



National Public Radio, Inc.

Consolidated Financial Statements,
Supplemental Schedules, and
Independent Auditors' Report
As of and for the years ended
September 30, 2020 and 2019

National Public Radio, Inc.

Consolidated Financial Statements, Supplemental Schedules, and Independent Auditors' Report As of and for the years ended September 30, 2020 and 2019

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National Public Radio, Inc.

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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, 2020 and 2019, and the related consolidated statements of activities, changes in net assets, 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, 2020 and 2019, 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.

Other Matters - Supplementary Information

Our audits were 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 23, 2020

Consolidated Financial Statements and Footnotes

National Public Radio, Inc.

Consolidated Balance Sheets

<i>September 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 26,776,962	\$ 23,349,432
Restricted cash	449,495	3,943,100
Accounts receivable, net	30,710,168	35,986,581
Pledges receivable, net	17,289,191	10,170,175
Investments	457,259,623	434,500,447
Property and equipment, net	199,253,586	206,120,011
Prepaid expenses and other assets	5,463,892	6,692,977
Investment in Podcast Media LLC	1,198,690	2,010,819
Goodwill	729,141	911,421
Total assets	\$ 739,130,748	\$ 723,684,963
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	\$ 50,224,834	\$ 44,323,492
Deferred revenue	26,805,825	25,895,132
Conditional contribution refundable advances	1,103,934	—
Accrued interest payable	—	3,503,840
Bonds payable	188,980,000	166,762,911
Total liabilities	267,114,593	240,485,375
Commitments and contingencies		
Net assets		
Net assets without donor restrictions:		
Undesignated	32,264,341	57,385,082
Board-designated	89,989,676	88,121,177
Noncontrolling interest	1,344,279	1,361,450
Total net assets without donor restrictions	123,598,296	146,867,709
Net assets with donor restrictions	348,417,859	336,331,879
Total net assets	472,016,155	483,199,588
Total liabilities and net assets	\$ 739,130,748	\$ 723,684,963

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Consolidated Statements of Activities

<i>Years ended September 30,</i>	2020	2019
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Revenue from contracts with customers:		
Station dues, programming and digital fees	\$ 92,671,901	\$ 89,020,136
Corporate sponsorships	99,528,073	111,271,829
Public Radio Satellite System contract	5,706,683	8,033,762
Satellite interconnection and distribution	9,024,503	8,609,668
Commissions	4,158,671	4,596,082
Other	9,672,372	9,304,218
Total revenue from contracts with customers	220,762,203	230,835,695
Contributions of cash and other financial assets	21,771,977	23,140,957
Return on investments, net	4,968,891	4,006,585
Contributions of nonfinancial assets	2,890,075	2,469,971
Miscellaneous	202,086	1,484,740
Change in investment in subsidiary	(812,129)	(573,180)
Net assets released from donor restrictions	25,641,635	22,016,301
Total revenues, gains, and other support	275,424,738	283,381,069
Expenses and losses		
Compensation, taxes, and benefits	180,670,224	171,454,344
Content acquisition and production	27,214,225	24,699,168
Contracted services	19,966,549	21,636,431
Building and equipment	13,084,449	15,754,952
Travel, conferences, meetings, and events	4,937,865	9,137,002
Connectivity	2,660,631	2,794,687
Depreciation and amortization	9,271,662	10,815,630
Interest	2,840,712	5,755,160
Loss on early extinguishment of debt	26,325,476	—
Donated goods and services expenses	2,890,075	2,469,971
Other	8,699,563	14,963,917
Total expenses and losses	298,561,431	279,481,262
(Decrease) increase in net assets without donor restrictions	(23,136,693)	3,899,807
Changes in net assets with donor restrictions		
Contributions of cash and other financial assets	23,398,303	13,497,891
Split-interest agreement contributions	17,829	19,638
Return on investments, net	14,311,483	5,549,663
Net assets released from donor restrictions	(25,641,635)	(22,016,301)
Increase (decrease) in net assets with donor restrictions	12,085,980	(2,949,109)
Change in net assets	(11,050,713)	950,698
Net assets, beginning of year	483,199,588	482,402,890
Less: Distributions to noncontrolling interest	(132,720)	(154,000)
Net assets, end of year	\$ 472,016,155	\$ 483,199,588
 Certain amounts disaggregated by net asset class above are presented below in the aggregate		
Contributions of cash and other financial assets, including split-interest agreements	\$ 45,188,109	\$ 36,658,486
Return on investments, net	\$ 19,280,374	\$ 9,556,248

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Consolidated Statements of Changes in Net Assets

	Net assets without donor restrictions			Net assets with donor restrictions	Total
	Parent	Noncontrolling interest	Total		
Net assets, October 1, 2018	\$ 141,469,693	\$ 1,652,209	\$ 143,121,902	\$ 339,280,988	\$ 482,402,890
Plus (Minus): Change in net assets for the year ending September 30, 2019	4,036,566	(136,759)	3,899,807	(2,949,109)	950,698
Less: Distribution to Noncontrolling Interest	—	(154,000)	(154,000)	—	(154,000)
Net assets, September 30, 2019	145,506,259	1,361,450	146,867,709	336,331,879	483,199,588
Plus (Minus): Change in net assets for the year ending September 30, 2020	(23,252,242)	115,549	(23,136,693)	12,085,980	(11,050,713)
Less: Distribution to Noncontrolling Interest	—	(132,720)	(132,720)	—	(132,720)
Net assets, September 30, 2020	\$ 122,254,017	\$ 1,344,279	\$123,598,296	\$ 348,417,859	\$ 472,016,155

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Consolidated Statements of Functional Expenses

<i>Year ended September 30,</i>	Program Services			Supporting Services				
	Content production and distribution	Digital and other programs	Total program services	Management and general	Fundraising	Facilities and information technology	Total supporting services	2020
Compensation, taxes, and benefits	\$ 110,872,182	\$ 19,808,910	\$ 130,681,092	\$ 36,392,534	\$ 4,666,701	\$ 8,929,897	\$ 49,989,132	\$ 180,670,224
Content acquisition and production	27,183,817	7,974	27,191,791	14,702	1,895	5,837	22,434	27,214,225
Contracted services	1,669,854	8,152,428	9,822,282	6,682,053	561,390	2,900,824	10,144,267	19,966,549
Building and equipment	5,659,637	397,961	6,057,598	1,040,243	15,078	5,971,530	7,026,851	13,084,449
Travel, conferences, meetings, and events	3,436,744	305,682	3,742,426	627,951	501,352	66,136	1,195,439	4,937,865
Connectivity	1,390,878	94,743	1,485,621	141,384	17,136	1,016,490	1,175,010	2,660,631
Depreciation and amortization	616,291	441,242	1,057,533	737,045	—	7,477,084	8,214,129	9,271,662
Interest	—	—	—	907	—	2,839,805	2,840,712	2,840,712
Loss on early extinguishment of debt	—	—	—	—	—	26,325,476	26,325,476	26,325,476
Donated goods and services expenses	—	1,223,617	1,223,617	1,666,458	—	—	1,666,458	2,890,075
Other	4,353,208	1,230,639	5,583,847	2,601,745	242,695	271,276	3,115,716	8,699,563
Total expenses and losses	\$ 155,182,611	\$ 31,663,196	\$ 186,845,807	\$ 49,905,022	\$ 6,006,247	\$ 55,804,355	\$ 111,715,624	\$ 298,561,431

