



NEW YORK PUBLIC RADIO

Financial Statements and Supplemental Schedule

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
New York Public Radio:

We have audited the accompanying financial statements of New York Public Radio, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of New York Public Radio as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Report on Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

KPMG LLP

September 29, 2014

NEW YORK PUBLIC RADIO

Statements of Financial Position

June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 15,407,579	15,133,757
Pledges and grants receivable	7,444,609	6,225,690
Accounts receivable, less allowance for doubtful accounts of \$267,391 and \$142,360 at June 30, 2014 and 2013, respectively	4,659,931	3,544,326
Due from partner in collaborative arrangements	326,631	103,276
Investments	2,203,398	3,501,853
Prepaid expenses and other current assets	1,662,079	803,179
Total current assets	31,704,227	29,312,081
Noncurrent assets:		
Pledges receivable, net, long-term portion	1,338,694	1,279,008
Investments	39,882,753	33,903,837
Cash equivalents limited as to use	198,851	195,934
Fixed assets, net of accumulated depreciation and amortization	23,468,045	24,847,274
FCC licenses	29,242,387	28,802,254
Other assets	588,670	474,846
Total noncurrent assets	94,719,400	89,503,153
Total assets	\$ 126,423,627	118,815,234
Liabilities and Net Assets		
Current liabilities:		
Accounts payable, accrued expenses, and deferred revenue	\$ 10,839,635	10,879,263
Current portion of bonds payable	795,000	755,000
Refundable advance	—	1,000,000
Due to partner in collaborative arrangements	119,570	—
Total current liabilities	11,754,205	12,634,263
Noncurrent liabilities:		
Refundable advance	1,000,000	—
Fair value of interest rate swap agreement	1,552,885	1,704,395
Bonds payable, less current portion	11,345,000	12,140,000
Deferred rent	2,332,398	2,203,896
Other liabilities	1,945,846	2,347,530
Total noncurrent liabilities	18,176,129	18,395,821
Total liabilities	29,930,334	31,030,084
Commitments		
Net assets:		
Unrestricted:		
Undesignated	70,658,192	63,623,821
Board-designated	15,596,849	16,213,434
Total unrestricted	86,255,041	79,837,255
Temporarily restricted	9,883,994	7,598,418
Permanently restricted	354,258	349,477
Total net assets	96,493,293	87,785,150
Total liabilities and net assets	\$ 126,423,627	118,815,234

See accompanying notes to financial statements.

NEW YORK PUBLIC RADIO

Statements of Activities

Years ended June 30, 2014 and 2013

	2014					2013						
	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total	Undesignated	Board-designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total
Operating activities:												
Operating support and revenue:												
Contributions	\$ 45,695,471	284,842	45,980,313	13,349,805	—	59,330,118	42,337,329	782,940	43,120,269	8,182,753	—	51,303,022
Government grants	116,458	—	116,458	1,538,465	—	1,654,923	115,369	2,000,000	2,115,369	1,615,427	—	3,730,796
Donated services	159,411	—	159,411	—	—	159,411	61,610	—	61,610	—	—	61,610
Production and other income	5,357,093	—	5,357,093	—	—	5,357,093	3,080,782	—	3,080,782	—	—	3,080,782
Special events revenue, net of direct expenses of \$387,858 and \$230,504 in 2014 and 2013, respectively	933,942	—	933,942	—	—	933,942	1,262,978	—	1,262,978	—	—	1,262,978
Investment income	1,331,490	—	1,331,490	—	—	1,331,490	1,100,218	—	1,100,218	—	—	1,100,218
Revenues from collaborative arrangement	1,118,521	—	1,118,521	—	—	1,118,521	1,161,414	—	1,161,414	—	—	1,161,414
Net assets released from restrictions	12,151,186	451,508	12,602,694	(12,602,694)	—	—	9,717,444	1,211,340	10,928,784	(10,928,784)	—	—
Total operating support and revenue	66,863,572	736,350	67,599,922	2,285,576	—	69,885,498	58,837,144	3,994,280	62,831,424	(1,130,604)	—	61,700,820
Operating expenses:												
Program services:												
Programming	38,511,417	—	38,511,417	—	—	38,511,417	36,176,778	—	36,176,778	—	—	36,176,778
Technical operations	5,508,286	—	5,508,286	—	—	5,508,286	5,029,257	—	5,029,257	—	—	5,029,257
Marketing	3,298,489	—	3,298,489	—	—	3,298,489	2,793,970	—	2,793,970	—	—	2,793,970
Total program services	47,318,192	—	47,318,192	—	—	47,318,192	44,000,005	—	44,000,005	—	—	44,000,005
Supporting services:												
Fund-raising (noncampaign)	12,363,279	—	12,363,279	—	—	12,363,279	11,720,037	—	11,720,037	—	—	11,720,037
Fund-raising (campaign)	—	—	—	—	—	—	5,691	—	5,691	—	—	5,691
Management and general	5,224,028	—	5,224,028	—	—	5,224,028	4,885,657	—	4,885,657	—	—	4,885,657
Total supporting services	17,587,307	—	17,587,307	—	—	17,587,307	16,611,385	—	16,611,385	—	—	16,611,385
Total operating expenses	64,905,499	—	64,905,499	—	—	64,905,499	60,611,390	—	60,611,390	—	—	60,611,390
Increase (decrease) in operating activities	1,958,073	736,350	2,694,423	2,285,576	—	4,979,999	(1,774,246)	3,994,280	2,220,034	(1,130,604)	—	1,089,430
Nonoperating activities:												
Investment return	3,571,853	—	3,571,853	—	4,781	3,576,634	1,970,446	—	1,970,446	—	(191)	1,970,255
Change in fair value of interest rate swap agreement	151,510	—	151,510	—	—	151,510	757,345	—	757,345	—	—	757,345
Transfers	1,352,935	(1,352,935)	—	—	—	—	5,985,852	(5,985,852)	—	—	—	—
Change in net assets	7,034,371	(616,585)	6,417,786	2,285,576	4,781	8,708,143	6,939,397	(1,991,572)	4,947,825	(1,130,604)	(191)	3,817,030
Net assets at beginning of year	63,623,821	16,213,434	79,837,255	7,598,418	349,477	87,785,150	56,684,424	18,205,006	74,889,430	8,729,022	349,668	83,968,120
Net assets at end of year	\$ 70,658,192	15,596,849	86,255,041	9,883,994	354,258	96,493,293	63,623,821	16,213,434	79,837,255	7,598,418	349,477	87,785,150

