in which the promise to give was received based on the respective duration of the donor's payment plan. Amortization of the discount is recorded as additional contribution revenue.

NPR Inc. and the Foundation record an allowance for uncollectible pledges receivable based on a determination of the likelihood of collection for each pledge receivable balance considering the age of the receivable and other factors that would impact collection. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

G. Property and equipment

Property and equipment includes land, technical equipment and software, building and improvements, office furniture, and vehicles. Property and equipment are stated at cost on the dates of acquisition or if donated, at fair value on the dates of donation.

NPR Inc. capitalizes property and equipment, excluding software to be sold, leased or otherwise marketed, with costs aggregating \$1,000 or more. NPR Inc. capitalizes software intended to be sold, leased or otherwise marketed with costs aggregating \$500,000 or more. Depreciation is computed for all property and equipment except land using the straight-line method over the assets' estimated useful lives. NPR Inc. uses a mid-month convention and NPM uses a full-month convention. The following table provides the estimated useful lives for each asset class.

Asset Class	Estimated useful lives
Technical equipment	Three to 15 years
Software intended to be sold, leased or otherwise marketed	Greater of five years or the percentage of the product's current year revenues to its anticipated future revenues for software
Buildings	10 to 50 years
Building improvements	Shorter of the remaining useful life of the building or the life of the improvement for improvements
Office furniture	Five to eight years
Vehicles	Five years

H. Inventory

Inventory is carried at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the reasonably predictable cost of completion, disposal, and transportation. Item costs are determined using the first-in, first-out method. Inventory, which is included in "Prepaid expenses and other assets" in the Consolidated Balance Sheets, consists of the following:

September 30,	2019	2018
Equipment purchased for resale to participants in the PRSS	\$ 205,371	\$ 159,147
Merchandise held for sale	224,854	727,426
Total inventory	\$ 430,225	\$ 886,573

I. Investment in Podcast Media LLC

NPRAHC Inc. is an investor in Podcast Media LLC (Podcast Media), a Delaware limited liability company. Podcast Media operates a podcast platform for iOS and Android supported devices through which users may listen to, search for, and discover new podcasts.

Podcast Media is governed by NPRAHC Inc., New York Public Radio, and Chicago Public Media, Inc. Each member elects a manager and the three managers collectively comprise the Podcast Media Board of Managers. Each member has a one-third interest ownership as of September 30, 2019. NPRAHC Inc. uses the equity method to account for its interest in Podcast Media.

The roll-forward of NPRAHC Inc.'s investment in Podcast Media is:

Years ended September 30,	2019	2018
Investment in Podcast Media, beginning of year	\$ 483,333	\$ —
Plus: Member capital contributions	2,100,666	483,333
Minus: Share of Podcast Media's net loss	(573,180)	—
Investment in Podcast Media, end of year	\$ 2,010,819	\$ 483,333

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

I. Investment in Podcast Media LLC (Continued)—Podcast Media’s fiscal year ends on June 30th. NPR/AHC Inc. management reviewed the unaudited activity for Podcast Media’s quarter ended September 30, 2019, and concluded that it presented a reasonable approximation of the activity for the period in conformity with GAAP. As a result, NPR/AHC Inc.’s 2019 share of Podcast Media’s net loss in the above table includes the unaudited activity for the quarter ended September 30, 2019.

J. 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 National Public Broadcasting, Inc. and formation of NPM in 2007. NPR performed a qualitative assessment test to determine if indicators of impairment existed and concluded that no goodwill impairment had occurred as of September 30, 2019.

Prior to 2019, NPR was prohibited, as a consolidated nonprofit reporting entity, from adopting the Financial Accounting Standard Board’s (FASB) accounting alternative for the subsequent measurement of goodwill as required by the Intangibles—Goodwill and Other Topic of the FASB Accounting Standards Codification (ASC). Accordingly, NPR reversed, pursuant to guidance developed by the American Institute of Certified Public Accountants Not-for-Profit Entities Expert Panel, NPM’s amortization of goodwill.

In 2019, NPR adopted a new goodwill-related accounting standard under which it has elected the accounting alternative for the subsequent measurement of goodwill (see Note 2(Q)). NPR is amortizing goodwill on a straight-line basis over a period of six years. Amortization expense in 2019 totaled \$911,411 and is included in “Depreciation and amortization” in the Consolidated Statements of Activities.

K. Charitable gift annuity split-interest agreements

Split-interest agreements with donors consist of charitable gift annuities for which NPR Inc. holds the assets. Assets held for the annuitants totaled \$331,455 and \$237,035 as of September 30, 2019 and 2018, respectively. These assets are included in “Prepaid expenses and other assets” in the Consolidated Balance Sheets.

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. In 2019, NPR recorded revenue totaling \$19,638 from a new annuitant which is included in “Contributions” in the Consolidated Statements of Activities. NPR did not receive a charitable gift annuity contribution in 2018.

Where required by state laws and statutes, NPR Inc. maintains separate annuitant asset accounts, reserves, and specific investment allocations. At September 30, 2019 and 2018, NPR Inc. had satisfied all state reserve requirements.

NPR Inc. records charitable gift annuity split-interest agreement liabilities at fair value using the appropriate actuarial rate, adjusted by an annuity adjustment factor, provided in the Internal Revenue Code of 1986, as amended (Code) and the 2012 Individual Annuity Reserve 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 “Miscellaneous” in the Consolidated Statements of Activities. At September 30, 2019 and 2018, NPR Inc.’s charitable gift annuity split-interest agreement liabilities totaled \$153,966 and \$98,599, respectively. These liabilities are reported in “Accounts payable and other liabilities” in the Consolidated Balance Sheets.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

L. Deferred revenue

Of the 2018 deferred revenue balance, NPR recognized \$17,224,838 (or 94%) during 2019. Of the 2017 deferred revenue balance, NPR recognized \$22,003,698 (or 97%) during 2018. Other changes in deferred revenue resulted from normal timing differences between the satisfaction of performance obligations and payments received. These amounts and percentages exclude deferred revenue associated with the PRSS contract. See Note 3 for a discussion of the PRSS contract deferred revenue.

M. Donated services and materials

From time to time, NPR Inc. receives contributed professional services from third parties. While such services primarily support programmatic activities, some services also support general and administrative and fundraising activities. Donated services and materials received during 2019 and 2018 were measured at their estimated fair value based on a similar value of like goods and services and have been included as revenue 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 Statements of Activities.

N. 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. ACPR is exempt from federal income taxes to the extent provided in Section 501(c)(4) of the Code. 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 2019. Because NPR Inc. and the Foundation file their respective informational returns nearly one year in arrears, the NOL carry-forwards below are as of the end of the preceding fiscal year (e.g., in 2019, the NOL carry-forward represents the amount as of September 30, 2018). NOL carry-forwards for NPR Inc. and the Foundation (ACPR has no NOL carry-forwards) are:

September 30,	2019	2018
NPR Inc.	\$ 16,483,088	\$ 16,329,852
Foundation	\$ 549,699	\$ 576,104

The latest NOL carry-forwards will expire in fiscal year 2037 for NPR Inc. and the Foundation. 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, 2019 and 2018.

NPRAHC, Inc. is a taxable corporation and records current taxes payable or receivable in the period that income becomes taxable using the asset-and-liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amount of existing assets and liabilities and their tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using tax rates expected to be applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax asset and liabilities of a change in tax rates is recognized in nonoperating income in the period that includes the enactment date.

For the years ended September 30, 2019 and 2018, NPRAHC Inc. had no tax expense in 2018. NPRAHC Inc. is uncertain whether it will realize the benefit from the 2019 NOL and has, as a result, elected not to record a deferred tax asset as of September 30, 2019.

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, 2019 and 2018, NPM accrued state and local income taxes totaling \$9,800 each year which is included in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

N. Tax status and uncertain tax positions (Continued)—There were no material income-related interest or penalties recorded in either fiscal year 2019 or 2018.

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, 2019, there were no uncertain tax positions for which a liability should be recorded.

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 to its current fair value.

P. 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 Functional Expenses based on departmental classification. “Content production and distribution” represents expenses incurred by NPR Inc.’s News and Information, Programming, Engineering, NPR Music, and Distribution divisions. “Digital and other” program services represent expenses incurred by NPR Inc.’s Digital, Member Partnership, and Consumer Products divisions.

In the Consolidated Statements of Functional Expenses, NPR allocated certain fringe benefit expenses that are attributable to one or more program or supporting functions. These expenses include accrued vacation, workers compensation premiums, benefits administration services, and other company-wide employee benefits. NPR allocated these expenses based on direct salaries.

Q. Accounting pronouncements adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update required an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which entities expect to be entitled in exchange for those goods or services. The update also required additional disclosure to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. NPR adopted this update, along with all subsequent amendments (collectively, “ASC 606”), in 2019 under the modified retrospective method.