<i>Year ended September 30,</i>	Program Services			Supporting Services				
	Content production and distribution	Digital and other programs	Total program services	Management and general	Fundraising	Facilities and information technology	Total supporting services	2019
Compensation, taxes, and benefits	\$ 102,509,824	\$ 18,253,873	\$ 120,763,697	\$ 36,885,509	\$ 5,276,004	\$ 8,529,134	\$ 50,690,647	\$ 171,454,344
Content acquisition and production	24,669,527	4,103	24,673,630	10,574	10	14,954	25,538	24,699,168
Contracted services	2,153,456	7,760,952	9,914,408	8,183,754	370,938	3,167,331	11,722,023	21,636,431
Building and equipment	7,846,722	410,014	8,256,736	1,608,386	9,779	5,880,051	7,498,216	15,754,952
Travel, conferences, meetings, and events	5,648,501	734,114	6,382,615	1,754,404	775,529	224,454	2,754,387	9,137,002
Connectivity	1,477,846	95,984	1,573,830	158,059	19,720	1,043,078	1,220,857	2,794,687
Depreciation and amortization	980,198	573,268	1,553,466	1,461,621	—	7,800,543	9,262,164	10,815,630
Interest	—	—	—	—	—	5,755,160	5,755,160	5,755,160
Loss on early extinguishment of debt	—	—	—	—	—	—	—	—
Donated goods and services expenses	—	1,332,101	1,332,101	1,137,870	—	—	1,137,870	2,469,971
Other	5,202,293	1,711,786	6,914,079	7,708,529	212,954	128,355	8,049,838	14,963,917
Total expenses and losses	\$ 150,488,367	\$ 30,876,195	\$ 181,364,562	\$ 58,908,706	\$ 6,664,934	\$ 32,543,052	\$ 98,116,700	\$ 279,481,262

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Consolidated Statements of Cash Flows

<i>Years ended September 30,</i>	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (11,050,713)	\$ 950,698
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,016,357	9,711,077
Amortization of deferred financing costs	73,025	193,142
Amortization of goodwill	182,280	911,411
Amortization of premiums on bonds payable	(661,412)	(1,333,190)
Change in allowance for doubtful accounts	(73,509)	(760,548)
Change in discount on multi-year pledges receivable	85,312	(196,371)
Loss on disposal of property and equipment	—	4,869
Loss on impairment of software	—	230,502
Loss on lease due to office closure	—	31,046
Loss on early extinguishment of debt	26,325,476	—
Change in investment in subsidiary	812,129	(1,527,486)
Contributions restricted for long-term investment	(1,113,287)	7,510
Net realized and unrealized gains on investments	(16,482,528)	(5,969,146)
Investment return restricted for reinvestment	(10,809)	(12,906)
Decrease (increase) in assets:		
Accounts receivable	5,313,795	5,794,786
Pledges receivable	(7,168,201)	4,723,579
Prepaid expenses and other assets	1,246,914	(1,535,720)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	5,901,342	7,107,851
Deferred revenue	910,693	3,726,653
Conditional contribution refundable advances	1,103,934	—
Accrued interest payable	(3,503,840)	(85,630)
Net cash provided by operating activities	10,906,958	21,972,127
Cash flows from investing activities		
Purchases of investments	(307,343,344)	(295,452,036)
Proceeds from sale and maturities of investments	301,066,696	287,126,430
Purchases of property and equipment	(2,149,932)	(4,401,405)
Net cash used in investing activities	(8,426,580)	(12,727,011)
Cash flows from financing activities		
Proceeds from contributions restricted for:		
Investment in perpetual endowment	1,113,287	(7,510)
Investment subject to annuity trust agreements	(17,829)	(19,638)
Other financing activities:		
Investment return restricted for reinvestment	10,809	12,906
Proceeds from Small Business Administration Economic Injury Disaster Loan program	150,000	—
Repayment of Small Business Administration Economic Injury Disaster Loan funds	(150,000)	—
Proceeds from Paycheck Protection Program Loan	2,253,602	—
Return of Paycheck Protection Program Loan funds	(2,253,602)	—
Payments on bonds payable	(3,520,000)	(3,355,000)
Distribution to members	(132,720)	(154,000)
Net cash used in financing activities	(2,546,453)	(3,523,242)
Change in cash, cash equivalents, and restricted cash	(66,075)	5,721,874
Cash, cash equivalents, and restricted cash, beginning of year	27,292,532	21,570,658
Cash, cash equivalents, and restricted cash, end of year	\$ 27,226,457	\$ 27,292,532
Supplemental data		
Donated securities	\$ 3,114,288	\$ 1,384,788
Accrued purchases of property and equipment	\$ 235,710	\$ 640,724
Cash paid for interest	\$ 6,995,876	\$ 7,170,019
Cash paid for income taxes	\$ 7,914	\$ 19,021

See accompanying notes to consolidated financial statements.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

1. Description of the Company and Basis of Presentation

Description of Company

National Public Radio, 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 Inc. members, and 11 other directors. The 11 other 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 NPR Inc. members.

Basis of Presentation

The consolidated financial statements exclude NPR Inc.’s members because those entities are legally and operationally distinct from NPR Inc. However, the accounts for the following wholly-owned or controlled entities are included:

- ***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, Inc., an organization affiliated with America’s Public Television Stations (“APTS”). ACPR is not affiliated with either APTS or APTS Action, Inc.

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 (and may be the Chairperson of the NPR Inc. Board).

In 2020 and 2019, 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. 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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

1. Description of the Company and Basis of Presentation (Continued)

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 on the Foundation Board. 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. ("NPAHC Inc.")***—Incorporated in 2018, NPAHC Inc. is a wholly owned, taxable corporation which holds interests in commercial entities on behalf of NPR Inc. NPAHC Inc. is governed by a three member Board of Directors which is currently composed of two senior staff members from NPR Inc. and one non-staff member (currently a former NPR Inc. Board member).
- ***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 Inc.'s members.

NPM is governed by NPAHC 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 NPAHC Inc., WGBH, and PBS, respectively, as of September 30, 2020 and 2019. NPAHC 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.

Unless otherwise noted, NPR Inc. and the consolidated entities are referred to as "NPR." All intercompany balances and transactions were eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). 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 at the date of the consolidated financial statements. Actual results ultimately may differ from the estimates used in preparing the consolidated financial statements.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

For financial reporting purposes, and based on the existence or absence of legal or 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:

<i>September 30,</i>	2020	2019
Public Radio Satellite System (“PRSS”) activities	\$ 8,564,760	\$ 8,318,696
Liquidity reserves	81,424,916	79,802,481
Total board-designated amounts	\$ 89,989,676	\$ 88,121,177

- **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, a donor’s 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.

Estimates and assumptions used in preparation of 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.

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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

- *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 date. 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.

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, 2020 and 2019, NPR had \$4,844,435 and \$7,507,869, respectively, of demand deposits in excess of the federal deposit insurance limit. 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); 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).

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>	2020	2019
Cash and cash equivalents	\$ 26,776,962	\$ 23,349,432
Restricted cash	449,495	3,943,100
Total cash, cash equivalents, and restricted cash	\$ 27,226,457	\$ 27,292,532

Accounts receivable

Accounts receivable represents 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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

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 \$2,434,876 and \$2,472,258 as of September 30, 2020 and 2019, respectively. Uncollectible amounts are written off when all efforts to collect these receivables have been exhausted.

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 pledge 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.

