NEW JERSEY PUBLIC
BROADCASTING AUTHORITY

Combining Financial Statements

June 30, 2008
# NEW JERSEY PUBLIC BROADCASTING AUTHORITY

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NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financials

The financial management of the New Jersey Public Broadcasting Authority (alone, the “Authority”) and its related non-profit entity, the Foundation for New Jersey Public Broadcasting, Inc. (alone, the “FNJPB” or “Foundation”), (together, the “NJPBA”), has prepared this narrative overview and analysis of the individual and combined financial activities for the fiscal year ended June 30, 2008, for the readers of these financial statements. The Authority, as the state licensee, operates New Jersey Public Television and Radio (“NJN”), the statewide public broadcasting network complying with all Federal Communications Commission ("FCC") regulations. The Authority is a New Jersey State agency, classified as “in but not of” the New Jersey Department of State. The Authority was established pursuant to the provisions of the Public Broadcasting Act of 1968 (the “Act”) for the purpose of creating and operating a statewide system of non-commercial broadcasting stations within the State of New Jersey as required by section 7 of the Act. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage the readers to consider the information presented here in conjunction with the financial statements as a whole. These financial statements are presented on a combining basis with those of the FNJPB, an affiliated 501(c)(3) non-profit public charity further defined as a non-private foundation under IRC Section 509(a)(1). Under the Act, the Authority was authorized to establish a non-profit, educational and charitable organization. The FNJPB was established in 1991 for the sponsoring of activities and the raising of funds for the support and promotion of the Authority and its several purposes, thus significantly reducing the Authority’s sole dependence upon state funding. The FNJPB promotes and raises public awareness of public television and radio in New Jersey and conducts fundraising activities in support of the high quality educational, cultural and public affair programming that is either produced locally or acquired by the Authority or FNJPB in the form of pledge programming. The Pension Protection Act of 2006 redefined certain requirements for public charity status under IRC 509(a)(1), which seeks to ensure that no public charity is controlled by one or several wealthy donors. The Foundation, having met the public support test required for 509(a)(1) status, received a new determination from the IRS in January 2007 changing its status to that of a 509(a)(1) public charity from that of its prior 509(a)(3) supporting organization determination. This action was in response to a board request and taken in the interest of not jeopardizing the non-profit status of many contributing organizations under the Pension Protection Act of 2006.

Although the financial statements presented here are a combination of the financial statements of the Authority and the FNJPB, an independent audit of the FNJPB activities was conducted in conjunction with that of the Authority.

Financial Highlights

At June 30, 2008, NJPBA net assets were $9,580,338 which represented a decrease of $1,294,023 from the prior year, which included an $800,000 supplemental grant and reduction in the Fund Balance to close the Authority’s operating gap. On a non-combining basis, the Authority’s net assets for fiscal year 2008 were $6,597,520 net of depreciation expense, an increase of $4,754. Prior to NJPBA’s implementation of Government Accounting Standards Board (“GASB”) Statement 34, “Basic Financial Statements and Management Discussion and Analysis for State and Local Governments” which occurred in fiscal year 2003, depreciation had not been recorded as an operational expense. A
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

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more comprehensive explanation of GASB 34 is presented in the Notes to the Combining Financial Statements' summary of significant accounting policies. Exclusive of depreciation, the Authority’s year to year change in net assets was $1,077,837 a decrease of $307,293 from the prior year. The Authority also incurred $1,068,575 in additional benefit costs for specific classes of employees, a decrease of $105,425 over the prior year. These benefit costs had been paid by the State of New Jersey prior to fiscal year 2003, but have increasingly shifted to the Authority. The decrease is attributable to attrition in specified, non-aligned employees covered under a separate state benefits category resulting from mandated cost reductions in state paid accounts, as well as contributory requirements for health benefits negotiated in the most recent collective bargaining agreement.

A modest excess of support, revenue and non-operating revenues over expenses produced an increase of $4,754 in Authority net assets, while the excess of operating expenses over support and revenue produced a decrease of $498,777 in FNJPB net assets, before any special grants. Included in this net deficit is $218,396 in unbudgeted valuation studies, government relations work, employee communication counsel and legal expenditures connected to a proposed NJPBA transition from its current state license model to a community license model as a possible option to address continually declining state funding. This was in addition to budgeted professional firms already dedicating a portion of contracted services on the proposed transition.