Additionally, NPR applied the practical expedient not to disclose the transaction price allocated to unsatisfied or partially unsatisfied performance obligations as of the end of the reporting period when the performance obligations relate to contracts with an expected duration of less than one year. NPR’s adoption of ASC 606 did not materially impact the timing or amount of revenue recognized by NPR in the consolidated financial statements. Accordingly, the 2018 Consolidated Statement of Activities was revised to conform to the 2019 presentation.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The update revised the nonprofit financial reporting model by reducing the number of net assets from three to two: net assets without donor restrictions (previously reported as unrestricted net assets), and net assets with donor restrictions (previously reported as temporarily restricted net assets of \$125,269,822 and permanently restricted net assets of \$214,011,166 as of September 30, 2018).

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Q. Accounting pronouncements adopted (Continued)—The update also enhanced disclosures about the composition of net assets, increased the quantitative and qualitative disclosures regarding liquidity and availability of resources, and required expenses to be reported by both natural and functional classifications in one location. NPR adopted this ASU in 2019 and applied the changes retrospectively to 2018, except for information about the organization's liquidity and availability of resources, which management elected to omit as permitted by the update. There was no change in NPR's total net assets, and the change in net assets was not impacted as a result of the adoption of this update.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*. The update addressed diversity in practice with regard to the classification and presentation of changes in restricted cash on the statement of cash flows. NPR adopted this update in 2019 and applied the changes retrospectively to 2018. NPR's Consolidated Statements of Cash Flows now explain the change in total cash, cash equivalents, and restricted cash during each period.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarified and improved current guidance by providing a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The update also provided additional guidance about how to determine whether a contribution is conditional. NPR adopted this update in 2019 under the modified prospective basis. The adoption of this update did not materially impact the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modified certain fair value disclosure requirements. NPR adopted this update in 2019 and applied the changes retrospectively to 2018. The adoption of this update did not materially impact either the consolidated financial statements or footnotes. There was no change in NPR's total net assets, and the change in net assets was not impacted as a result of the adoption of this update.

In May 2019, the FASB issued ASU 2019-06, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. The update permitted nonprofit organizations to apply the accounting alternative for the subsequent measurement of goodwill prescribed by the Intangibles—Goodwill and Other Topic of the FASB ASC. The update required that a nonprofit entity electing the accounting alternative to amortize goodwill on a straight-line basis over ten years, or less than ten years if the entity demonstrated that another useful life is more appropriate. Further, a nonprofit entity that elected the accounting alternative is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level when a triggering event occurs that indicates that the fair value of an entity (or a reporting unit) may be below its carrying amount. NPR adopted this update in 2019 and applied the changes prospectively. NPR determined no indicators of impairment existed and, therefore, elected to amortize the goodwill over a period of six years which is consistent with NPM's remaining unamortized period.

R. Recent accounting pronouncements

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities*. The update improves how entities account for equity investments, present and disclose financial instruments, and measure the valuation allowance on deferred tax assets related to available-for-sale debt securities. The original effective date for this update would have required NPR to adopt the update in fiscal year 2019. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which deferred the effective date until NPR's fiscal year 2023. Management continues to evaluate the potential impact of this update.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

R. Recent accounting pronouncements (Continued)—In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The update established a right-of use (ROU) model that requires a lessee to record a ROU asset and a lease liability, initially measured at the present value of the lease payments, in the balance sheet for all leases with terms longer than one year. The update, along with and all subsequent amendments (collectively, “ASC 842”), is effective for NPR’s fiscal year 2020. Management continues to evaluate the potential impact of ASC 842.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The update amends the financial reporting requirements as required in the Statement of Cash Flows Topic of the FASB ASC. Changes include revisions to the classification of cash flows related to certain transactions including the presentation of cash flows related to the settlement of debt instruments with coupon rates that are insignificant in relation to the effective interest rate of the borrowing and distributions received from equity method investees. The update is effective for NPR’s fiscal year 2020. Management does not anticipate that the adoption of the update will materially impact the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The standard simplifies how an entity is required to test goodwill for impairment by eliminating a step in the measurement process and is effective for NPR’s fiscal year 2023. Management does not anticipate that the adoption of the update will materially impact the consolidated financial statements.

S. Subsequent events

NPR evaluated subsequent events from the date of the Consolidated Balance Sheet through December 20, 2019, the date on which NPR’s consolidated financial statements were issued. No material subsequent events were identified for either recognition or disclosure.

3. Revenue Recognition

NPR’s significant revenue recognition policies relative to its two primary sources of revenue, contracts with customers and contributions, are outlined below.

A. Contracts with customers

NPR generates revenue from the sale of both services and products. Revenue is recognized when the organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration management expects to receive in exchange for the services or products. Invoices are generally due within 30 days of the invoice date.

NPR Inc. and NPM expense incremental costs to obtain a contract (e.g., such as sales commissions, general and administrative costs not chargeable to a customer, and costs that cannot be assigned to a performance obligation) when incurred because the amortization period would have been one year or less. These costs are recorded within “Compensation, taxes, and benefits” and “Contracted Services” in the Consolidated Statements of Activities.

NPR Inc. and NPM do not disclose the value of unsatisfied performance obligations for either (i) contracts with an original expected length of one year or less or (ii) contracts for which NPR Inc. and NPM recognize revenue at the amount to which it has the right to invoice for services performed.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

A. Contracts with customers (Continued)—

Station dues, programming and digital fees revenue—NPR Inc. recognizes revenue from the following sources ratably as services are rendered using output methods:

<u>Years ended September 30,</u>	<u>2019</u>	<u>2018</u>
Membership dues	\$ 3,699,865	\$ 3,559,180
Programming fees	79,789,176	76,523,207
Digital fees	5,531,095	5,392,415
Total station dues, programming and digital fees	\$ 89,020,136	\$ 85,474,802

More detailed information about the revenue recognition policies for each of the above sources follows:

- **Membership dues**—Amounts charged by NPR Inc. to members for the general rights of membership, including participation in NPR Inc. governance; representing members on issues affecting public broadcasting; and, providing access to valuable training and information. Although NPR Inc. does not execute a contract with its members, management considers payment of annual dues, based on prices determined by NPR Inc., to constitute member acceptance of the offered benefits. Management expects to collect all amounts invoiced; therefore, management does not reverse amounts recognized during the year for invoiced but unpaid member dues. The membership period corresponds to NPR Inc.'s fiscal year.
- **Programming**—Fees charged by NPR Inc. for the right to access and deliver to listeners NPR Inc. distributed programming. The duration of the underlying customer contracts corresponds to NPR Inc.'s fiscal year.
- **Digital**—Fees charged by NPR Inc. for providing digital content and marketing, analytics, and other digital services, as well as digital products and training, to members. The duration of the underlying customer contracts corresponds to NPR Inc.'s fiscal year.

NPR Inc. has no unsatisfied contractual performance obligations related to the above services as of September 30, 2019.

Commissions and Corporate Sponsorships revenue—NPR Inc. and NPM recognize revenue from the following sources in an amount to which NPR Inc. and NPM have a right to invoice. NPR Inc. and NPM may invoice customers when television and radio sponsorship acknowledgments run, impressions on public broadcasting internet sites are delivered (i.e., the number of times the sponsorship appears in viewed internet pages), podcasts containing sponsorship credits are downloaded, and special events occur. NPR Inc. and NPM have concluded that each has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of NPR Inc.'s and NPM's performance completed to date.

- **Commissions**—Fees charged by NPM for securing corporate sponsorships. Such commissions are typically calculated based on a stated percentage applied to the gross sponsorship amount. NPM does not recognize revenue until the client, on whose behalf NPM secured the corporate sponsorship, successfully fulfills its performance obligation (as discussed in the introduction to this section).
- **Corporate sponsorships**—Amounts charged by NPR Inc. for sponsorship recognition. Corporate sponsorships is reported in the Consolidated Statements of Activities net of third-party agency commissions totaling \$424,522 and \$573,498 in 2019 and 2018, respectively.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

A. Contracts with customers (Continued)—

PRSS contract revenue—NPR Inc.'s Distribution division manages and operates the PRSS through which public radio programming is distributed to interconnected public radio stations. 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 establishes a special fund administered by the Corporation for Public Broadcasting (CPB) which, in turn, contracts with NPR Inc. to carry out the public radio satellite interconnection project. NPR Inc. treats this contract as an exchange transaction.

In 2008, Congress authorized and appropriated \$72.9 million for a new interconnection system. In May of that year, NPR Inc. and CPB entered into an agreement to utilize those funds not only for the satellite lease agreement, but also for the (i) upgrade of the ContentDepot® Distribution System (which is utilized by the stations and producers within the PRSS), (ii) replacement of ground equipment, and (iii) business continuity planning and testing (2008 Contract).