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

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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Inventory, which is included in "Prepaid expenses and other assets" in the Consolidated Balance Sheets, consists of the following:

<i>September 30,</i>	2020	2019
Equipment purchased for resale to participants in the PRSS	\$ 290,536	\$ 205,371
Merchandise held for sale	333,124	224,854
Total inventory	\$ 623,660	\$ 430,225

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, Chicago Public Media, Inc., and BBC Studios Americas, Inc. Each member elects a manager and the four managers collectively comprise the Podcast Media Board of Managers ("Podcast Media Board"). The following table presents each managers' ownership interest:

<i>September 30,</i>	2020	2019
NPRAHC Inc.	34.60%	33.33%
New York Public Radio	34.60%	33.34%
Chicago Public Media, Inc.	27.46%	33.33%
BBC Studios Americas	3.35%	—

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:

<i>Years ended September 30,</i>	2020	2019
Investment in Podcast Media, beginning of year	\$ 2,010,819	\$ 483,333
Plus: Member capital contributions	—	2,100,666
Minus: Share of Podcast Media's net loss	(812,129)	(573,180)
Investment in Podcast Media, end of year	\$ 1,198,690	\$ 2,010,819

Podcast Media's fiscal year ends on June 30th. NPRAHC Inc. management reviewed the unaudited activity for Podcast Media's quarter ended September 30, 2020, and concluded that it presented a reasonable approximation of the activity for the period in conformity with GAAP. As a result, NPRAHC Inc.'s 2020 share of Podcast Media's net loss in the above table includes the audited activity for the period October 1, 2019, through June 30, 2020, and unaudited activity for the quarter ended September 30, 2020.

In December 2020, the Podcast Media Board met and agreed to sell *Pocket Casts*, the sole asset of Podcast Media. The plan of sale is still in development as of the date of these consolidated financial statements. Upon the sale of *Pocket Casts*, Podcast Media's members intend to dissolve the organization. NPR expects to no longer be an investor in Podcast Media by September 30, 2021.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill represents the excess of the purchase price over the net amount assigned to identifiable assets acquired and liabilities assumed in the purchase 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, 2020. NPR is amortizing goodwill over a period of six years. Goodwill, which originally totaled \$1,822,832, is reported in the Consolidated Balance Sheets net of accumulated amortization totaling \$1,093,691 and \$911,411 as of September 30, 2020 and 2019. Amortization expense totaled \$182,280 and \$911,411 in 2020 and 2019, respectively, and is included in "Depreciation and amortization" in the Consolidated Statements of Activities.

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 \$429,526 and \$331,455 as of September 30, 2020 and 2019, 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.

Where required by state laws and statutes, NPR Inc. maintains separate annuitant asset accounts, reserves, and specific investment allocations. At September 30, 2020 and 2019, 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 annual estimated liability change is recorded in "Miscellaneous" in the Consolidated Statements of Activities. At September 30, 2020 and 2019, NPR Inc.'s charitable gift annuity split-interest agreement liabilities totaled \$239,389 and \$153,966, respectively. These liabilities are reported in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

Deferred revenue

Of the 2019 deferred revenue balance, NPR recognized \$18,463,212 (or 90%) during 2020. Of the 2018 deferred revenue balance, NPR recognized \$17,224,838 (or 94%) during 2019. 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.

Conditional contribution refundable advances

A transfer of cash that is related to a conditional contribution is accounted for as a refundable advance until the condition(s) have either been substantially met or explicitly waived by the donor.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Contributions of nonfinancial assets

During 2020 and 2019, contributed nonfinancial assets recognized within the Consolidated Statements of Activities, none of which had donor-imposed restrictions, included:

<i>Years ended September 30,</i>	2020	2019
Professional services	\$ 1,297,858	\$ 772,170
Subscriptions	1,223,617	1,332,101
Health clinic services	368,600	365,700
Contributed nonfinancial assets	\$ 2,890,075	\$ 2,469,971

Professional services comprise attorneys who advise NPR Inc. on various legal matters. Subscription services comprise various periodicals and databases to which NPR Inc. has access in support of research activities. Health clinic services comprise medical support provided in the onsite employee clinic located in NPR Inc.'s headquarters facility.

For all services, NPR Inc. valued and reported the contributed services at the estimated fair value based on current rates for similar services (e.g., for professional services, current hourly attorney rates for similar advice).

In the Consolidated Statements of Functional Expenses, management reported contributed professional and health clinic services within "Management and general," and contributed subscription services within "Digital and other programs."

NPR Inc. receives other contributed services from volunteers in connection with its operations. These services do not meet the requirement to be recognized in the Consolidated Statements of Activities.

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.

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. There were no impairment losses in 2020. In 2019, NPR Inc. decided to replace software it marketed to customers resulting in an impairment loss of \$230,502 which was recorded in "Other" in the Consolidated Statements of Activities.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

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 2020. 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 2020, the NOL carry-forward represents the amount as of September 30, 2019). NOL carry-forwards for NPR Inc. and the Foundation (ACPR has no NOL carry-forwards) are:

<i>September 30,</i>	2020	2019
NPR Inc.	\$ 17,259,546	\$ 16,483,088
Foundation	\$ 945,211	\$ 549,699

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, 2020 and 2019, NPRAHC Inc. had no tax expense. NPRAHC Inc. is uncertain whether it will realize the benefit from its fiscal year 2019 NOL which totaled \$204,958, and has, as a result, elected not to record a deferred tax asset as of September 30, 2020.

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, 2020 and 2019, 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.

There were no material income-related interest or penalties recorded in either fiscal year 2020 or 2019.

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, 2020, there were no uncertain tax positions for which a liability should be recorded.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security (CARES) Act—On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (“COVID-19”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 27, 2020, the President of the United States signed into law the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* (“CARES Act”). The CARES Act, among other things, relaxed the rules for the carryover of Federal NOLs and:

- Gave businesses a five-year carryback period of NOLs arising in taxable years beginning after December 31, 2017, but before January 31, 2021. As a result, NOLs arising in tax years 2018, 2019, and 2020 may be carried back as far as tax years 2013, 2014 and 2015, respectively. This provision had no impact on NPR as of September 30, 2020.
- Suspended the 80% of taxable income limitation rule on the use of NOLs. Businesses may use NOLs to fully offset taxable income for tax years 2018, 2019, and 2020. For tax years ending after December 31, 2020, the 2017 Tax Cuts and Jobs Act rules will apply. This provision had no impact on NPR as of September 30, 2020.
- Allowed an indefinite carryforward for NOLs generated after December 31, 2017, but before January 31, 2021. As a result, the NOL carry-forwards for NPR Inc., the Foundation, and NPRAHC Inc. breakdown as follows as of September 30, 2020:

	NPR Inc.	Foundation	NPRAHC Inc.
Expire as of September 30, 2039	\$ 16,001,380	\$ 549,699	\$ —
Indefinite carry-forward	\$ 1,258,166	\$ 395,512	\$ 204,958

Because the realization of the NOL carry-forwards is uncertain, NPR Inc., the Foundation, and NPRAHC Inc. did not record a deferred tax asset as of September 30, 2020.

Accounting pronouncements adopted

Management adopted the following Financial Accounting Standards Board (“FASB”) Accounting Standards Updates (“ASU”), none of which had a material impact on the consolidated financial statements:

- ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*.
- ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*.
- ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.

Management also adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result, contributed nonfinancial assets are now presented as a separate line item apart from contributions of cash or other financial assets in the Consolidated Statements of Activities. Additionally, the categories of recognized contributed nonfinancial assets, how the services were utilized, and the valuation techniques and inputs used to arrive at a fair value measure are disclosed.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Accounting pronouncements not yet adopted

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.

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 all subsequent amendments (collectively, "ASC 842"), is effective for NPR's fiscal year 2021. Management continues to evaluate the potential impact of ASC 842.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The update 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.

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. The update clarifies that a company should consider observable transactions when evaluating whether to continue to apply or discontinue the equity method of accounting under Topic 323, Investments—Equity Method and Joint Ventures. The update is effective for NPR's fiscal year 2022. Management continues to evaluate the potential impact of this update.