See accompanying notes to financial statements.

NEW YORK PUBLIC RADIO
Statements of Cash Flows
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 8,708,143	3,817,030
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	3,306,119	3,314,709
Amortization of deferred financing costs	(26,680)	40,968
Bad debt expense, net of recoveries	134,283	70,898
Net expense from barter arrangements	(363,556)	(488,289)
Deferred rent	128,503	128,503
Lease incentive obligation (in other liabilities)	(27,068)	(27,068)
Donated fixed assets	(778,155)	(666,732)
Change in fair value of interest rate swap agreement	(151,510)	(757,345)
Change in unrealized and realized gains on investments	(4,434,976)	(2,104,172)
Changes in operating assets and liabilities:		
Current pledges and grants receivable	(1,218,919)	1,087,801
Accounts receivable	(361,574)	(377,944)
Prepaid expenses and other current assets	141,100	(47,725)
Due from partner in collaborative arrangements	(103,785)	(36,606)
Long-term pledges receivable, net	(59,686)	1,174,723
Other assets	(87,144)	44,568
Accounts payable, accrued expenses, and deferred revenue	(31,486)	1,412,695
Other liabilities	57,612	(570,966)
Net cash provided by operating activities	4,831,221	6,015,048
Cash flows from investing activities:		
Net (increase) decrease in cash equivalents limited as to use	(2,917)	5,417
Purchase of fixed assets	(1,225,550)	(1,210,052)
Purchase of investments	(6,251,204)	(16,563,401)
Sale of investments	6,005,719	6,935,393
Investment receivable	(1,888,314)	—
Purchase of FCC license	(440,133)	—
Net cash used in investing activities	(3,802,399)	(10,832,643)
Cash flows from financing activity:		
Repayment of bonds payable	(755,000)	(2,250,000)
Net cash used in financing activity	(755,000)	(2,250,000)
Net increase (decrease) in cash and cash equivalents	273,822	(7,067,595)
Cash and cash equivalents at beginning of year	15,133,757	22,201,352
Cash and cash equivalents at end of year	\$ 15,407,579	15,133,757
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 424,892	420,986
Noncash investing and financing activities:		
Fixed assets purchased through accounts payable	\$ 134,116	210,932
Donated fixed assets	778,155	666,732

See accompanying notes to financial statements.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

(1) Nature of Business and Organization

New York Public Radio was incorporated in the State of New York in September 1979 as a not-for-profit corporation, primarily for the purpose of providing monetary and operational support for the City of New York Municipal Broadcasting System, later known as the New York Public Communications Group, through fund-raising activities and the rendering of services.

On January 7, 1997, the City of New York transferred the licenses and all the assets associated with WNYC-AM and WNYC-FM to New York Public Radio for \$20 million payable over six years. The Federal Communications Commission (FCC) granted the transfer of the licenses in fiscal 1997.

On October 6, 2009, New York Public Radio purchased certain assets used in the operation of the radio station WQXR-FM from The New York Times Company. New York Public Radio paid a purchase price of approximately \$11,626,000 in cash inclusive of direct expenses.

On July 1, 2011, New York Public Radio assumed operations under a managing program agreement of four New Jersey network radio stations, WNJT-FM, WNJP-FM, WNJY-FM, and WNJO-FM, owned by the State of New Jersey. On December 5, 2011, the FCC licenses and certain other assets were purchased from the State of New Jersey for approximately \$1 million in cash and \$1.8 million in in-kind services.