CPB and NPR Inc. entered into another contract effective October 1, 2017 (2017 Contract). Under this contract, CPB committed funds totaling \$25,845,852 for the period October 1, 2017, through September 30, 2021. During the contract term, NPR Inc.'s Distribution division will plan, design, procure, construct, and maintain the PRSS for the interconnection of the public telecommunications entities participating in the public radio interconnection system, including those public telecommunications entities that in the future may qualify and participate in the PRSS.

The 2008 Contract and 2017 Contract function as cost-reimbursable contracts under which NPR Inc. may apply funds received from CPB to the allowable costs of replacing, refurbishing, upgrading, and maintaining the PRSS. Such allowable costs include, but are not limited to, equipment and facilities, maintenance arrangements, insurance, planning, engineering evaluation, design, labor, and leases (whether for satellite or terrestrial capacity). Under both contracts, NPR Inc. has a right to consideration from CPB in an amount that corresponds directly with the value to CPB of NPR Inc.'s performance completed to date. Accordingly, NPR Inc. recognizes revenue in the amount to which it has the right to invoice CPB using input methods.

For the 2008 Contract, CPB had disbursed the entire contract amount as of September 30, 2016. From October 1, 2016, through September 30, 2019, NPR Inc. utilized the accumulated but unspent interest earned by NPR Inc. and CPB on the Congressionally appropriated funds. NPR Inc. recognized revenue¹ totaling \$374,732 and \$103,481 in 2019 and 2018, respectively. NPR Inc. satisfied its final performance obligations related to the 2008 Contract in 2019 and anticipates closing the contract with CPB in 2020.

For the 2017 Contract, the following table summarizes the changes in deferred revenue:

Years ended September 30,	2019	2018
Deferred revenue, beginning of year	\$ 3,506,832	\$ —
Plus: Disbursements from CPB to NPR Inc.	9,480,658	9,201,988
Less: Revenue recognized by NPR Inc. ¹	(7,659,030)	(5,695,156)
Deferred revenue, end of year	\$ 5,328,460	\$ 3,506,832

¹: Revenue related to the 2008 Contract and 2017 Contract are included in "Public Radio Satellite System contract" in the Consolidated Statements of Activities.

The following table presents the unrecognized and undisbursed balances for the 2017 Contract:

September 30,	2019	2018
Unrecognized balance	\$ 12,491,666	\$ 20,150,696
Undisbursed balance	\$ 7,163,206	\$ 16,643,864

National Public Radio, Inc.
Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

A. Contracts with customers (Continued)—

Satellite interconnection and distribution revenue—Satellite interconnection and distribution revenue from contracts with customers includes the following amounts charged by NPR Inc.'s Distribution division:

<i>Years ended September 30,</i>	2019	2018
Interconnection	\$ 3,954,855	\$ 3,498,944
Distribution	4,372,536	5,432,500
Equipment sales and rentals	282,403	644,960
Total satellite interconnection and distribution	\$ 8,609,794	\$ 9,576,404

NPR Inc.'s Distribution division recognizes revenue from the above sources either ratably, as services are rendered using output methods, or upon delivery of a product to customers. More detailed information about the revenue recognition policies for each of the above sources follows:

- **Interconnection**—Fees charged by NPR Inc.'s Distribution division to public radio stations for connection to the ContentDepot Distribution System through which the public radio stations download content. Public radio stations connect via either a satellite or via the internet. The duration of the underlying customer contracts corresponds to NPR Inc.'s fiscal year.
- **Distribution**—Fees charged by NPR Inc.'s Distribution division to customers that utilize microwave frequency bands (KU-band and C-band) for satellite terrestrial reception and transmission. Customers utilizing these services include public radio station producers, independent producers, and commercial companies. NPR Inc.'s Distribution division also offers customers back-up satellite transmission services in the event that the customer's primary satellite connection is inoperable. The duration of the underlying customer contracts is generally a one-year period. For multi-year contracts, the monthly fee is fixed for the term of the contract.
- **Equipment sales and equipment rentals**—Amounts charged by NPR Inc.'s Distribution division for the direct sale or leasing of equipment used by customers to connect to the ContentDepot Distribution System. NPR Inc.'s Distribution division recognizes revenue either when control of the sold equipment is transferred to the customer (e.g., upon shipment, upon delivery and installation) or over the period when a customer has access to the use of rented functional equipment.

NPR Inc.'s Distribution division has no material unsatisfied contractual performance obligations related to the above services as of September 30, 2019.

Other revenue—Other revenue from contracts with customers includes the following:

<i>Years ended September 30,</i>	2019	2018
Ticket sales	\$ 3,646,525	\$ 2,622,962
Commercial programming distribution	1,651,020	1,612,876
Licensing of intellectual property	1,007,566	1,429,290
Airing of program content	1,037,500	775,000
Inventory sales	882,461	851,875
Parking	379,636	366,802
PMI Network	242,507	191,555
Other	456,877	327,432
Total other	\$ 9,304,092	\$ 8,177,792

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

A. Contracts with customers (Continued)—

Other revenue (Continued)—More detailed information about the revenue recognition policies for the above significant sources follows:

- **Ticket sales**—Ticket revenue is recognized upon completion of either the show or special event.
- **Commercial programming distribution**—NPR Inc. provides programming to a commercial entity for distribution of the programming over the entity's branded radio stations. Revenue is recognized ratably over the contract period using output methods as programming is delivered to the commercial entity.
- **Licensing of intellectual property**—NPR Inc. licenses two types of intellectual property (IP): IP that has “standalone functionality,” which is called functional IP, and all other IP, which is called symbolic IP. Revenue related to the license of functional IP is generally recognized upon delivery (availability) of the IP to the customer. The substantial majority of NPR Inc.'s content distribution activities are considered licensing of functional IP. Revenue related to the license of symbolic IP is generally recognized over the term of the license. NPR Inc.'s primary revenue stream derived from symbolic IP is the licensing of trade names.
- **Airing of program content**—NPR Inc. distributes customer content during segments on one of its shows. Revenue is recognized ratably over the contract period using output methods as content is aired.
- **Inventory sales**—Revenue from sales in NPR Inc.'s gift shop is recognized at the time of sale. Revenue from sales on NPR Inc.'s internet shopping site is recognized upon shipment of the ordered goods.
- **Parking**—Parking revenue is recognized as payments are received either from the management company which operates the headquarters parking garage on behalf of NPR Inc., or the monthly parkers licensing space at NPR Inc.'s West Coast facility.
- **PMI Network**—During fiscal year 2009, NPM launched the Public Media Interactive (PMI) network. 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. In fiscal years 2019 and 2018, 92 and 93 radio stations and producers, respectively, participated in the PMI network. Fees charged by NPM (typically calculated based on a stated percentage applied to the gross sponsorship amount) for selling client's unsold digital inventory is not recognized until the client, on whose behalf NPM secured the sale, successfully fulfills its performance obligation (e.g., delivers impressions on public broadcasting internet sites, podcasts containing sponsorship credits are downloaded).

B. Contributions

NPR Inc., the Foundation, and ACPR receive contributions from individuals, foundations, donor advised funds, and other charitable organizations. Contributions are recognized as revenue, at fair value, on the earlier of the receipt of cash or an unconditional promise to give. Contributions which impose restrictions that are met in the same fiscal year the contribution is received are reported as increases in net assets without donor restrictions. Expirations of donor restrictions (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) in subsequent years are reported as “Net assets released from donor restrictions” in the Consolidated Statements of Activities.

From time to time, NPR Inc., the Foundation, and ACPR may receive contributions that have conditions (e.g., meeting specific performance-related barriers, revocable features). For conditional contributions, NPR Inc., the Foundation, and ACPR recognize revenue only after the conditions are substantially met. Should NPR Inc., the Foundation, and ACPR substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, NPR Inc., the Foundation, and ACPR have elected to recognize the revenue in net assets without donor restrictions.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

B. Contributions (Continued)—At September 30, 2019, NPR had not received any conditional promises to give for which it did not satisfy the donors’ conditions. At September 30, 2018, NPR had received conditional promises to give totaling \$1,141,667. These conditional promises to give were not recognized as assets or revenues in the consolidated financial statements until NPR satisfied the conditions in 2019.

Contributions of assets other than cash are recorded at their estimated fair value on the date of gift. 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.

Grants awarded by federal agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes, and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met. NPR Inc. recorded revenue totaling \$118,000 and \$110,000 in 2019 and 2018, respectively. These amounts are included in “Contributions” (in net assets without donor restrictions) in the Consolidated Statements of Activities. There were no outstanding performance obligations, unrecognized funds, or unspent federal funds at September 30, 2019 and 2018.