Changes to fiscal year 2019 comparative financial information

Management elected to discontinue showing the "Change in noncontrolling interest" in the Consolidated Statements of Activities due to the inclusion of the Consolidated Statements of Changes in Net Assets. Management reclassified certain revenue and expenses in the Consolidated Statements of Activities to conform the 2019 presentation to current year, the most significant of which included:

- Premiums on select insurance policies from "Other" to "Compensation, taxes, and benefits" (e.g., foreign workers compensation) and "Travel, conferences, meetings, and events" (e.g., business, travel, accident).
- Investment management expenses from "Contracted services" to "Return on investments, net" within changes in net assets without donor restrictions.
- Contributed nonfinancial assets from "Contracted services" and "Other" to "Donated goods and services expenses."
- Satellite equipment cost of goods sold from "Other" to "Building and equipment."

National Public Radio, Inc.

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Subsequent events

NPR evaluated subsequent events from the date of the Consolidated Balance Sheet through December 23, 2020, the date on which NPR's consolidated financial statements were issued. No material subsequent events were identified for either recognition or disclosure except for the impending dissolution of Podcast Media discussed previously in Note 2.

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.

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.

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

<i>Years ended September 30,</i>	2020	2019
Membership dues	\$ 3,806,540	\$ 3,699,865
Programming fees	83,141,635	79,789,176
Digital fees	5,723,726	5,531,095
Total station dues, programming and digital fees	\$ 92,671,901	\$ 89,020,136

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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

- **Programming**—Fees charged by NPR Inc. for the right to access and deliver NPR Inc. distributed programming to listeners. 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, 2020.

Commissions and Corporate Sponsorships revenue—NPR Inc. and NPM recognize revenue from commissions and corporate sponsorships 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 above).
- **Corporate sponsorships**—Amounts charged by NPR Inc. for sponsorship recognition. Corporate sponsorship revenue is reported in the Consolidated Statements of Activities net of third-party agency commissions totaling \$473,025 and \$424,522 in 2020 and 2019, respectively.

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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

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 \$80 and \$374,732 in 2020 and 2019, respectively. NPR Inc. satisfied its final performance obligations related to the 2008 Contract in early 2020 and anticipates final contract closeout in fiscal year 2021.

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

<i>Years ended September 30,</i>	2020	2019
Deferred revenue, beginning of year	\$ 5,333,347	\$ 3,506,832
Plus: Disbursements from CPB to NPR Inc.	2,734,512	9,480,658
Less: Revenue recognized by NPR Inc. ¹	(5,706,603)	(7,659,030)
Plus: Interest earned on funds advanced by CPB	7,838	4,887
Deferred revenue, end of year	\$ 2,369,094	\$ 5,333,347

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:

<i>September 30,</i>	2020	2019
Unrecognized balance	\$ 6,780,092	\$ 12,486,695
Undisbursed balance	\$ 4,428,694	\$ 7,163,206

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>	2020	2019
Interconnection	\$ 3,669,520	\$ 3,954,855
Distribution	4,904,456	4,372,536
Equipment sales and rentals	450,527	282,277
Total satellite interconnection and distribution	\$ 9,024,503	\$ 8,609,668

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:

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

- **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 corresponding with NPR Inc.'s fiscal year. 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, 2020.

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

<i>Years ended September 30,</i>	2020	2019
Ticket sales	\$ 1,902,794	\$ 3,646,525
Commercial programming distribution	1,854,301	1,651,020
Airing of program content	1,112,500	1,037,500
Licensing of intellectual property	3,053,910	1,007,566
Inventory sales	811,020	882,461
Parking	177,148	379,636
PMI Network	371,906	242,507
Other	388,793	456,751
Total other	\$ 9,672,372	\$ 9,304,218

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 corresponding 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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

3. Revenue Recognition (Continued)

- **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.
- **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.
- **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 employee payroll deductions for headquarters parking are taken, and 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 2020 and 2019, 92 radio stations and producers 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).

Contributions of cash and other financial assets

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)

At September 30, 2020, NPR had received conditional promises to give totaling \$2,412,386 for which it did not satisfy the donors' conditions. At September 30, 2019, NPR had not received any conditional promises to give for which it did not satisfy the donors' conditions.

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 \$100,360 and \$118,000 in 2020 and 2019, respectively. There were no outstanding performance obligations, unrecognized funds, or unspent federal funds at September 30, 2020 and 2019.

4. Pledges Receivable

Pledges receivable are:

<i>September 30,</i>	2020	2019
Amounts due in:		
Less than one year	\$ 8,395,445	\$ 8,060,445
One to five years	7,724,300	2,291,099
More than five years	1,400,000	—
Subtotal	17,519,745	10,351,544
Less:		
Allowance for uncollectible pledges receivable	—	(36,127)
Discount to present value (rates range from 0.12% to 3.01%)	(230,554)	(145,242)
Net pledges receivable	\$ 17,289,191	\$ 10,170,175

As of September 30, 2020, 9% of donors (8 donors) comprise approximately 79% of the pledges receivable balance. As of September 30, 2019, 13% of donors (14 donors) comprise approximately 67% of the gross 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>	2020	2019
Cash and money market funds	\$ 10,315,198	\$ 11,228,736
Fixed income	136,366,172	108,670,970
Marketable equities	202,275,048	199,228,213
Private equity and venture capital	21,034,589	18,887,874
Multi-strategy diversifiers	53,626,081	53,726,287
Opportunistic diversifiers	10,309,078	17,646,498
Private real assets	23,333,457	25,111,869
Total investments	\$ 457,259,623	\$ 434,500,447

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.
- **Marketable Equities, Private Equity, and Venture Capital**—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. Of NPR's investments in marketable equities, all of the funds are redeemable at year-end. Of NPR's investments in private equity and venture capital, none is redeemable at September 30, 2020. Distributions from the funds will be received through liquidations of the assets underlying the funds which are anticipated to begin in two years.
- **Multi-Strategy and Opportunistic 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 multi-strategy diversifiers, \$52,322,815 (98% of holdings) of the funds are redeemable at September 30, 2020. Of NPR's investments in opportunistic diversifiers, none is redeemable at September 30, 2020. Distributions from opportunistic diversifiers and the balance of the multi-strategy diversifiers will be received through liquidations of the assets underlying the funds which are anticipated to begin in two years.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

5. Investments (Continued)

- *Private 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 private real assets, none is redeemable at September 30, 2020. Distributions from the funds will be received through liquidations of the assets underlying the funds which are anticipated to begin to occur in two years.

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. 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 NAV to the fund's audited financial statements. There were no changes in valuation techniques noted for these funds during 2020.

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, 2020, NPR had no plans or intentions to do.

In 2020, management made a change in accounting policy related to its investments, resulting in the reclassification of certain investments from either Level 2 or Level 3 to NAV. The change in accounting policy was made to more accurately reflect industry categorizations of similar investments. Management retroactively applied the change in accounting policy to fiscal year 2019 to conform the 2019 presentation to current year.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

5. Investments (Continued)

The following tables, which exclude cash and money market funds of \$10,315,198 for 2020, and \$11,228,736 for 2019, summarize NPR's investments within the fair value hierarchy and those measured at NAV at September 30, 2020 and 2019:

September 30,	2020 Total	Fair Value Hierarchy			NAV ²
		Level 1	Level 2	Level 3	
Fixed income Marketable equities	\$136,366,172	\$136,366,172	\$ —	\$ —	\$ —
Private equity and venture capital	202,275,048	22,936,528	—	8,308,558	171,029,962
Multi-strategy diversifiers	21,034,589	—	—	—	21,034,589
Opportunistic diversifiers	53,626,081	2,857,151	—	—	50,768,930
Private real assets	10,309,078	—	—	79,529	10,229,549
Totals	23,333,457	—	—	691,721	22,641,736
	\$446,944,425	\$ 162,159,851	\$ —	\$ 9,079,808	\$ 275,704,766

September 30,	2019 Total	Fair Value Hierarchy			NAV ²
		Level 1	Level 2	Level 3	
Fixed income Marketable equities	\$108,670,970	\$108,670,970	\$ —	\$ —	\$ —
Private equity and venture capital	199,228,213	49,176,507	—	4,974,690	145,077,016
Multi-strategy diversifiers	18,887,874	—	—	—	18,887,874
Opportunistic diversifiers	53,726,287	3,501,131	—	—	50,225,156
Private real assets	17,646,498	—	—	156,297	17,490,201
Totals	25,111,869	—	—	993,439	24,118,430
	\$423,271,711	\$ 161,348,608	\$ —	\$ 6,124,426	\$ 255,798,677

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 "NAV" column are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

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 Level 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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

5. Investments (Continued)

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.