New York Public Radio is a Section 501(c)(3) organization, which is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code). It is a publicly supported organization as described in Section 509(a)(1) of the Code. New York Public Radio is also exempt from state and local income taxes. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. New York Public Radio recognizes the effect of income tax positions only if these positions are more likely than not of being sustained.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

(b) *Use of Estimates*

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used for, but not limited to, accounts and pledges receivable allowances, fair value of investments and interest rate swaps, depreciation rates for fixed assets, and functional expenses.

New York Public Radio allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be readily identified with a specific program or supporting

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

(c) Net Assets

To ensure compliance with limitations and restrictions placed on the use of resources, New York Public Radio reports its financial resources in three net asset classes: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets: Unrestricted net assets include expendable resources over which New York Public Radio's Board of Trustees has discretionary control and are used to carry out New York Public Radio's operations in accordance with its Articles of Incorporation and the related bylaws. In fiscal 2006, New York Public Radio's Board of Trustees designated a portion of unrestricted net assets for the Campaign for New York Public Radio. Funds received in association with this campaign are to be allocated at the discretion of the Board of Trustees to the fit-out and construction of New York Public Radio's facility, debt service related to the March 2006 bond offering, lease, and operating expenses associated with the facility, and programming initiatives. In fiscal year 2013, all charitable gift annuities in excess of liability were designated by the Board of Trustees. Upon maturity of a contract, the revenue will be allocated at the discretion of the Board of Trustees.

Temporarily Restricted Net Assets: Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of New York Public Radio.

Permanently Restricted Net Assets: Permanently restricted net assets represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be used.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law.

(d) Grants and Contributions

Grants and contributions (including unconditional promises to give) are recorded initially at fair value when received or pledged. Contributions received with donor stipulations that limit the use of donated assets are reported as either temporarily or permanently restricted support. Unconditional promises to give, with payments due in future years, are reported as temporarily restricted support, discounted to their present value. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. The fair values are measured as discussed in note 4. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

The details of unrestricted contributions for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Membership	\$ 20,692,018	19,321,532
Underwriting	15,911,850	14,045,235
Underwriting trade	770,409	1,035,994
Campaign for New York Public Radio	175,000	385,736
Major donors	4,932,126	4,895,704
Bequests and planned giving	602,253	728,539
Foundations and not-for-profit organizations	2,896,657	2,707,529
	<u>\$ 45,980,313</u>	<u>43,120,269</u>

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. As of June 30, 2014, New York Public Radio has received conditional pledges and payments totaling approximately \$2,200,000 for future support for which the conditions stipulated by the donors have not yet been met.

(e) Donated Services and Support

Volunteers have donated significant amounts of their time to New York Public Radio's program services and supporting services. No amounts have been reflected in the accompanying financial statements for these donated services because they do not meet the criteria for revenue recognition established by U.S. generally accepted accounting principles.

(f) Cash Equivalents

New York Public Radio considers all highly liquid investments, consisting primarily of money market funds, with a maturity of three months or less when purchased, and other than those intended to be held as part of the investment portfolio or those restricted as to use, to be cash equivalents. All cash and cash equivalents are held at three financial institutions at June 30, 2014 and 2013. The amount of cash and cash equivalents at these banks may exceed federally insured limits. At June 30, 2014 and 2013, approximately, \$12.2 million and \$12.8 million, respectively, of the balance in cash and cash equivalents is held in money market funds that are invested in underlying U.S. government or U.S. government and agency securities.

(g) Accounts Receivable

Accounts receivable consist primarily of on-air acknowledgments of corporate underwriting. The allowance for doubtful accounts is determined based upon specific analysis of past-due accounts and historical collections experience.

(h) Investments

Investments are reported at estimated fair market value based upon quoted market prices or at estimated fair value using net asset value (NAV), as a practical expedient, provided by the general partners of limited partnerships or other external investment managers. These NAVs are reviewed and evaluated by New York Public Radio. Due to the inherent uncertainties of these estimates, these

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

values may differ from the values that would have been used had a ready market existed for such investments. Short term investments are investments with maturities less than one year, which are not held by long-term investment managers.

New York Public Radio maintains a spending policy on its long-term investment portfolio. The spending policy used for operations may be up to 4% of a 12 quarter rolling average market value as of June 30th. In addition to the spending policy on the long-term investment portfolio, investment return used for operations includes investment income on working capital cash, short-term investments and any other long-term investments not maintained as part of the long-term investment portfolio.

(i) *FCC Licenses*

Identifiable intangible assets with indefinite lives consist of the FCC licenses for New York Public Radio. Such intangible assets are no longer amortized but instead are subject to annual impairment tests. There were no indications of impairment noted in the annual impairment test performed for the years ended June 30, 2014 and 2013.

(j) *Depreciation and Amortization*

Furniture, fixtures, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. New York Public Radio provides for depreciation of fixed assets on the straight-line basis over the estimated useful lives of the assets ranging from three to seventeen years. Amortization of leasehold improvements is provided on the straight-line basis over the lesser of the terms of the related leases or estimated useful lives of the improvements.