4. Pledges Receivable

Pledges receivable are:

September 30,	2019	2018
Amounts due in:		
Less than one year	\$ 8,060,445	\$ 9,977,123
One to five years	2,291,099	5,048,000
More than five years	—	50,000
Subtotal	10,351,544	15,075,123
Less:		
Allowance for uncollectible pledges receivable	(36,127)	(90,906)
Discount to present value (rates range from 0.77% to 3.01%)	(145,242)	(341,613)
Net pledges receivable	\$ 10,170,175	\$ 14,642,604

As of September 30, 2019, 13% of donors (14 donors) comprise approximately 67% of the gross pledges receivable balance. As of September 30, 2018, 20% of donors (13 donors) comprise approximately 67% of the pledges receivable balance. NPR Inc. and the Foundation believe that each have limited credit risk with respect to these donors given their relationship with and support of NPR Inc. and its activities. NPR Inc. and the Foundation believe that each has limited credit risk associated with the remaining balance of accounts and pledges receivable due to the diversity of its customer and donor base and the size of the amounts owed. Additionally, NPR partially mitigates credit risk with respect to accounts and pledges receivable through the creation of allowances for uncollectible receivables and the discounting of long-term pledges to present value.

5. Investments

NPR’s Investments consist almost entirely of the Foundation’s investment portfolio. A smaller portion of the investment assets relates to Board-designated funds for PRSS and liquidity reserves, as well as working capital.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

5. Investments (Continued)

The fair value of investments as of year-end consists of the following:

<i>September 30,</i>	2019	2018
Cash and money market funds	\$ 11,228,736	\$ 15,793,028
Fixed income	108,670,970	99,393,771
Equities	202,333,161	175,323,262
Real assets	25,111,869	26,586,831
Diversifiers	87,155,711	103,108,803
Total investments	\$ 434,500,447	\$ 420,205,695

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). Some of these investments are subject to market, credit, currency, and interest rate risks. Because of potential fluctuations in domestic and international markets subsequent to year end, future fair values may differ significantly from the values reported herein. NPR also holds shares or units in either institutional funds or partnerships which, where applicable, are stated at net asset value (NAV).

- **Cash and money market funds**—Cash, cash equivalent securities, overnight sweep funds, and money market funds with an aggregate duration of less than a year.
- **Fixed income**—Investments in U.S. Treasury and agency debt and credit securities, and funds holding similar securities.
- **Equities**—Investments in funds which generally hold interests in U.S. and non-U.S. equity securities, equity-based derivatives, and funds that invest predominantly in long and short stocks.
- **Real assets**—Investments in funds which generally hold interests in public real estate investment trusts, private real estate or investments, commercial properties or commodities, infrastructure or oil and gas, normally through commingled funds. Additionally, certain liquid commodity- and real estate-related equities, private placement securities, privately held stock, and related derivatives are included. Of NPR's investments in real assets, none is redeemable at year-end. Distributions from the funds will be received through liquidations of the assets underlying the funds which are anticipated to begin to occur within one year. Several funds are "evergreen funds" which have yet to announce an end date.
- **Diversifiers**—Investments in funds whose managers utilize hedged strategies and have the authority to invest domestically and globally 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. However, some of the investments are in funds whose managers invest in and sell short securities and instruments, including but not limited to: (i) merger arbitrage and other forms of arbitrage involving corporate takeovers; (ii) investments in companies experiencing financial distress; (iii) investments in restructuring companies; (iv) direct investments in operating and services businesses; and (v) other investments in securities or instruments that the fund manager believes are either undervalued or overvalued or likely to appreciate or depreciate. Of NPR's investments in diversifiers, \$76,760,979 of the funds are redeemable at year-end. Distributions from the balance of the funds will be received through liquidations of the assets underlying the funds which are anticipated to occur over the next one to 10 years.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

5. Investments (Continued)

A. Investment policy

The Investment Committee and management implement 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 fund's 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 2019.

B. Basis of reporting

Investments are recorded at estimated fair 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. Generally, 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. 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 where possible to estimate the fair value of NPR's interest unless it is probable that NPR will sell all or a portion of the investment for an amount different than NAV, which, as of September 30, 2019, NPR had no plans or intentions to do.

The following table, which excludes cash and money market funds of \$11,228,736, summarizes NPR's remaining investments within the fair value hierarchy at September 30, 2019:

Investment	Level 1	Level 2	Level 3	Investments reported at NAV ²	Total
Fixed income	\$ 108,670,970	\$ —	\$ —	\$ —	\$ 108,670,970
Equities	49,176,507	608,334	99,580,010	52,968,310	202,333,161
Real assets	—	—	25,111,869	—	25,111,869
Diversifiers	3,501,132	—	57,133,057	26,521,522	87,155,711
Totals	\$ 161,348,609	\$ 608,334	\$ 181,824,936	\$ 79,489,832	\$ 423,271,711

The following table, which excludes cash and money market funds of \$15,793,028, summarizes NPR's remaining investments within the fair value hierarchy at September 30, 2018:

Investment	Level 1	Level 2	Level 3	Investments reported at NAV ²	Total
Fixed income	\$ 99,393,771	\$ —	\$ —	\$ —	\$ 99,393,771
Equities	18,624,955	12,421,932	92,574,242	51,702,133	175,323,262
Real assets	—	—	26,586,831	—	26,586,831
Diversifiers	16,809,060	—	57,596,395	28,703,348	103,108,803
Totals	\$ 134,827,786	\$ 12,421,932	\$ 176,757,468	\$ 80,405,481	\$ 404,412,667

²: Investments that are measured at fair value using NAV 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 Balance Sheets.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

5. Investments (Continued)

B. Basis of reporting (Continued)—Registered mutual funds, ETFs, and directly held fixed income securities are classified in Level 1 and are based on published share prices. 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. Some investments frequently require the estimation of fair values by fund managers due to the absence of readily determinable market values. Because of the inherent uncertainties of valuation, estimated fair values may differ significantly from the 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.

C. Redemption frequency

For all investments with eligible redeemable amounts as of September 30, 2019, the redemption frequency and the corresponding notice period are:

Asset Class	Redemption frequency	Redemption notice period
Cash and money market funds	Daily	1
Fixed income	Daily	1
Equities	Daily, weekly, monthly, other (e.g., approval of managing manager)	1 to 60 days
Diversifiers	Monthly, quarterly, semi-annually, annually, other (e.g., 25 th day of first month in quarter)	1 to 90 days

NPR's investments in certain equities, diversifiers, and real assets are illiquid. It is possible that the redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreement.

Certain investments periodically contain rolling lockup provisions. Under such provisions, tranches of the investment are available for redemption after a specified period of time, if NPR makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement. Of the amounts reported at either fair value or net asset value (or its equivalent) as of September 30, 2019, \$10,474,620 of the balance was under "lockup" and redeemable under modified terms. The lockup restrictions expire in fiscal year 2020.

D. Level 3 assets activity

The following table presents the activities for NPR's investments classified in Level 3:

Years ended September 30,	2019	2018
Total Level 3 investments, beginning of year	\$ 176,757,468	\$ 147,118,577
Net realized and unrealized gains	8,462,053	12,526,761
Purchases	27,455,356	28,175,323
Sales	(30,849,941)	(11,063,193)
Total Level 3 investments, end of year	\$ 181,824,936	\$ 176,757,468

Observable and unobservable inputs may be used to determine the fair value of positions that NPR classifies within Level 3. As a result, the unrealized gains and losses for assets in the table above may include changes in fair value that were attributable to both inputs. The net realized and unrealized gains in the table above is reported in the appropriate net asset class as "Return on investments, net" in the Consolidated Statements of Activities.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

5. Investments (Continued)

D. Level 3 assets activity (Continued)—Quantitative information related to investment assets measure and carried at fair value on a recurring basis using significant unobservable inputs (Level 3) follows:

Description	Fair value at September 30,		Principal Valuation Technique	Unobservable Inputs	Weighted Average
	2019	2018			
Equities	\$99,580,010	\$92,574,242	Market approach	Values assigned to underlying funds less liabilities	N/A
Real assets	\$25,111,869	\$26,586,831	Market approach	Values assigned to underlying funds less liabilities	N/A
Diversifiers	\$57,133,057	\$57,596,395	Market approach	Values assigned to underlying funds less liabilities	N/A

E. Liquidity

Investment liquidity is aggregated below based on redemption or sale period:

September 30,	2019
Daily	\$ 172,577,345
Weekly	11,460,213
Monthly	67,100,651
Quarterly	100,479,537
Annually	23,803,376
Other	3,686,789
Funds that are terminated and liquidating	998,061
Amount considered to be illiquid	54,394,475
Total investments	\$ 434,500,447

F. 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 of 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.

As of September 30, 2019, the aggregate amount of unfunded commitments totaled \$43,591,845, broken down as follows:

Asset Class	Reported at NAV	Other	Total
Equities	\$—	\$27,540,533	\$27,540,533
Real assets	\$—	\$10,814,591	\$10,814,591
Diversifiers	\$—	\$5,236,721	\$5,236,721

National Public Radio, Inc.
Notes to Consolidated Financial Statements

6. Property and Equipment

Property and equipment is summarized below:

September 30,	2019	2018
Land	\$ 55,753,066	\$ 55,753,066
Technical equipment and software	54,273,535	57,906,273
Building and improvements	149,331,875	148,906,298
Office furniture	9,186,480	8,110,092
Vehicles	32,060	32,060
Total property and equipment	268,577,016	270,707,789
Less: Accumulated depreciation	(62,457,005)	(59,683,459)
Net property and equipment	\$ 206,120,011	\$ 211,024,330

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 2019 and 2018, amortization of capitalized interest was \$502,926 and is included in “Depreciation and amortization” in the Consolidated Statements of Activities. The unamortized balance of capitalized interest is \$21,898,256 as of September 30, 2019, and \$22,401,182 as of September 30, 2018.