Redemption frequency

For all investments with eligible redeemable amounts as of September 30, 2020, the redemption frequency and the corresponding notice period are:

Asset Class	Redemption frequency	Redemption notice period (in days)
Cash and money market funds	Daily	1
Fixed income	Daily	1
Marketable equities	Daily, weekly, monthly, quarterly, annually, other (e.g., approval of managing manager)	1 to 150
Multi-strategy diversifiers	Daily, monthly, quarterly	1 to 65

NPR's investments in certain private equity and venture capital, opportunistic diversifiers, and private 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, investment tranches are available for redemption after a specified time period, if NPR makes a redemption request before the next available withdrawal date in accordance with the notification terms of the agreement. Of the amounts reported at net asset value (or its equivalent) as of September 30, 2020, \$16,332,804 of the balance was under "lockup" and redeemable under modified terms. The lockup restrictions expire in fiscal years 2022 and 2025.

Level 3 assets activity

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

<i>Years ended September 30,</i>	2020	2019
Total Level 3 investments, beginning of year	\$ 6,124,426	\$ 6,360,431
Net realized and unrealized gains (losses)	751,367	(235,762)
Purchases	2,300,000	—
Sales	(95,985)	(243)
Total Level 3 investments, end of year	\$ 9,079,808	\$ 6,124,426

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 and losses 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)

Quantitative information related to investment assets measure and carried at fair value on a recurring basis using significant unobservable inputs follows:

Description	Fair Value at September 30,		Principal Valuation Technique	Unobservable Inputs	Weighted Average
	2020	2019			
Marketable equities	\$8,308,558	\$4,974,690	Market approach	Values assigned to underlying funds less liabilities	N/A
Opportunistic diversifiers	\$79,529	\$156,297	Market approach	Values assigned to underlying funds less liabilities	N/A
Private real assets	\$691,721	\$993,439	Market approach	Values assigned to underlying funds less liabilities	N/A

Liquidity

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

September 30,	2020
Daily	\$172,475,048
Weekly	18,261,895
Monthly	73,248,227
Quarterly	100,865,750
Annually	15,643,345
Other	20,784,967
Funds that are terminated and liquidating	1,303,267
Amount considered to be illiquid	54,677,124
Total investments	\$457,259,623

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 prematurely wind down the fund. 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, 2020, the aggregate amount of unfunded commitments totaled \$34,486,343, broken down as follows:

Asset Class	Reported at NAV	Other	Total
Private equity and venture capital	\$21,928,195	\$—	\$21,928,195
Opportunistic diversifiers	\$3,534,878	\$—	\$3,534,878
Private real assets	\$9,023,270	\$—	\$9,023,270

National Public Radio, Inc.

Notes to Consolidated Financial Statements

6. Property and Equipment

Property and equipment is summarized below:

<i>September 30,</i>	2020	2019
Land	\$ 55,753,066	\$ 55,753,066
Technical equipment and software	55,614,325	54,273,535
Building and improvements	149,888,964	149,331,875
Office furniture	9,161,744	9,186,480
Vehicles	32,060	32,060
Total property and equipment	270,450,159	268,577,016
Less: Accumulated depreciation	(71,196,573)	(62,457,005)
Net property and equipment	\$ 199,253,586	\$ 206,120,011

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 both 2020 and 2019, 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 \$21,395,330 as of September 30, 2020, and \$21,898,256 as of September 30, 2019.

7. Debt

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* totaling \$162,125,000 ("Series 2010 Bonds").

Series 2010 Bonds—In 2013, NPR Inc. completed an advance refunding of a portion of the Series 2010 Bonds when the District of Columbia issued *District of Columbia Refunding Revenue Bonds (National Public Radio, Inc. Issue) Series 2013* totaling \$87,430,000 ("Series 2013 Bonds"). In 2016, NPR Inc. completed a second advance refunding of a portion of the unrefunded Series 2010 Bonds when the District of Columbia issued *District of Columbia Refunding Revenues Bonds (National Public Radio, Inc. Issue) Series 2016* totaling \$70,075,000 ("Series 2016 Bonds"). Proceeds from the Series 2013 Bonds and Series 2016 Bonds were deposited into irrevocable defeasance accounts to provide for all future debt service on the refunded portion of the Series 2010 Bonds. NPR Inc. continued to make debt service payments until the unrefunded Series 2010 Bonds matured on April 1, 2020.

Early extinguishment of Series 2013 Bonds and Series 2016 Bonds—In 2020, NPR Inc. completed an advance refunding of the outstanding Series 2013 Bonds and Series 2016 Bonds when the District of Columbia issued *District of Columbia Revenue Refunding Bonds (National Public Radio, Inc. Issue) Series 2020 (Taxable)* totaling \$188,290,000 ("Series 2020 Bonds"). The proceeds of the Series 2020 Bonds were deposited into an irrevocable defeasance account to provide for all future debt service on the Series 2013 Bonds and Series 2016 Bonds. As a result of the 2020 advance refunding, NPR Inc. incurred a loss on early extinguishment of debt totaling \$26,325,476. NPR Inc. considers the refunded portions of the Series 2013 Bonds and Series 2016 Bonds defeased and reduced its liabilities accordingly.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

7. Debt (Continued)

Series 2010 Bonds, Series 2013 Bonds, Series 2016 Bonds—During 2020 and 2019, interest expense totaled:

<i>Years ended September 30,</i>	2020	2019
Series 2010 Bonds	\$ 56,525	\$ 170,081
Series 2013 Bonds	1,765,265	3,534,166
Series 2016 Bonds	1,018,015	2,050,913
Total interest expense on Prior Bonds Series	\$ 2,839,805	\$ 5,755,160

Bond issuance cost amortization expense was \$73,025 and \$193,142, in 2020 and 2019, respectively, and is reported in “Depreciation and amortization” in the Consolidated Statements of Activities. Total net amortization for premiums, which is an offset to interest expense, was \$661,412 and \$1,333,190 in 2020 and 2019, respectively, and is included in “Interest” in the Consolidated Statements of Activities.

The components of bonds payable at September 30, 2019, was as follows:

	Series 2010 Bonds	Series 2013 Bonds	Series 2016 Bonds	Total
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

Series 2020 Bonds—Bonds payable at September 30, 2020, consists entirely of the Series 2020 Bonds. The serial portion of the bonds has maturities ranging from April 1, 2022, through April 1, 2035, and the term portion has maturities ranging from April 1, 2042, through April 1, 2047.

The Series 2020 Bonds bear interest at fixed rates from 1.438% to 3.532%, and interest is payable semi-annually (due each October 1st and April 1st). Management elected to finance Series 2020 Bonds’ interest expense for the period from inception through April 1, 2021 (i.e., defer interest payments until October 1, 2021). As a result, NPR Inc. had no interest expense related to the Series 2020 Bonds in 2020.