(k) *Marketing and Public Relations*

Marketing and public relations costs are expensed as incurred. For the years ended June 30, 2014 and 2013, total marketing and public relations costs amounted to approximately \$1,501,000 and \$1,107,000, respectively.

(l) *Barter Transactions*

Revenue from barter transactions (underwriting acknowledgments provided in exchange for goods and services) is recognized when underwriting is broadcast and is valued based on fair value (comparable cash revenue). Goods and services received are recorded as a capital asset or prepaid expense, depending on the nature of the goods or services received, and are charged to expense when rendered or used. Barter revenues were \$770,409 and \$1,035,994 and barter expenses were \$406,853 and \$547,705 for the years ended June 30, 2014 and 2013, respectively. A liability of approximately \$354,348 and \$717,904 is included in accounts payable at June 30, 2014 and 2013, respectively, in the accompanying statements of financial position, representing the acknowledgements under barter arrangements to be broadcast in the future.

(m) *Interest Rate Swap Agreement*

New York Public Radio calculates and records the fair value of its interest rate swap agreement based on the differences between market interest rates at the date of the agreement and interest rates in effect at June 30th.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

(n) Collaborative Arrangements

New York Public Radio accounts for its collaborative arrangements in accordance with *Accounting for Collaborative Arrangements* (note 12), which prescribes that for costs incurred and revenue generated from third parties, the participant in a collaborative arrangement that is deemed to be the principal participant for a given transaction should record that transaction on a gross basis in the financial statements. Payments from New York Public Radio's partners in the collaborative arrangements are recorded as revenues from collaborative arrangement in the period in which such payments are due to cover expenditures of the arrangement.

(o) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Investments classified in Level 2 or 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the NAV reported by each fund is used as a practical expedient to estimate fair value of New York Public Radio's interest therein, its classification in Level 2 or 3 is based on New York Public Radio's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term (within 90 days), the investment is classified in Level 2.

(p) Reclassification

Certain prior year amounts may have been reclassified to conform with the current year presentation.

(q) Investment Return

New York Public Radio includes in operations all revenue and expenses that are an integral part of its program and supporting activities. Investment return, including net realized and unrealized gains and losses, in excess of or less than the authorized spending policy, are recognized as nonoperating activities.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

(3) Investments

New York Public Radio held the following investments at June 30:

	Fair value	
	2014	2013
Investments:		
U.S. Equity	\$ 8,787,251	7,155,245
Global equity	7,379,346	6,560,230
Emerging markets	2,869,508	2,537,679
Hedge funds	7,618,547	6,982,451
Inflation hedging	2,938,731	2,555,996
Fixed income	12,136,175	11,525,542
Cash and equivalents	356,593	88,547
	<u>\$ 42,086,151</u>	<u>37,405,690</u>

Investments measured at NAV by major category, at June 30, 2014, are as follows:

<u>Strategy</u>	<u>FMV</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
U.S. Equity	\$ 3,203,868	Semi monthly/Quarterly	30 days
Global equity	3,096,984	Semi monthly/Monthly	6 days
Emerging markets	1,068,483	Monthly	5 days
Hedge funds	7,618,547	Annually/Bi annually	60–95 days/
Inflation hedging	730,130	Monthly	5 days
Fixed income	682,657	Daily	10 days
	<u>\$ 16,400,669</u>		

Investment income consists of the following in fiscal 2014 and 2013:

	2014	2013
Interest and dividend	\$ 473,148	966,301
Net appreciation in fair value of investments	4,434,976	2,104,172
	<u>\$ 4,908,124</u>	<u>3,070,473</u>

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

Valuation Hierarchy

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2014 and 2013:

	Carrying value (fair value at June 30, 2014)	Fair value measurements at June 30, 2014 using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
U.S. Equity	\$ 8,787,251	5,583,383	3,203,868	—
Global equity	7,379,346	4,282,362	3,096,984	—
Emerging markets	2,869,508	1,801,025	1,068,483	—
Hedge funds	7,618,547	—	3,351,284	4,267,263
Inflation hedging	2,938,731	2,208,601	730,130	—
Fixed income	12,136,175	11,453,518	682,657	—
Cash and equivalents	356,593	356,593	—	—
Total investments	\$ 42,086,151	25,685,482	12,133,406	4,267,263
Fair value of interest rate swap agreement	\$ (1,552,885)	—	(1,552,885)	—
	Carrying value (fair value at June 30, 2013)	Fair value measurements at June 30, 2013 using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
U.S. Equity	\$ 7,155,245	4,476,500	2,678,745	—
Global equity	6,560,230	3,986,051	2,574,179	—
Emerging markets	2,537,679	1,636,410	901,269	—
Hedge funds	6,982,451	—	4,359,223	2,623,228
Inflation hedging	2,555,996	1,147,743	1,408,253	—
Fixed income	11,525,542	10,984,571	540,971	—
Cash and equivalents	88,547	88,547	—	—
Total investments	\$ 37,405,690	22,319,822	12,462,640	2,623,228
Fair value of interest rate swap agreement	\$ (1,704,395)	—	(1,704,395)	—

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

The following table represents the changes in Level 3 assets for the year ended June 30:

	<u>Hedge funds</u>
Balance June 30, 2012	\$ 4,595,692
Acquisitions	600,000
Unrealized gains	666,673
Transfers to Level 2	<u>(3,239,137)</u>
Balance June 30, 2013	2,623,228
Unrealized gains	347,836
Transfers from Level 2	<u>1,296,199</u>
Balance June 30, 2014	<u>\$ 4,267,263</u>

Transfers to (from) Level 3 and Level 2 are based on New York Public Radio's ability to redeem its interest at or near the date of the statement of financial position, primarily related to lock-up expirations.