The following table presents NPR’s activities related to capitalized software intended to be sold, leased or otherwise marketed for 2019 and 2018:

	Capitalized Software	Accumulated Amortization	Net
October 1, 2017, balance	\$ 4,058,532	\$ (3,445,589)	\$ 612,943
Plus: Additions	4,467	(254,272)	(249,805)
September 30, 2018, balance	4,062,999	(3,699,861)	363,138
Plus: Additions	—	(132,636)	(132,636)
Less: Impairment	(4,062,999)	3,832,497	(230,502)
September 30, 2019, balance	\$ —	\$ —	\$ —

In 2019, NPR Inc. decided to replace the software it marketed to customers resulting in a full impairment of the unamortized balance as of September 30, 2019. The write-off of the asset is included in the “Impairment” line above. NPR Inc. will replace the software beginning in fiscal year 2020.

7. Debt

A. Bonds payable

NPR Inc. financed the construction of its current headquarters building using District of Columbia Revenue Bonds (National Public Radio, Inc. Issue) Series 2010 (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 District of Columbia Refunding Revenue Bonds (National Public Radio, Inc. Issue) Series 2013 (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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

7. Debt (Continued)

A. Bonds payable (Continued)

Early Extinguishment of Debt (Continued)—In 2016, NPR Inc. completed a second advance refunding of \$70,075,000 of the Series 2010 Bonds when the District of Columbia issued District of Columbia Refunding Revenues Bonds (National Public Radio, Inc. Issue) Series 2016 (Series 2016 Bonds). Similar to the Series 2013 Bonds, the proceeds of the Series 2016 Bonds were deposited into an irrevocable defeasance account to provide for all future debt service on the refunded portion of the Series 2010 Bonds.

Series 2010 Bonds—The unrefunded Series 2010 Bonds bear interest at five percent. Interest, which is payable semi-annually, is due each October 1st and April 1st. Interest expense on the Series 2010 Bonds totaled \$170,081 in 2019 and \$255,261 in 2018. The unrefunded Series 2010 Bonds mature on April 1, 2020.

Series 2013 Bonds—The Series 2013 Bonds bear interest at fixed rates of three, four, or five percent. Similar to the Series 2010 Bonds, interest is payable semi-annually and due each October 1st and April 1st. Interest expense on the Series 2013 Bonds totaled \$3,534,166 in 2019 and \$3,539,259 in 2018.

As of September 30, 2019, the serial portion of the Series 2013 Bonds has maturities ranging from April 1, 2020, through April 1, 2026, and 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, and which have principal amounts totaling \$86.76 million through the final maturity date, are subject to an optional redemption either in whole or in part beginning on April 1, 2023. Individual tranches of Series 2013 Bonds that have maturities either on or after April 1, 2034, are subject to mandatory sinking fund redemption prior to the April 1st maturities. The redemption price of these bonds equals 100% of the principal amount being redeemed, plus interest accrued through the redemption date.

Series 2016 Bonds—The Series 2016 Bonds bear interest at fixed rates of three, four, or five percent. Similar to the Series 2010 Bonds, interest is payable semi-annually and due each October 1st and April 1st. Interest expense on the Series 2016 Bonds totaled \$2,050,913 in 2019 and \$2,075,832 in 2018.

As of September 30, 2019, the Series 2016 Bonds have maturities ranging from April 1, 2020, through April 1, 2035. The Series 2016 Bonds maturing on or after April 1, 2027, and which have principal amounts totaling \$45.31 million through the final maturity date, are subject to an optional redemption either in whole or in part beginning on April 1, 2026. The redemption price of these bonds equals 100% of the principal amount being redeemed, plus interest accrued through the redemption date.

Deferred financing costs—Issuance costs related to the bonds were deferred and are being amortized over the following remaining terms of the bonds:

Bond series	Remaining term
Series 2010 Bonds	1 year
Series 2013 Bonds	23 years
Series 2016 Bonds	16 years

NPR Inc. 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.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

7. Debt (Continued)

A. Bonds payable (Continued)

Deferred financing costs (Continued)—Net deferred financing costs included in “Bonds payable” in the Consolidated Balance Sheets were as follows:

September 30,	Series 2010 Bonds	Series 2013 Bonds	Series 2016 Bonds	2019
Deferred financing costs	\$ 3,446,496	\$ 1,771,068	\$ 1,212,485	\$ 6,430,049
Less: Refunding write-offs	(2,778,366)	—	—	(2,778,366)
Less: Accumulated amortization	(680,534)	(489,681)	(355,031)	(1,525,246)
Net deferred financing costs	\$ (12,404)	\$ 1,281,387	\$ 857,454	\$ 2,126,437

September 30,	Series 2010 Bonds	Series 2013 Bonds	Series 2016 Bonds	2018
Deferred financing costs	\$ 3,446,496	\$ 1,771,068	\$ 1,212,485	\$ 6,430,049
Less: Refunding write-offs	(2,778,366)	—	—	(2,778,366)
Less: Accumulated amortization	(655,316)	(429,766)	(247,022)	(1,332,104)
Net deferred financing costs	\$ 12,814	\$ 1,341,302	\$ 965,463	\$ 2,319,579

During the years ended September 30, 2019 and 2018, bond issuance cost amortization expense was \$193,142 and \$203,615, respectively, and is reported in “Depreciation and amortization” in the Consolidated Statements of Activities.

Amortization of premiums—NPR Inc. capitalized the original issue premiums related to each bond series and amortizes those premiums in a manner that approximates the interest method. Total net amortization for premiums, which is an offset to interest expense, was \$1,333,190 and \$1,344,080 for the years ended September 30, 2019 and 2018, respectively, and is included in “Interest” in the Consolidated Statements of Activities.

Outstanding Principal, Unamortized Premium and Deferred Financing Cost Balances—The composition of each bond series were as follows as of year-end:

September 30,	Series 2010 Bonds	Series 2013 Bonds	Series 2016 Bonds	2019
Outstanding principal	\$ 3,265,000	\$ 87,165,000	\$ 69,920,000	\$ 160,350,000
Unamortized premium	23,548	789,202	7,726,598	8,539,348
Deferred financing costs	12,404	(1,281,387)	(857,454)	(2,126,437)
Total bonds payable	\$ 3,300,952	\$ 86,672,815	\$ 76,789,144	\$ 166,762,911

September 30,	Series 2010 Bonds	Series 2013 Bonds	Series 2016 Bonds	2018
Outstanding principal	\$ 6,375,000	\$ 87,255,000	\$ 70,075,000	\$ 163,705,000
Unamortized premium	94,467	908,936	8,869,135	9,872,538
Deferred financing costs	(12,814)	(1,341,302)	(965,463)	(2,319,579)
Total bonds payable	\$ 6,456,653	\$ 86,822,634	\$ 77,978,672	\$ 171,257,959

National Public Radio, Inc.
Notes to Consolidated Financial Statements

7. Debt (Continued)

A. Bonds payable (Continued)

Schedule of Maturities—Maturities of bonds payable were as follows at September 30, 2019:

	Series 2010 Bonds	Series 2013 Bonds	Series 2016 Bonds	Total
2020	\$ 3,265,000	\$ 95,000	\$ 160,000	\$ 3,520,000
2021	—	100,000	3,595,000	3,695,000
2022	—	105,000	3,775,000	3,880,000
2023	—	105,000	3,965,000	4,070,000
2024	—	935,000	4,160,000	5,095,000
Thereafter	—	85,825,000	54,265,000	140,090,000
Total bonds payable	\$ 3,265,000	\$ 87,165,000	\$ 69,920,000	\$ 160,350,000

Total Interest Expense on Bonds Payable—NPR Inc. recognized \$5,755,160 and \$5,870,352 of interest expense related to the bonds payable during the years ended September 30, 2019 and 2018, respectively.

B. Lines of Credit

In November 2012, NPR Inc. established an unsecured revolving line of credit of \$25 million with SunTrust Bank to support either working capital or general corporate uses. Any amounts borrowed are payable on March 31, 2021. The line of credit accrues interest at a rate equal to the London Interbank Offered Rate plus 0.94%. The line of credit contains nonfinancial covenants with which NPR Inc. complied in 2019 and 2018. During 2019, NPR Inc. did not make any draws under the line of credit and, as a result, had no interest expense. During 2018, NPR Inc. made draws under the line of credit and, as a result, had interest expense of \$31,057. There was no balance outstanding on this credit facility on September 30, 2019 and 2018.