NPR Inc., in its sole discretion, may redeem all or a portion of the Series 2020 Bonds prior to maturity. The make-whole redemption price (“Make-Whole Price”) is defined in the Indenture of Trust dated July 1, 2020 (“Indenture”). The Make-Whole Price is the greater of the principal amount to be redeemed or the net present value of the remaining scheduled payments of principal and interest, discounted by the then applicable United States Treasury Rate for similar maturity periods, plus varying basis points as provided for in the Indenture.

Issuance costs related to the Series 2020 Bonds were financed by bond proceeds, and the Series 2020 Bonds were issued at par.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

7. Debt (Continued)

Maturities of the Series 2020 Bonds were as follows at September 30, 2020:

	Total
2021	\$ —
2022	3,300,000
2023	4,860,000
2024	5,760,000
2025	5,860,000
Thereafter	169,200,000
Total bonds payable	\$ 188,980,000

Lines of Credit

In November 2012, NPR Inc. established an unsecured revolving line of credit of \$25 million with Truist Bank (formerly 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 (“LIBOR”) plus 0.94%. The line of credit contains nonfinancial covenants with which NPR Inc. complied in 2020 and 2019. During 2020 and 2019, NPR Inc. did not make any draws under the line of credit and, as a result, had no interest expense. There was no balance outstanding on this credit facility as of September 30, 2020 and 2019.

In September 2020, NPR Inc. established a second unsecured revolving line of credit of \$25 million with Truist Bank to provide additional liquidity support for either working capital or general corporate uses. Any amounts borrowed are payable on September 7, 2021. The line of credit accrues interest at a rate equal to the LIBOR plus 1.125%. The line of credit contains nonfinancial covenants with which NPR Inc. complied in 2020. During 2020, NPR Inc. did not make any draws under the line of credit and, as a result, had no interest expense. There was no balance outstanding on this credit facility as of September 30, 2020.

In May 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 LIBOR 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 2020. During 2020 and 2019, 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 as of September 30, 2020 and 2019.

U.S. Small Business Administration (“SBA”) Economic Injury Disaster Loan (“EIDL”)

The CARES Act expanded the availability of the SBA’s EIDL program. On June 20, 2020, NPR Inc. obtained a \$150,000 EIDL which it repaid in September 2020. Interest expense on the EIDL totaled \$907.

SBA Paycheck Protection Program loan

On May 6, 2020, NPM entered into a \$2,253,602 loan payable with Bank of America pursuant to the Paycheck Protection Program (“PPP Loan”) under the CARES Act. On May 14, 2020, NPM returned the entire outstanding balance of \$2,253,602.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

7. Debt (Continued)

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>	2020	2019
Series 2010 Bonds	\$ 56,525	\$ 170,081
Series 2013 Bonds	1,765,265	3,534,166
Series 2016 Bonds	1,018,015	2,050,913
EIDL	907	—
Total interest expense	\$ 2,840,712	\$ 5,755,160

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, 2020 and 2019, NPR Inc. made contributions to the NPR Plan of \$4,422,630 and \$6,402,896, 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, 2020 and 2019, NPM made contributions to the NPM Plan of \$566,252 and \$788,608, respectively.

9. Commitments and Contingencies

Concentration of Employees Covered by Collective Bargaining Agreements

At the end of 2020, approximately 49% (47% in 2019) 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, 2022. The SAG-AFTRA collective bargaining agreement expires on July 30, 2021. While not assured, NPR Inc. believes that it will successfully renegotiate and renew the SAG-AFTRA collective bargaining agreement in 2021.

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, 2020 and 2019, was \$3,055,222 and \$3,105,650, 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 \$552,509 and \$574,215 for the years ended September 30, 2020 and 2019, respectively.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

9. Commitments and Contingencies (Continued)

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, 2020:

	Office space rental FMLP	Less: Office space license Income	Total FMLP, net
2021	\$ 1,639,023	\$ (347,049)	\$ 1,291,974
2022	1,116,098	—	1,116,098
2023	1,001,639	—	1,001,639
2024	1,030,386	—	1,030,386
2025	960,627	—	960,627
Thereafter	5,449,533	—	5,449,533
Total FMLP	\$ 11,197,306	\$ (347,049)	\$ 10,850,257

In September 2019, NPM entered in a sublease for its Chicago office. Income from the sub lease was \$38,604 and \$3,242 for the years ended September 30, 2020 and 2019, respectively. NPM also recorded a liability and loss for the difference between the sublease income and the costs that will continue to be incurred by NPM through the end of the lease term in October 2021. The liability as of September 30, 2020 and 2019, is \$18,488 and \$35,554, respectively, and is reported in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

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 2020. The ultimate liability, if any, from future audits is not expected to have a material adverse effect on NPR's financial position.

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.

News personal services contracts and employment agreements

At September 30, 2020, 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 2023. At September 30, 2020, NPR Inc. has 40 (35 in 2019) Contract and Employment Agreements which continue in perpetuity until terminated.

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 2020 and 2019, 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, 2020.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

9. Commitments and Contingencies (Continued)

Letters of credit

NPR Inc. has entered into three irrevocable transferable standby letter of credit agreements with Truist 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, 2020.

Donor database

On July 16, 2020, NPR Inc. was notified by its third-party vendor that manages its donor information that a ransomware attack occurred in May 2020 on the third-party vendor's back-up system in which certain data was exfiltrated. The third-party vendor took immediate and decisive action to address the incident. Certain donor or constituent information was compromised as a result. This incident has had no impact on NPR Inc.'s operations or the data on NPR Inc.'s systems. As of the date of this report, NPR Inc. cannot estimate the financial impact this event will have on its financial position, if any, and as a result, NPR Inc. has not accrued any liability.

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 was amended and restated on October 27, 2000, and again on May 13, 2014. 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 2020, NPR Inc. extended the term of its contract with Intelsat through June 30, 2021, and began paying its lease payment on a monthly basis.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

9. Commitments and Contingencies (Continued)

Foreign correspondents

Foreign correspondents support NPR Inc.'s mission by reporting on the most important stories happening across the globe. NPR Inc. operates international bureaus which are located around the world. 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. During 2020, NPR Inc. made payments totaling approximately \$890,000, leaving a balance of \$2.4 million which is, in both years, reported in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

COVID-19 outbreak and pandemic

Since the beginning of the COVID-19 outbreak, NPR Inc.'s Crisis Management Team ("CMT") has spearheaded NPR's response. The CMT and senior management have prioritized staff safety and wellness in all of its facilities. Although NPR Inc. was exempted from state shutdowns due to its public newsgathering responsibilities, the CMT limited the number of personnel permitted into any of its facilities to workers essential to its broadcast, engineering, and information technology operations beginning in mid-March 2020. The CMT also limited contractors' access to the facilities, transitioned much of its broadcast and program operations offsite, and implemented vigorous facility cleaning and security procedures in an effort to further protect onsite essential workers. Throughout the pandemic, NPR Inc. has continued its broadcast operations and has not suspended any programs. The CMT continues to closely monitor the Centers for Disease Control and Prevention and other national authority guidelines for all of the localities of its offices to determine not only the timing of reopening the offices, but also how to best protect NPR's employees.