Valuation Techniques

New York Public Radio classified its investments within Level 1, Level 2, and Level 3 in the hierarchy. Level 1 instruments consist of marketable securities for which quoted prices are available in active markets. Level 2 and Level 3 instruments consisting of comingled funds, fund of funds, and limited partnerships, as a practical expedient, based on NAVs provided by the fund manager or general partner.

New York Public Radio's derivative instrument consists of an over-the-counter interest rate swap agreement, which is not publicly traded on a public exchange. The fair value of New York Public Radio's interest rate swap agreement was determined based on inputs to a model that can be corroborated with observable market data (note 4). As such, New York Public Radio categorized its interest rate swap agreement as Level 2.

(4) Fair Values of Financial Instruments

The following methods and assumptions were used by New York Public Radio for fair value measurements made in the accompanying financial statements in accordance with Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures*:

Cash equivalents: Carrying amounts of cash equivalents are based on quoted market prices, which are considered Level 1 in the fair value hierarchy.

Pledges and grants receivable: Pledges and grants receivable are reported at their fair values at the date of gift. Fair values are measured based on present value of future cash flows, with consideration of expectations about possible variations in the amount and/or timing of the cash flows and other specific factors that would be considered by market participants. The fair value measurements also include consideration of donors' credit risk. The inputs to this estimate are considered Level 3 in the fair value hierarchy.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

Investments: These assets consist primarily of marketable securities, which are reported at fair values based on quoted market prices, and comingled funds, fund of funds, and limited partnerships, which are recorded based on NAVs provided by the fund manager or general partner.

Cash equivalents limited as to use: The carrying amounts reported in the accompanying statements of financial position represent fair values based on quoted market prices, which are considered Level 1 in the fair value hierarchy.

Interest rate swap agreement: The fair value has been calculated based on the difference between market interest rates at the date of the agreement and interest rates in effect at June 30, 2014 and 2013. The fair value reported also includes consideration of New York Public Radio's credit risk.

The following methods and assumptions were used by New York Public Radio to estimate its fair value disclosures for financial instruments that are not measured and recorded at fair value:

Accounts receivable: The carrying values of accounts receivable approximate fair value, due to the short maturity of these instruments. The inputs to this estimate are considered Level 3 in the fair value hierarchy.

Due to/from partner in collaborative arrangement: The carrying value of amounts due from partner in collaborative arrangement approximates fair value, due to the short maturity of these instruments. The inputs to this estimate are considered Level 3 in the fair value hierarchy.

Refundable advance: The carrying value of the refundable advance approximates fair value. The inputs to this estimate are considered Level 3 in the fair value hierarchy.

Bonds payable: The carrying amount of New York Public Radio's variable rate bonds payable approximates market. The fair value approximates carrying value as the bonds are remarketed weekly and have a 30-day notice of redemption. The inputs to this estimate are considered Level 2 in the fair value hierarchy.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

(5) Pledges and Grants Receivable

Pledges and grants receivable consist substantially of promises to give and are due from individuals and foundations. Pledges and grants receivable, net of allowance for uncollectible pledges, are due to be collected as follows at June 30:

	<u>2014</u>	<u>2013</u>
Pledges and grants receivable:		
Less than one year	\$ 7,444,609	6,225,690
One to five years	1,498,889	1,400,000
	<u>8,943,498</u>	<u>7,625,690</u>
Less:		
Discount (1.4% – 1.6%)	(37,688)	(34,035)
Credit rate adjustments	(122,507)	(41,957)
Allowance for uncollectible pledges	<u>—</u>	<u>(45,000)</u>
Pledges and grants receivable, net	<u>\$ 8,783,303</u>	<u>7,504,698</u>

One donor accounted for 11% and 13% of gross pledges and grants receivable at June 30, 2014 and 2013, respectively. Five donors accounted for 17% and 7% of contribution revenue at June 30, 2014 and 2013, respectively.

(6) Fixed Assets

Fixed assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Computer hardware	\$ 2,860,490	1,915,933
Leasehold improvement	23,836,856	23,680,565
Furniture and fixtures	2,301,323	2,053,337
Equipment	13,907,987	14,004,917
Vehicles	<u>29,456</u>	<u>29,456</u>
	42,936,112	41,684,208
Less accumulated depreciation and amortization	<u>(19,468,067)</u>	<u>(16,836,934)</u>
	<u>\$ 23,468,045</u>	<u>24,847,274</u>

New York Public Radio received capital appropriations from the City of New York, which obligated the recipient organization to operate the facility and/or maintain equipment for the respective bonding term as a nonprofit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, or artistic uses, and/or related purposes approved by the City.