On May 8, 2017, NPM established a revolving line of credit with Bank of America to support working capital uses. The maximum loan amount is \$200,000, and any amounts borrowed are payable each May. The line of credit accrues interest at a rate equal to the London Interbank Offered Rate plus 2.5%. The line of credit is secured by time deposits with Bank of America in an amount not less than \$200,000. This amount is included in restricted cash and cash equivalents. The line of credit contains nonfinancial covenants with which NPM complied in 2019. During 2019 and 2018, NPM did not make any draws under the line of credit and, as a result, had no interest expense for either year. There was no balance outstanding on this credit facility on September 30, 2019 and 2018.

C. Aggregate interest expense

The aggregate interest expense on NPR's debt obligations included in "Interest" in the Consolidated Statements of Activities was:

<i>Years ended September 30,</i>	2019	2018
Series 2010 Bonds	\$ 170,081	\$ 255,261
Series 2013 Bonds	3,534,166	3,539,259
Series 2016 Bonds	2,050,913	2,075,832
Lines of credit	—	31,057
Total interest expense	\$ 5,755,160	\$ 5,901,409

National Public Radio, Inc.

Notes to Consolidated Financial Statements

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, 2019 and 2018, NPR Inc. made contributions to the NPR Plan of \$6,402,896 and \$5,928,509, 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, 2019 and 2018, NPM made contributions to the NPM Plan of \$788,608 and \$672,424, respectively.

9. Commitments and Contingencies

A. Concentration of Employees Covered by Collective Bargaining Agreements

At the end of 2019, approximately 47% (48% in 2018) 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). The NABET collective bargaining agreement expires March 31, 2021. The SAG–AFTRA collective bargaining agreement expires on July 30, 2020. While not assured, NPR Inc. believes that it will successfully renegotiate and renew the SAG-AFTRA collective bargaining agreement in 2020.

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 “Building and equipment” in the Consolidated Statements of Activities for the years ended September 30, 2019 and 2018, was \$3,105,650 and \$3,006,970, respectively.

NPR Inc. licenses excess office space to organizations. The space license agreements expire at various times through fiscal year 2021. Income from space license agreements included in “Miscellaneous” in the Consolidated Statements of Activities was \$574,215 and \$588,143 for the years ended September 30, 2019 and 2018, 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, 2019:

	Office space rental FMLP	Less: Office space license Income	Total FMLP, net
2020	\$ 1,353,488	\$ (602,001)	\$ 751,487
2021	1,403,309	(347,049)	1,056,260
2022	1,060,602	—	1,060,602
2023	983,278	—	983,278
2024	1,011,564	—	1,011,564
Total FMLP	\$ 5,812,241	\$ (949,050)	\$ 4,863,191

In 2017, NPR Inc. consolidated its Digital Services and Digital Media divisions resulting in the closure of the Digital Services' Boston office as of September 30, 2017 (the “NPR Inc. Cease-Use Date”). As the Boston office no longer had economic benefit to NPR Inc. as of the NPR Inc. Cease-Use Date, management recorded a liability and associated loss of \$884,797 for costs that would continue to be incurred by NPR Inc. through the termination of the lease.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

9. Commitments and Contingencies (Continued)

B. Leases and space licenses (Continued)—In 2018, NPR and the Boston office landlord entered into an agreement under which NPR Inc. was obligated to pay 80% of its remaining lease obligation (\$496,602) to terminate the lease. As a result, NPR recorded a gain of \$124,150 because the payoff amount was less than the liability originally anticipated. The gain is reported in “Miscellaneous” in the Consolidated Statements of Activities. The settlement obligation was paid in 2019.

In 2019, NPM consolidated its Chicago office into NPR Inc.’s Chicago bureau as of July 1, 2019 (the “NPM Cease-Use Date”). As NPM’s Chicago office no longer had economic benefit as of the NPM Cease-Use Date, management recorded a liability and associated loss of \$31,046 for costs that would continue to be incurred by NPM through the termination of the lease. The liability is reported in “Accounts payable and other liabilities” in the Consolidated Balance Sheets and the loss is reported in “Other” in the “Expenses and losses” section of the Consolidated Statements of Activities.

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. No audits occurred in 2019. The ultimate liability, if any, from future audits is not expected to have a material adverse effect on NPR’s financial position.

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 NPR Inc.’s financial position.

E. News personal services contracts and employment agreements

At September 30, 2019, NPR Inc. has personal services contracts and employment agreements (collectively, “Contract and Employment Agreements”) with news bureau chiefs, correspondents (domestic and international), editors, hosts, newscasters, producers, and reporters. Contract and Employment Agreements with fixed termination dates expire at various times through fiscal year 2022. At September 30, 2019, NPR Inc. has 35 (61 in 2018) Contract and Employment 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 2019 and 2018, 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, 2019.

G. Letters of credit

NPR Inc. has entered into three irrevocable transferable standby letter of credit agreements with SunTrust Bank. Two letters of credit relate to NPR Inc.’s New York Bureau office space (the first was entered into in 2006 and totals \$149,804; the second, which resulted from an expansion of leased space, was entered into in 2018 and totals \$64,766). The third letter of credit relates to NPR Inc.’s Chicago Bureau office space (entered into in 2019 and totals \$100,000). Since inception, there has been no activity on any letter of credit through September 30, 2019.

H. PRSS

The PRSS consists of a lease of satellite transponder capacity and ground equipment. The satellite transponders leasehold rights and the ground equipment not owned by individual interconnected stations are owned by The Public Radio Satellite Interconnection System Charitable Trust (Trust) which was created on July 16, 1990. The original Trust agreement, which was entered into on July 16, 1990, was amended and restated on October 27, 2000, and again amended on May 13, 2014.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

9. Commitments and Contingencies (Continued)

H. PRSS (Continued)—The Trust is a qualified tax-exempt charitable trust that holds title to the leased satellite transponder capacity and purchased satellite equipment in trust for the benefit of interconnected public radio stations. The power and duties to administer the Trust are vested in three trustees duly elected by qualified interconnected stations. Certain actions contemplated by the Trust agreement, however, require a majority vote of the qualified interconnected stations.

Since inception, the Trust 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 satellite transponder capacity and the ground equipment not owned by individual interconnected stations. While the various agreements do not require NPR Inc. to make lease payments to the Trust, NPR Inc. is responsible for the cost of maintaining and repairing the ground equipment not owned by individual interconnected stations.

The Trust lease covering the ground equipment automatically renews each year. The leases may be terminated, without cause, by a majority vote of the qualified interconnected 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 Trust lease by a majority vote of the Trust trustees.

On October 27, 2000, the Trust and NPR Inc. executed a new transponder sublease agreement for satellite transponder capacity on the Galaxy IVR satellite (since replaced by the Galaxy XVI satellite). 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, covered the period from the end of fiscal year 2014 through June 25, 2018. In April 2016, NPR Inc. made a \$1.8 million payment to extend the lease of one satellite transponder from 2018 to 2020.

I. Foreign correspondents

Foreign correspondents support NPR Inc.'s mission by reporting on the most important stories happening across the globe. NPR Inc. operates 17 international bureaus which are located in Brazil, China (Beijing and Shanghai), Egypt, Germany, India, Israel, Kenya, Lebanon, Mexico, Pakistan, Philippines, Russia, Senegal, South Korea, Turkey, and the United Kingdom. In the ordinary course of NPR Inc.'s international activities, NPR Inc. and its foreign correspondents must comply with various immigration, foreign corporate tax presence, and domestic and international payroll and employment laws and regulations. During 2019, NPR Inc. became aware of insufficient past tax payments attributable to non-cash fringe benefits provided to foreign correspondents in various foreign jurisdictions that management believes are likely to require recognition of losses in fiscal year 2020. While the exact amount of these losses is not known, a reasonable estimate, based on information currently available, is approximately \$3.3 million. Tax costs incurred by NPR Inc. are subject to review and adjustment by the respective taxing jurisdictions. The aforementioned amount has been recognized as a loss in 2019 and is recorded in "Other" in the "Expenses and Losses" section of the Consolidated Statements of Activities. The associated contingent liability is reported in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

September 30,	2019	2018
Subject to expenditure for specific purposes:		
Donor-restricted gifts for a specified purpose (e.g., journalism, programming)	\$ 19,370,257	\$ 14,392,545
Prior year distributions from endowment not yet available for use	3,099,160	3,099,160
Total subject to expenditure for specific purposes	22,469,417	17,491,705
Subject to the passage of time—For periods after fiscal year end	4,281,584	4,974,309
Subject to when a specified event occurs—Charitable gift annuities	118,712	99,074
Subject to NPR's distribution policy and appropriation:		
Donor-restricted endowment corpus amounts	214,016,562	214,011,166
Accumulated investment earnings on endowments	95,445,604	102,704,734
Total subject to NPR's distribution policy and appropriation	309,462,166	316,715,900
Total net assets with donor restrictions	\$ 336,331,879	\$ 339,280,988