During 2020, NPR's investment portfolio experienced a loss at the beginning of the pandemic but recovered prior to the end of its fiscal year. Additionally, and based on forecasted shortfalls in operations during the third and fourth quarters of fiscal year 2020, senior management took the following actions to reduce and contain costs:

- Reduced discretionary spending (e.g., travel, conferences, outside training, marketing, subscriptions and publications, delayed and eliminated capital purchases and projects).
- Reduced contracted and professional services.
- Deferred employer side social security payments totaling \$4,019,305 (included in "Accounts payable and other liabilities" in the Consolidated Balance Sheets) as of September 30, 2020, as permitted by the CARES Act. The repayment period is over two years beginning January 1, 2021.
- Suspended hiring for all positions but those critical to NPR's core mission.
- Reduced executive and staff compensation through progressive reductions in pay and staff furloughs; eliminated all executive bonuses, and significantly limited staff bonuses; and eliminated employer contributions to retirement plans.
- Reduced contracted talent fees.
- Canceled events.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

9. Commitments and Contingencies (Continued)

The extent of the continued impact of the COVID-19 outbreak on the operational and financial performance of NPR will depend upon certain developments, including the widespread availability and acceptance of a vaccine, the duration of the pandemic, and the spread of COVID-19 throughout communities. The pandemic may have a material adverse impact on economic and market conditions, possibly triggering another period of global economic slowdown. Such a slowdown could lead to a decline in contributions, corporate sponsorships, other revenue to either NPR's Member stations or to NPR, or collections of existing receivable balances. In response, management implemented further cost cutting and containment plans in fiscal year 2021. In addition to the above actions, management suspended merit increases, permitted full-time employees to work part time for a reduced salary, allowed employees to take unpaid sabbaticals, and is continuing to limit discretionary spending in favor of providing financial resources for the ongoing support and protection of NPR's staff (e.g., close contact monitoring, purchasing personal protective equipment, and providing testing for onsite essential employees). Depending on the ultimate severity and length of the pandemic, this pandemic could present material uncertainty and risk with respect to NPR's investments, including performance and liquidity. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to NPR, its future performance, and its future financial results. Management will continue to evaluate the ongoing needs of the organization, as well as additional stimulus acts signed into law, if any.

10. Net Assets With Donor Restrictions

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

<u>September 30,</u>	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Donor-restricted gifts for a specified purpose (e.g., journalism, programming)	\$ 23,294,433	\$ 19,370,257
Current year distribution from endowment not yet available for use	3,000,000	—
Prior year distributions from endowment not yet available for use	3,099,160	3,099,160
Total subject to expenditure for specific purposes	29,393,593	22,469,417
Subject to the passage of time—For periods after fiscal year end	9,167,262	4,281,584
Subject to when a specified event occurs—Charitable gift annuities	136,541	118,712
Subject to NPR's distribution policy and appropriation:		
Donor-restricted endowment corpus amounts	215,140,658	214,016,562
Accumulated investment earnings on endowments	94,579,805	95,445,604
Total subject to NPR's distribution policy and appropriation	309,720,463	309,462,166
Total net assets with donor restrictions	\$ 348,417,859	\$ 336,331,879

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

National Public Radio, Inc.

Notes to Consolidated Financial Statements

10. Net Assets With Donor Restrictions (Continued)

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:

<i>Years ended September 30,</i>	2020	2019
Expiration of time restrictions	\$ 3,162,356	\$ 1,757,170
Satisfaction of purpose restrictions:		
News and information	7,926,960	5,623,214
Programming	841,875	373,402
Distribution	309,972	66,454
Other	1,375,417	1,535,002
Subtotal satisfaction of purpose restrictions	10,454,224	7,598,072
Restricted-purpose endowment distribution:		
NPR's general mission and operations	11,339,314	12,007,920
Journalistic excellence	476,530	451,658
Digital innovations/new technologies	74,682	72,240
Cultural journalism	75,453	72,951
Jazz journalism and programming	43,050	40,863
Operation of NPR facilities	11,729	11,346
Science journalism	4,297	4,081
Subtotal restricted-purpose endowment distribution	12,025,055	12,661,059
Total net assets released from donor restrictions	\$ 25,641,635	\$ 22,016,301

The fiscal year 2020 "Restricted-purpose endowment distribution" above does not agree to the "Appropriated for distribution" amount in Note 11. The difference (\$3 million) represents a special podcast innovation distribution from the endowment that will not be released from net assets with donor restrictions until fiscal year 2021.

"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*, and *Code Switch*. "Distribution" includes activities performed by NPR's Distribution division, such as digital emergency alerting for hurricane activity in Gulf states. "Other" primarily includes NPR's general operating activities.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

11. Endowment

At September 30, 2020 and 2019, NPR's endowment consisted of 58 funds established by donors for a variety of purposes including:

<i>September 30,</i>	Donor- restricted corpus amount	Accumulated investment earnings	2020
NPR's general mission and operations	\$ 198,746,783	\$ 91,975,043	\$ 290,721,826
Journalistic excellence	12,259,955	1,383,040	13,642,995
Digital innovations/new technologies	1,500,000	401,059	1,901,059
Cultural journalism	1,282,887	638,316	1,921,203
Jazz journalism and programming	1,000,000	121,841	1,121,841
Operation of NPR facilities	250,000	48,556	298,556
Science journalism	100,000	11,950	111,950
Endowment contributions not yet deposited into the investment account	1,033	—	1,033
Total endowment net assets	\$ 215,140,658	\$ 94,579,805	\$ 309,720,463

<i>September 30,</i>	Donor- restricted corpus amount	Accumulated investment earnings	2019
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 deposited into the investment account	1,033	—	1,033
Total endowment net assets	\$ 214,016,562	\$ 95,445,604	\$ 309,462,166

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 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.

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.

Return Objectives and Risk Parameters

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

Funds with Deficiencies

From time to time, 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, 2020 and 2019, NPR had no Underwater Endowment Funds.

Changes in endowment

Changes in the endowment were as follows:

<i>Years ended September 30,</i>	2020	2019
Endowment balance, beginning of year	\$ 309,462,166	\$ 316,715,900
Return on investments, net	14,159,255	5,401,929
Appropriated for distribution	(15,025,054)	(12,661,059)
Contributions	1,113,287	(7,510)
Purchasing power addition	10,809	12,906
Endowment balance, end of year	\$ 309,720,463	\$ 309,462,166

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 Consolidated Balance Sheet dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Consolidated Balance Sheets date.

<i>September 30,</i>	2020	2019
Total consolidated assets	\$ 739,130,748	\$ 723,684,963
Less: Nonfinancial assets		
Property and equipment, net	(199,253,586)	(206,120,011)
Prepaid expenses and other assets	(5,463,892)	(6,692,977)
Investment in Podcast Media	(1,198,690)	(2,010,819)
Goodwill	(729,141)	(911,421)
Financial assets	532,485,439	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	(31,772,945)	(20,756,257)
Conditional contribution refundable advances	(1,103,934)	—
Subject to NPR's distribution policy, appropriation, and satisfaction of donor restrictions	(297,463,311)	(297,205,014)
Subject to when a specified event occurs: Charitable gift annuities	(136,541)	(118,712)
Restricted cash	(449,495)	(3,943,100)
Deferred employer social security taxes under the CARES Act required to be repaid	(4,019,305)	—
Employee health claims contractual funding obligation in 2021	(7,244,582)	(7,269,142)
Other	(1,469,174)	(1,915,826)
Board designations:		
For PRSS activities	(8,240,589)	(7,997,779)
Amounts constituting liquidity reserves	(79,849,376)	(78,515,376)
Financial assets available to meet general expenditure cash needs within one year	\$ 100,736,187	\$ 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 \$50 million (\$25 million in 2019) and \$200,000 (same in 2019), respectively (see Note 7).

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.

National Public Radio, Inc.