At June 30, 2014, the City of New York and a government entity hold a security interest in leasehold improvements of \$1,162,500 and in equipment of approximately \$10,000,000.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

(7) Bonds Payable

In March 2006, New York Public Radio issued tax-exempt Series 2006 revenue bonds (Series 2006 Revenue Bonds) through the Trust for Cultural Resources of the City of New York in the amount of \$23,000,000. Proceeds from the Series 2006 Revenue Bonds, as well as any interest income earned on the proceeds, were used to finance issuance costs, a portion of interest costs, and a portion of the cost of the renovation, construction, studio technical fit-out, and furnishing of approximately 76,000 square feet of leased space in a building that is used as New York Public Radio's principal office and broadcast studios.

The Series 2006 Revenue Bonds are secured by an irrevocable direct pay letter of credit from a bank (Wells Fargo Bank, N.A.) with a credit rating at June 30, 2014 that meets the requirements of the bond indentures. The letter of credit expires on March 29, 2017 and is secured by certain assets pledged by New York Public Radio. The letter of credit agreement also requires New York Public Radio to maintain compliance with certain financial covenants and other restrictions. At June 30, 2014, New York Public Radio was in compliance with the financial covenants contained in its credit agreement.

As a condition of this borrowing, beginning in April 2008, New York Public Radio was required to make monthly deposits into a debt service fund. At June 30, 2014 and 2013, approximately, \$199,000 and \$196,000, respectively, of debt service funds are included in cash equivalents limited as to use in the accompanying statements of financial position. The fund accumulates amounts necessary to make principal payments on annual serial maturity dates commencing April 1, 2009. The final maturity date is April 1, 2026. Any grants and contributions received that are restricted to the project funded by the bonds must be used to fund project costs or be deposited in the debt service fund for payment of bond principal. The Series 2006 Revenue Bonds bear interest at a rate that is reset weekly as determined by the remarketing agent. The rate effective at June 30, 2014 was 0.04%. Interest is payable on the first business day of each calendar month. New York Public Radio recognized approximately \$423,000 and \$455,000 in interest expense for the years ended June 30, 2014 and 2013, respectively.

The Series 2006 Revenue Bonds are subject to future mandatory sinking fund installments as follows:

Year ending June 30:	
2015	\$ 803,750
2016	836,250
2017	866,250
2018	910,000
2019	950,000
Thereafter	<u>7,575,000</u>
	<u>\$ 11,941,250</u>

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

Principal payments are to be made from the sinking fund installments that New York Public Radio pays as follows:

Year ending June 30:		
2015	\$	795,000
2016		830,000
2017		855,000
2018		900,000
2019		940,000
Thereafter		<u>7,820,000</u>
	\$	<u><u>12,140,000</u></u>

(8) Interest Rate Swap Agreement

In March 2006, New York Public Radio entered into an interest rate swap agreement to manage the interest cost and risk associated with the Series 2006 bond issuance. The interest rate swap has an effective date of March 29, 2006 and is intended to reduce the risk of rising interest rates. The initial notional amount of the swap agreement is \$15,000,000, to be reduced to match principal payments on the bonds payable over the period from April 1, 2009 through April 1, 2026. In accordance with the terms of the interest rate swap and related agreement, New York Public Radio pays an interest rate of 3.675% and receives interest based on 70% of USDLIBOR-BBA. Net receipts or payments under the agreement are recognized as an adjustment to interest expense. The interest rate swap agreement expires April 1, 2026. The fair value of the swap agreement is a liability of \$1,552,885 and \$1,704,395 at June 30, 2014 and 2013, respectively.

(9) Refundable Advance

In November 2013, New York Public Radio entered into an agreement with an outside foundation under which the foundation advanced \$1,000,000 for the support of New York Public Radio's programs for a period of fifteen years through November 11, 2028. After November 11, 2028, New York Public Radio will be required, at the direction of the foundation, to contribute the funds to one or more not-for-profit organizations that are not affiliated with New York Public Radio. Any income that New York Public Radio earns on the \$1,000,000 can be used to fund operations. The advance is reflected in cash and cash equivalents and as a refundable advance in the accompanying statements of financial position.

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2014	2013
Temporarily restricted:		
Programming	\$ 7,157,145	3,763,552
Time restrictions	<u>2,726,849</u>	<u>3,834,866</u>
	<u>\$ 9,883,994</u>	<u><u>7,598,418</u></u>

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

Approximately, \$6,114,058 and \$2,855,689 restricted for programming at June 30, 2014 and 2013, respectively, are also time restricted.

(11) Endowment Fund

In 2010, New York State adopted New York Prudent Management of Institutional Funds Act (NYPMIFA). The Board of Trustees of New York Public Radio has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, New York Public Radio classifies as permanently restricted net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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 fund. In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by New York Public Radio in a manner consistent with the standard of prudence prescribed by NYPMIFA.