3: See Note 11 for a discussion of NPR's Endowment.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by occurrence of the passage of time, or by other events specified by the donors as follows:

Years ended September 30,	2019	2018
Expiration of time restrictions	\$ 1,757,170	\$ 2,012,356
Satisfaction of purpose restrictions:		
News and information	5,623,214	4,919,164
Programming	373,402	166,000
Distribution	66,454	353,266
Other	1,535,002	1,678,642
Subtotal satisfaction of purpose restrictions	7,598,072	7,117,072
Restricted-purpose endowment distribution:		
NPR's general mission and operations	12,007,920	11,880,499
Journalistic excellence	451,658	390,241
Digital innovations/new technologies	72,240	69,587
Cultural journalism	72,951	70,164
Jazz journalism and programming	40,863	35,310
Operation of NPR facilities	11,346	10,932
Science journalism	4,081	3,528
Subtotal restricted-purpose endowment distribution	12,661,059	12,460,261
Total net assets released from donor restrictions	\$ 22,016,301	\$ 21,589,689

"News and information" includes activities related to NPR's journalism, including journalistic collaborations with members (e.g., coverage such as criminal justice, diversity, education, elections, energy and the environment, global health and development, and religion); news desks and bureaus (e.g., Arts desk, Education desk, International desk, Investigative reporting desk); and the safety and security of NPR's journalists. "Programming" includes activities related to NPR Music, NPR's Tiny Desk, and the production and acquisition of programs such as Jazz Night in America, NPR's *Invisibilia*, and *Rough Translation*.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

10. Net Assets With Donor Restrictions (Continued)

“Distribution” includes activities performed by NPR’s Distribution division, such as digital emergency alerting for tornadic activity in Midwest states. “Other” primarily includes NPR’s general operating activities.

11. Endowment

As of September 30, 2019, NPR’s endowment consists of 58 funds established by donors for a variety of purposes including:

	Donor- restricted corpus amount	Accumulated investment earnings	Total
NPR’s general mission and operations	\$ 198,745,583	\$ 92,987,489	\$ 291,733,072
Journalistic excellence	11,147,868	1,261,793	12,409,661
Digital innovations/new technologies	1,500,000	388,604	1,888,604
Cultural journalism	1,272,078	636,519	1,908,597
Jazz journalism and programming	1,000,000	113,482	1,113,482
Operation of NPR facilities	250,000	46,600	296,600
Science journalism	100,000	11,117	111,117
Endowment contributions not yet received	—	—	—
Endowment contributions not yet deposited into the investment account	1,033	—	1,033
Total endowment net assets	\$ 214,016,562	\$ 95,445,604	\$ 309,462,166

As of September 30, 2018, NPR’s endowment consisted of 56 funds totaling as follows:

<i>September 30,</i>	Donor- restricted corpus amount	Accumulated investment earnings	2018
NPR’s general mission and operations	\$ 198,741,384	\$ 99,898,982	\$ 298,640,366
Journalistic excellence	11,059,612	1,488,651	12,548,263
Digital innovations/new technologies	1,500,000	427,631	1,927,631
Cultural journalism	1,259,172	688,809	1,947,981
Jazz journalism and programming	1,000,000	134,694	1,134,694
Operation of NPR facilities	250,000	52,730	302,730
Science journalism	100,000	13,237	113,237
Endowment contributions not yet received	100,000	—	100,000
Endowment contributions not yet deposited into the investment account	998	—	998
Total endowment net assets	\$ 214,011,166	\$ 102,704,734	\$ 316,715,900

A. 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 net assets with donor restrictions (i) the original value of gifts donated to the endowment, (ii) the original value of subsequent gifts to the endowment, and (iii) accumulations to the 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 net assets with donor restrictions until those amounts are approved for distribution by the Foundation Board.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

11. Endowment (Continued)

A. Interpretation of Relevant Law (Continued)—A distribution is determined in a manner consistent with the standard of prudence prescribed by the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) which is incorporated into NPR's Investment Policies. The standard of prudence considers the duration and preservation of the endowment funds, the purposes of NPR and the endowment funds, general economic conditions, the possible effect of inflation or deflation, the expected total return from income, and the appreciation of investments. The amounts appropriated for expenditure are based on the endowment distribution policy.

B. 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 31st fair value of investments for the preceding twelve fiscal quarters. This amount is included in "Net assets released from donor restrictions" in the Consolidated Statements of Activities.

C. 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.

D. Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (Underwater Endowment Funds). NPR has interpreted UPMIFA to permit spending from Underwater Endowment Funds in accordance with prudent measures required under law. Underwater Endowment Funds, if any, are reported in net assets with donor restrictions. At September 30, 2019 and 2018, NPR had no Underwater Endowment Funds.

E. Changes in endowment

Changes in the endowment were as follows:

<i>Years ended September 30,</i>	2019	2018
Endowment balance, beginning of year	\$ 316,715,900	\$ 312,430,611
Return on investments, net	5,401,929	16,623,281
Appropriated for distribution	(12,661,059)	(12,460,261)
Contributions	(7,510)	105,201
Purchasing power addition	12,906	17,068
Endowment balance, end of year	\$ 309,462,166	\$ 316,715,900

In 2019, a donor redirected a previous gift intended for investment in the endowment to support NPR Inc.'s Music and Tiny Desk 2019 activities, resulting in the negative contribution amount above.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

12. Liquidity and Availability

The following reflects NPR's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Consolidated Balance Sheets date.

September 30,	2019
Total consolidated assets	\$ 723,684,963
Less: Nonfinancial assets	
Property and equipment, net	(206,120,011)
Prepaid expenses and other assets	(6,692,977)
Investment in Podcast Media	(2,010,819)
Goodwill	(911,421)
Financial assets	507,949,735
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(20,756,257)
Subject to NPR's distribution policy, appropriation, and satisfaction of donor restrictions	(297,205,014)
Subject to when a specified event occurs: Charitable gift annuities	(118,712)
Restricted cash	(3,943,100)
Employee health claims contractual funding obligation in 2020	(7,269,142)
Other	(1,915,826)
Board designations:	
For PRSS activities	(7,997,779)
Amounts constituting liquidity reserves	(78,515,376)
Financial assets available to meet general expenditure cash needs within one year	\$ 90,228,529

NPR is substantially supported by restricted contributions that require resources to be used in a particular manner or in a future period. NPR must maintain sufficient resources to meet its responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. However, amounts already appropriated from either the donor-restricted endowment or board-controlled accounts was not subtracted as unavailable.

Although the previous liquidity analysis excludes board-designated amounts set aside for long-term investing, those resources could, after action by the NPR Inc. Board and Foundation Board, be used to support general expenditures. Furthermore, in the event of an unanticipated liquidity need, NPR Inc. and NPM could draw upon lines of credit totaling \$25 million and \$200,000, respectively (see Note 7(B)).

As part of NPR's liquidity management, NPR has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, NPR invests cash in excess of daily requirements in short-term investments. Occasionally, NPR may, with the concurrence of the NPR Inc. Board and Foundation Board, add a portion of any operating surplus to its liquidity reserves.

13. Noncontrolling Interest

Noncontrolling interest on the Consolidated Balance Sheets 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. Future liquidations, if any, are proportionate to the extent of either WGBH's or PBS' positive capital balances.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

13. Noncontrolling Interest (Continued)

The following table presents a roll-forward of noncontrolling interest for 2019 and 2018:

	WGBH		PBS		Total
October 1, 2017, balance	\$	712,208	\$	631,202	\$ 1,343,410
Plus: Share of NPM net income for the year ended September 30, 2018		188,204		104,558	292,762
Less: Distribution to members in 2018		(22,500)		(12,500)	(35,000)
Plus: Reversal of 2018 goodwill amortization expense (see Note 2(J))		32,807		18,230	51,037
September 30, 2018, balance		910,719		741,490	1,652,209
Plus: Share of NPM net income for the year ended September 30, 2019		43,329		24,072	67,401
Less: Distribution to members in 2019		(99,000)		(55,000)	(154,000)
Less: Accumulated amortization on goodwill through September 30, 2018		(131,246)		(72,914)	(204,160)
September 30, 2019, balance	\$	723,802	\$	637,648	\$ 1,361,450

14. Related Party Transactions

NPM conducts activities on behalf of and with WGBH and PBS. The following table provides information regarding NPM's gross billings and accounts payable:

<i>As of and for the years ended September 30,</i>	WGBH		PBS	
	2019	2018	2019	2018
Percentage of NPM's gross billings placed with	5%	4%	—	1%
Percentage of NPM's accounts payable owed to	4%	5%	—	—

WGBH is a member of the PMI Network (see discussion in Note 3).