Notes to Consolidated Financial Statements

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. The following table presents a roll-forward of noncontrolling interest for 2020 and 2019:

	WGBH	PBS	Total
October 1, 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)
Plus: Accumulated amortization of goodwill through September 30, 2019	(131,246)	(72,914)	(204,160)
September 30, 2019, balance	723,802	637,648	1,361,450
Plus: Share of NPM net income for the year ended September 30, 2020	74,282	41,267	115,549
Less: Distribution to members in 2020	(85,320)	(47,400)	(132,720)
September 30, 2020, balance	\$ 712,764	\$ 631,515	\$ 1,344,279

14. Related Party Transactions

NPM conducts activities on behalf of and with WGBH. During 2020 and 2019, the percentage of NPM's gross billings placed with WGBH totaled three percent and five percent, respectively. As of September 30, 2020 and 2019, the percentage of NPM's accounts payable owed to WGBH was three percent and four percent, respectively. WGBH is a member of the PMI Network (see discussion in Note 3).

During 2020 and 2019, NPR Inc. received contributions from the NPR Inc. Board and Foundation members totaling \$5,223,258 and \$1,467,668, 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, 2020 and 2019, consisted of accounts and pledges receivable, prepaid expenses and other assets, 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 following tables present the carrying amounts and the estimated fair values of NPR's remaining financial instruments:

<i>September 30, 2020</i>	Level in fair value hierarchy	Carrying Amount	Fair value
Pledges receivable ⁴	2	\$ 17,289,191	\$ 17,346,947
Bonds payable ⁵	2	\$ 188,980,000	\$ 199,462,672

<i>September 30, 2019</i>	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

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 2020 and 2019, 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). 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.

Supplementary Information

National Public Radio, Inc. (Parent Company Only)

Supplemental Balance Sheets

<i>September 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 17,320,861	\$ 12,245,432
Restricted cash	87,818	3,581,423
Accounts receivable, net	26,275,270	32,154,198
Pledges receivable, net	16,998,733	9,396,378
Investments	122,159,309	99,903,004
Property and equipment, net	199,013,154	205,672,908
Prepaid expenses and other assets	5,392,228	6,489,829
Investment in NPR Asset Holding Company, Inc.	4,929,219	5,324,888
Total assets	\$ 392,176,592	\$ 374,768,060
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 43,626,631	\$ 36,710,790
Due to subsidiaries	4,529,998	1,873,355
Deferred revenue	26,790,944	25,837,072
Conditional contribution refundable advances	1,103,934	—
Accrued interest payable	—	3,503,840
Bonds payable	188,980,000	166,762,911
Total liabilities	265,031,507	234,687,968
Net assets		
Net assets without donor restrictions	95,575,026	118,972,732
Net assets with donor restrictions	31,570,059	21,107,360
Total net assets	127,145,085	140,080,092
Total liabilities and net assets	\$ 392,176,592	\$ 374,768,060

National Public Radio, Inc. (Parent Company Only)

Supplemental Statements of Activities

<i>Years ended September 30,</i>	2020	2019
Changes in net assets without donor restrictions		
Operating revenues		
Station dues, programming and digital fees	\$ 92,671,901	\$ 89,020,136
Corporate sponsorships	99,528,073	111,271,829
Contributions:		
Contributions of cash and other financial assets	23,460,512	23,148,937
Net assets released from donor restrictions	11,928,046	9,030,793
Total contributions	35,388,558	32,179,730
Endowment distribution from NPR Foundation	12,567,678	12,350,942
Satellite interconnection and distribution	14,731,186	16,699,341
Use of current year net investment returns for operations	2,134,853	1,409,843
Contributions of nonfinancial assets	2,368,600	3,042,690
Other	10,719,102	10,034,628
Total operating revenues	270,109,951	276,009,139
Operating expenses		
Program services:		
Content	138,210,186	130,894,882
Digital	28,257,119	26,227,553
Satellite interconnection and distribution	16,332,524	18,608,396
Other	2,979,642	3,844,873
Total program services	185,779,471	179,575,704
Support services:		
General and administrative	65,097,499	68,275,460
Fundraising	5,631,033	6,355,396
Total support services	70,728,532	74,630,856
Total operating expenses	256,508,003	254,206,560
Operating surplus	13,601,948	21,802,579
Nonoperating activities		
Return on investments, net	1,624,161	2,028,036
Change in investment in subsidiary	(395,669)	(402,013)
Interest expense	(2,840,712)	(5,755,160)
Depreciation and amortization	(8,867,904)	(9,702,208)
Loss on early extinguishment of debt	(26,325,476)	—
Other, net	(194,054)	(3,944,346)
Total nonoperating activities	(36,999,654)	(17,775,691)
(Decrease) increase in net assets without donor restrictions	\$ (23,397,706)	\$ 4,026,888

Continued on the next page

National Public Radio, Inc. (Parent Company Only)

Supplemental Statements of Activities

<i>Years ended September 30,</i>	2020	2019
Changes in net assets with donor restrictions		
Contributions of cash and other financial assets	\$ 22,231,497	\$ 11,997,262
Split-interest agreement contributions	17,829	19,638
Return on investments, net	141,419	134,814
Net assets released from donor restrictions	(11,928,046)	(9,030,793)
Increase in net assets with donor restrictions	10,462,699	3,120,921
Change in net assets	(12,935,007)	7,147,809
Net assets, beginning of year	140,080,092	132,932,283
Net assets, end of year	\$ 127,145,085	\$ 140,080,092

In 2020 and 2019, NPR Inc. recorded "Contributions of cash and other financial assets" revenue in net assets without donor restrictions from grants awarded by the following federal agencies totaling:

<i>Years ended September 30,</i>	2020	2019
National Endowment for the Humanities	\$ 40,360	\$ —
National Endowment for the Arts	50,000	118,000
Small Business Administration	10,000	—
Total revenue	\$ 100,360	\$ 118,000

NPR Foundation

Supplemental Balance Sheets

<i>September 30,</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 4,927,270	\$ 4,645,223
Pledges receivable, net	290,458	773,797
Investments	335,100,314	334,597,443
Due from NPR Inc.	3,417,465	1,822,330
Total assets	\$ 343,735,507	\$ 341,838,793
 Liabilities and Net Assets		
Liabilities	\$ 84,816	\$ 80,686
 Net assets		
Net assets without donor restrictions	26,802,891	26,533,588
Net assets with donor restrictions	316,847,800	315,224,519
Total net assets	343,650,691	341,758,107
Total liabilities and net assets	\$ 343,735,507	\$ 341,838,793

NPR Foundation

Supplemental Statements of Activities

<i>Years ended September 30,</i>	2020	2019
Changes in net assets without donor restrictions		
Revenues, gains, and other support		
Contributions of cash and other financial assets	\$ 3,070,152	\$ 3,529,648
Return on investments, net	1,187,142	534,573
Net assets released from donor restrictions	13,713,589	12,985,508
Total revenues, gains, and other support	17,970,883	17,049,729
Expenses		
Transferred to NPR Inc.:		
Annual support	4,758,687	3,853,957
Endowment support	12,567,679	12,350,942
Compensation, taxes, and benefits	106,314	—
Contracted services	179,598	159,134
Travel, conferences, meetings, and events	49,834	141,469
Other	39,468	9,515
Total expenses	17,701,580	16,515,017
Increase in net assets without donor restrictions	269,303	534,712
Changes in net assets with donor restrictions		
Contributions of cash and other financial assets	1,166,806	1,500,629
Return on investments, net	14,170,064	5,414,849
Net assets released from donor restrictions	(13,713,589)	(12,985,508)
Increase (decrease) in net assets with donor restrictions	1,623,281	(6,070,030)
Change in net assets	1,892,584	(5,535,318)
Net assets, beginning of year	341,758,107	347,293,425
Net assets, end of year	\$ 343,650,691	\$ 341,758,107