New York Public Radio's endowment consists of a permanently restricted endowment fund, the principal of which must be maintained intact in perpetuity, and income earned is restricted for the development of news, information, and other programming services. New York Public Radio's permanently restricted donor endowment fund balance was \$354,258 and \$349,477 at June 30, 2014 and 2013, respectively.

New York Public Radio has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment fund.

Changes in endowment net assets for the year ended June 30, 2014 consisted of the following:

		Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$	—	349,477	349,477
Contributions		—	—	—
Investment return:				
Investment income		9,198	4,781	13,979
Appropriated for spending		(9,198)	—	(9,198)
Endowment net assets, ending of year	\$	—	354,258	354,258

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

Changes in endowment net assets for the year ended June 30, 2013 consisted of the following:

		Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$	—	349,668	349,668
Contributions		—	—	—
Investment return:				
Investment income		14,767	(191)	14,576
Appropriated for spending		(14,767)	—	(14,767)
Endowment net assets, ending of year	\$	—	349,477	349,477

(12) Collaborative Arrangements

- (a) New York Public Radio entered into a Co-Production agreement (the Agreement) with a partner in fiscal 2008 to develop, produce, and distribute noncommercial public radio programming and digital content (the Series). Under the terms of the Agreement, New York Public Radio is responsible for the day-to-day editorial content and creative control of the Series. New York Public Radio and its partner are each required to fund any deficit amount incurred. Each of New York Public Radio and its partner also agrees to make an equal contribution to the Co-Production each fiscal year. The annual contribution may be increased or decreased from one fiscal year to the next. The term of the Agreement commenced as of April 28, 2008 and, unless earlier terminated in accordance with the Agreement. Upon expiration, the term of the Agreement will automatically renew for additional one-year period (each, a Renewal Term) unless either New York Public Radio or its partner provides written notice of its intent not to renew the Agreement at least six months prior to the expiration of the any such Renewal Term.

New York Public Radio acted as the principal for certain revenue and expense transactions with third parties and, therefore, recognized these transactions on a gross basis in the accompanying financial statements. New York Public Radio recognized \$50,000 and \$40,046 in temporarily restricted contributions; \$22,440 and \$0 in unrestricted contributions; \$193,959 and \$167,551 in production and other income; and \$1,799,520 and \$2,499,009 in various expenses on a gross basis in the accompanying statements of activities for the years ended June 30, 2014 and 2013, respectively. In addition to these amounts, revenues from this collaborative arrangement of \$1,118,521 and \$842,730 are also recognized in the accompanying statements of activities for the years ended June 30, 2014 and 2013, respectively, related to the portion of Series expenses for which New York Public Radio's partner is obligated to reimburse New York Public Radio.

- (b) New York Public Radio entered into a new Co-Production agreement (the Agreement) with two partners in fiscal 2011 to develop, produce, and distribute noncommercial public radio programming and digital content. Under the terms of the Agreement, New York Public Radio is responsible for the day-to-day editorial content and creative control of the Co-Production. New York Public Radio and one of its partners are each required to fund 50% of any deficit amount incurred. Any net surplus will be shared equally between the three partners. The term of the Agreement commenced as of September 1, 2010 and, unless earlier terminated in accordance with the Agreement, continued through June 30, 2013. In fiscal 2014, New York Public Radio entered into a new Co-Production

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

agreement (the Agreement) with a partner to develop, produce, and distribute noncommercial public radio programming and digital content. Under the terms of the Agreement, New York Public Radio is responsible for the day-to-day editorial content and creative control of the Co-Production. New York Public Radio is required to fund 100% of any deficit amount incurred. Any net surplus will be shared equally between the partner and New York Public Radio. The term of the Agreement commenced as of July 1, 2013 and, unless earlier terminated in accordance with the Agreement, continues through June 30, 2015.

New York Public Radio acted as the principal for certain revenue and expense transactions with third parties and, therefore, recognized these transactions on a gross basis in the accompanying financial statements. New York Public Radio recognized \$1,230,981 and \$345,089 in unrestricted contributions; \$753 and \$1,952 in production and other income; and \$775,662 and \$737,369 in various expenses on a gross basis in the accompanying statements of activities for the years ended June 30, 2014 and 2013, respectively. In addition to these amounts, revenues from this collaborative arrangement of \$0 and \$318,684 are also recognized in the accompanying statements of activities for the years ended June 30, 2014 and 2013, respectively, related to the portion of Co-Production expenses for which one of New York Public Radio's partners is obligated to reimburse New York Public Radio.

(13) Commitments

New York Public Radio has agreements to license capacity on transmitters and lease space at the transmission facilities with third parties in New York and New Jersey. These agreements expire between March 2017 and March 2029. Total license and rent expense was approximately \$1,140,000 and \$1,101,000 for the years ended June 30, 2014 and 2013, respectively. In March 2006, New York Public Radio entered into a noncancelable lease agreement for office space and broadcast studios in New York City for a term of 20 years. The lease calls for escalation charges through the lease term and includes a rent-free period of approximately 11 months. The lease also provides New York Public Radio with the option to renew for an additional 10 years provided that New York Public Radio is not in default of any of the terms of the lease agreement.