During 2019 and 2018, NPR Inc. received contributions from the NPR Inc. Board and Foundation members totaling \$1,467,668 and \$3,023,448, respectively. These amounts do not include contributions received as a result of NPR Inc. Board and Foundation Board members recommending one or more distributions by a donor-advised fund, private foundation, or similar entity in lieu of direct donor payment.

15. Nonrecurring Fair Value Measurements

NPR's financial instruments that are not measured at fair value on a recurring basis as of September 30, 2019 and 2018, consisted of accounts and pledges receivable, prepaid expenses and other assets, investment in Podcast Media, accounts payable and other liabilities, deferred revenue, and bonds payable.

The fair value of accounts receivable, prepaid expenses and other assets, accounts payable and other liabilities, and 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.

National Public Radio, Inc.
Notes to Consolidated Financial Statements

15. Nonrecurring Fair Value Measurements (Continued)

The fair value of NPRAHC Inc.'s investment in Podcast Media approximates the carrying amount due to the relatively short period of operations since Podcast Media's inception. The carrying amount represents the amount at which the financial instrument is recorded on NPRAHC Inc.'s books. The fair value is the estimated amount at which NPRAHC Inc. could liquidate its member interest 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:

September 30, 2019	Level in fair value hierarchy	Carrying Amount	Fair value
Pledges receivable ⁴	2	\$ 10,206,302	\$ 10,248,874
Bonds payable ⁵	2	\$ 168,889,348	\$ 175,188,256

September 30, 2018	Level in fair value hierarchy	Carrying Amount	Fair value
Pledges receivable ⁴	2	\$ 14,733,510	\$ 14,651,047
Bonds payable ⁵	2	\$ 173,577,538	\$ 171,291,403

⁴: The carrying amount of pledges receivable represents gross pledges receivable less the discount to present value.

⁵: The carrying amount of bonds payable excludes deferred financing costs.

NPR's fair value estimation methodology is:

- **Pledges receivable**—The fair value of pledges to be received within one year approximates the carrying amount due to the relatively short maturity of these financial instruments. Receivables for pledges 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 pledges 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 fiscal years 2019 and 2018, for the respective remaining pledge payment period.
- **Bonds payable**—NPR Inc. utilized a financial services company to determine the fair value of the bonds payable (see Note 7(A)). The estimated fair value reflects current market values for bonds with similar maturities, credit quality, coupons, and call features. Management has analyzed the 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

National Public Radio, Inc. (Parent Company Only)

Supplemental Balance Sheets

September 30,	2019	2018
Assets		
Cash and cash equivalents	\$ 12,245,432	\$ 9,192,727
Restricted cash	3,581,423	3,675,659
Accounts receivable, net	32,154,198	36,109,560
Pledges receivable, net	9,396,378	12,598,310
Investments	99,903,004	78,934,819
Property and equipment, net	205,672,908	210,400,696
Prepaid expenses and other assets	6,489,829	5,083,041
Investment in National Public Media LLC	—	3,117,901
Investment in Podcast Media, LLC	—	483,333
Investment in NPR Asset Holding Company, Inc.	5,324,888	—
Total assets	\$ 374,768,060	\$ 359,596,046
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 36,761,815	\$ 27,201,939
Due to NPR Foundation	1,822,330	2,510,247
Deferred revenue	25,837,072	22,104,148
Accrued interest payable	3,503,840	3,589,470
Bonds payable	166,762,911	171,257,959
Total liabilities	234,687,968	226,663,763
Net assets		
Net assets without donor restrictions	118,972,732	114,945,844
Net assets with donor restrictions	21,107,360	17,986,439
Total net assets	140,080,092	132,932,283
Total liabilities and net assets	\$ 374,768,060	\$ 359,596,046

National Public Radio, Inc. (Parent Company Only)

Supplemental Statements of Activities

<i>Years ended September 30,</i>	2019	2018
Changes in net assets without donor restrictions		
Regular Operations		
Operating revenues		
Station dues, programming and digital fees	\$ 89,020,136	\$ 85,474,802
Corporate sponsorships	111,271,829	97,071,058
Contributions:		
Contributions	23,148,937	19,018,634
Net assets released from donor restrictions	8,964,339	8,242,848
Total contributions	32,113,276	27,261,482
Endowment distribution from NPR Foundation	12,350,942	12,117,556
Use of current year net investment returns for operations	900,963	888,501
Use of prior year net long-term investment returns for operations	—	403,416
Donated goods and services	3,042,690	2,765,658
Other	10,034,628	9,036,672
Total operating revenues	258,734,464	235,019,145
Operating expenses		
Program services:		
Content	130,894,882	127,663,055
Digital	26,227,553	23,925,974
Other	3,844,873	2,967,391
Total program services	160,967,308	154,556,420
Support services:		
General and administrative	68,297,540	52,966,965
Fundraising	6,355,396	6,746,030
Total support services	74,652,936	59,712,995
Total operating expenses	235,620,244	214,269,415
Operating surplus	23,114,220	20,749,730
Nonoperating activities		
Return on investments, net	1,899,631	218,652
Use of prior year net long-term investment returns for operations	—	(403,416)
Interest expense	(5,755,160)	(5,901,409)
Depreciation and amortization	(9,358,529)	(9,871,425)
Other, net	(3,944,345)	36,806
Total nonoperating activities	(17,158,403)	(15,920,792)
Increase in net assets from Regular Operations	5,955,817	4,828,938
Distribution and Interconnection		
Revenues, gains, and other support, excluding net assets released from donor restrictions	17,358,706	15,769,234
Net assets released from donor restrictions	66,454	353,266
Expenses and losses	(18,952,076)	(17,430,553)
Decrease in net assets from Distribution and Interconnection	(1,526,916)	(1,308,053)
Change in investment in subsidiary	(402,013)	752,818
Increase in net assets without donor restrictions	\$ 4,026,888	\$ 4,273,703

Continued on the next page

National Public Radio, Inc. (Parent Company Only)

Supplemental Statements of Activities

<i>Years ended September 30,</i>	2019	2018
Changes in net assets with donor restrictions		
Contributions	\$ 12,016,900	\$ 11,114,517
Return on investments, net	134,814	66,441
Net assets released from donor restrictions	(9,030,793)	(8,596,114)
Increase in net assets with donor restrictions	3,120,921	2,584,844
Change in net assets	7,147,809	6,858,547
Net assets, beginning of year	132,932,283	126,073,736
Net assets, end of year	\$ 140,080,092	\$ 132,932,283

In 2019 and 2018, NPR Inc. recorded contributions revenue in net assets without donor restrictions from grants awarded by the following federal agencies totaling:

<i>Years ended September 30,</i>	2019	2018
National Endowment for the Humanities	\$ 166,885	\$ 98,295
National Endowment for the Arts	118,000	110,000
Total revenue	\$ 284,885	\$ 208,295

NPR Foundation
Supplemental Balance Sheets

September 30,	2019	2018
Assets		
Cash and cash equivalents	\$ 4,645,223	\$ 1,468,008
Pledges receivable, net	773,797	2,044,294
Investments	334,597,443	341,270,876
Due from NPR Inc.	1,822,330	2,510,247
Total assets	\$ 341,838,793	\$ 347,293,425
Liabilities and Net Assets		
Liabilities	\$ 80,686	\$ —
Net assets		
Net assets without donor restrictions	26,533,588	25,998,876
Net assets with donor restrictions	315,224,519	321,294,549
Total net assets	341,758,107	347,293,425
Total liabilities and net assets	\$ 341,838,793	\$ 347,293,425

NPR Foundation

Supplemental Statements of Activities

<i>Years ended September 30,</i>	2019	2018
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Contributions	\$ 3,529,648	\$ 3,961,157
Return on investments, net	534,573	1,303,210
Net assets released from donor restrictions	12,985,508	12,993,575
Total revenues, gains, and other support	17,049,729	18,257,942
Expenses		
Transferred to NPR Inc.:		
Annual support	3,853,957	4,438,133
Endowment support	12,350,942	12,117,556
Compensation, taxes, and benefits	—	53,139
Contracted services	159,134	148,821
Travel, conferences, meetings, and events	141,469	121,868
Other	9,515	18,859
Total expenses	16,515,017	16,898,376
Increase in net assets without donor restrictions	534,712	1,359,566
Changes in net assets with donor restrictions		
Contributions	1,500,629	106,718
Return on investments, net	5,414,849	16,640,348
Net assets released from donor restrictions	(12,985,508)	(12,993,575)
(Decrease) increase in net assets with donor restrictions	(6,070,030)	3,753,491
Change in net assets	(5,535,318)	5,113,057
Net assets, beginning of year	347,293,425	342,180,368
Net assets, end of year	\$ 341,758,107	\$ 347,293,425