The lease agreement is secured by a standby letter of credit in the amount of approximately \$837,000 that expires in March 2015 and may be renewed at the option of New York Public Radio.

NEW YORK PUBLIC RADIO

Notes to Financial Statements

June 30, 2014 and 2013

The aggregate minimum lease payments under the lease agreement for office space and broadcast studios are being recognized over the term of the lease on the straight-line basis. The cumulative difference between rent expense so calculated and amounts paid in accordance with terms of the lease amounted to approximately \$2,332,000 and \$2,204,000 as of June 30, 2014 and 2013, respectively, and has been reflected as deferred rent, a liability in the accompanying statements of financial position. Under the terms of the lease agreement, New York Public Radio is reimbursed by the landlord for certain costs incurred. The costs incurred are included in fixed assets and are amortized over the lesser of the lease term or the estimated useful lives of the assets. The amount of costs reimbursed by the landlord is recorded as a lease incentive obligation, which is amortized as a reduction of rent expense on a straight-line basis over the term of the lease. A lease incentive obligation of approximately \$332,000 and \$359,000 is included in other liabilities in the accompanying statements of financial position as of June 30, 2014 and 2013, respectively. Total rent expense recorded under this lease agreement was approximately \$1,679,000 and \$1,590,000 for the years ended June 30, 2014 and 2013, respectively.

Future minimum payments under these agreements as of June 30, 2014 were as follows:

	<u>License agreements</u>	<u>Leases</u>
Year ending June 30:		
2015	\$ 957,373	1,545,804
2016	985,945	1,545,804
2017	972,508	1,838,069
2018	606,377	1,878,114
2019	397,537	1,878,114
Thereafter	2,660,855	13,633,409
	<u>\$ 6,580,595</u>	<u>22,319,314</u>

(14) Collective Bargaining Arrangement

As of June 30, 2014, approximately 37% of New York Public Radio's nontemporary employees are covered under a collective bargaining arrangement with the American Federation of Television and Radio Artists. The collective bargaining agreement expired on June 30, 2014; a new agreement has not yet been signed.

(15) Subsequent Events

New York Public Radio has evaluated events and transactions occurring between July 1, 2014 and September 29, 2014, which is the date that the financial statements were issued, for disclosure and recognition in the financial statements.

NEW YORK PUBLIC RADIO

Schedule of Functional Expenses

Years ended June 30, 2014 and 2013

	Program services				Supporting services				2014	2013
	Programming	Technical operations	Marketing	Total	Fund-raising (noncampaign)	Fund-raising (campaign)	Management and general	Total		
Salaries and benefits	\$ 25,293,896	2,464,313	1,611,237	29,369,446	7,024,001	—	2,517,208	9,541,209	38,910,655	35,766,352
Consultants' fees	912,920	383,437	24,968	1,321,325	329,082	—	557,432	886,514	2,207,839	2,284,150
Marketing and public relations	142,076	—	1,120,442	1,262,518	215,103	—	23,519	238,622	1,501,140	1,106,763
Program acquisition and production	5,107,643	21,408	211,585	5,340,636	9,589	—	—	9,589	5,350,225	5,228,450
Membership services	4,837	—	—	4,837	2,813,762	—	—	2,813,762	2,818,599	3,086,542
Professional services	966,253	28,160	79,069	1,073,482	247,348	—	783,792	1,031,140	2,104,622	1,470,045
Travel, entertainment, and meetings	719,680	29,416	22,903	771,999	368,052	—	88,185	456,237	1,228,236	1,185,367
Equipment rental, repairs, maintenance, and supplies	494,167	485,735	12,515	992,417	389,949	—	124,496	514,445	1,506,862	1,384,182
Office expenses	272,065	8,570	24,690	305,325	30,373	—	65,661	96,034	401,359	314,725
Bad debt expense, net of recoveries	—	—	—	—	—	—	134,283	134,283	134,283	70,898
Postage and mailing	24,004	3,498	1,884	29,386	22,288	—	4,261	26,549	55,935	60,583
Insurance	214,956	23,273	9,625	247,854	45,246	—	14,655	59,901	307,755	271,502
Rent, utilities, and custodial	2,116,048	1,811,857	76,751	4,004,656	385,131	—	167,945	553,076	4,557,732	4,402,896
Financing costs and other	—	—	—	—	—	—	514,138	514,138	514,138	664,226
Total expenses before depreciation, amortization	36,268,545	5,259,667	3,195,669	44,723,881	11,879,924	—	4,995,575	16,875,499	61,599,380	57,296,681
Depreciation and amortization	2,242,872	248,619	102,820	2,594,311	483,355	—	228,453	711,808	3,306,119	3,314,709
Total expenses	\$ 38,511,417	5,508,286	3,298,489	47,318,192	12,363,279	—	5,224,028	17,587,307	64,905,499	60,611,390

See accompanying independent auditors' report.