A supplemental operating grant of $800,000 from the FNJPB to the Authority in fiscal year 2008 to close a budget gap contributed to a total reduction in FNJPB net assets of $1,298,777. The term “net assets” refers to the difference between assets and liabilities. On a combined basis, the decrease in net assets in fiscal year 2008 of $1,294,023 is a decrease of $1,170,049 from fiscal year 2007. This decrease is mainly attributable to the $800,000 drawdown of FNJPB net asset balance and $300,000 less in net fundraising activities and public service contracts from partner state agencies resulting from the deteriorating state and national economy in 2008. Authority salary increases were offset by an increase of $171,000 in the state salary program to NJPBA from fiscal year 2007.

At June 30, 2008 Authority unrestricted net assets were $6,597,520, an increase of $4,754 from the June 30, 2007 unrestricted net assets of $6,592,766. FNJPB unrestricted net assets at June 30, 2008 were $2,982,818, a decrease of $1,298,777 from June 30, 2007. Since the Authority does not own the buildings it occupies and is not responsible for related debt and debt service, it does not display a general long-term obligation group, per GASB 34.

Overview of the Combining Financial Statements

This discussion and analysis is intended to serve as an introduction to the NJPBA combining financial statements, which are comprised of the basic financial statements and the accompanying notes to the financial statements of both the Authority and the FNJPB. Since the Authority is comprised of a single enterprise fund, no fund-level financial statements are shown. This report also contains footnote disclosures concerning the Authority’s related-party transactions and “in-kind” revenue and expense.

Basic combining financial statements

The basic combining financial statements are designed to provide readers with a broad overview of the NJPBA’s finances in a manner similar to that which would be provided for a private sector business.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The combining statement of net assets presents information on all of the NJPBA assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets may serve as a useful indicator of whether or not the financial positions of the Authority and the FNJPB are improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net assets, which indicate an improved financial position.

The combining statement of support, revenues and expenses and changes in net assets presents information showing how a government entity’s net assets changed during the fiscal year. Changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave or deferred revenue).

Though not required, included in the financial statements is a combined schedule of functional expenses for purposes of additional analysis. With the passage of the Pension Protection Act and increased focus on functional expense allocations of non-profit organizations, management feels presenting this information on a combined basis provides a more meaningful depiction of operating expenditures as a whole, rather than separately, given the interdependence of the two organizations.

NJPBA participates in an annual public broadcasting system station activity benchmark survey (SABS), required by the Corporation for Public Broadcasting. In comparison to other public broadcasting stations that have both operations combined, the ratios for administrative, fundraising, and production costs are vastly different from the ratio allocations of the two organizations comprising NJPBA reported separately. Please refer to the supplemental combining statement of functional expenses included in this report, which displays a more accurate and comparable report of operating efficiencies when compared to other public broadcasters or nonprofits.

Notes to the combining financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain footnote disclosures concerning the Authority’s treatment of the state-owned building it occupies and the treatment of the related in-kind occupancy value and debt service interest on the facility associated with the debt, as well as information on related party transactions with the FNJPB. The FNJPB solicits unrestricted general and restricted project underwriting support from the public, private, and institutional sectors for NJN. In addition to program underwriting support, the FNJPB raises significant amounts of funding in support of NJN through membership and special membership events, major and planned giving campaigns, family and workplace literacy initiatives and its annual Gala event. In 2008, the Authority received 58% of the funds raised by the FNJPB in direct money grants, which in 2007 was increased by $500,000. In light of the state’s fiscal difficulties and steady reductions in state funding to the Authority over the past several years, the FNJPB awarded a supplemental $800,000 grant to the Authority in fiscal year 2008 to close an operating gap.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This, along with significant reductions in fundraising, state underwriting business, and costs associated with a proposed transition to community licensee, were the key components in the FNJPB’s decrease in net assets.

The FNJPB also provides significant amounts of indirect services in support of network operations, whose cost the Authority would have incurred if not provided by the FNJPB. The Foundation occupies office space and has use of the equipment and fixtures in the Authority’s Trenton studio facility. FNJPB provides an annual operating grant for the space it occupies. Since inception, the fundraising success of the FNJPB has offset annual reductions in the level of state appropriations needed to maintain the high level of broadcast services NJN delivers to the state and that the citizens of New Jersey have come to rely upon. In fiscal 2008, the FNJPB awarded the Authority $5,252,385 in direct and supplemental grants, representing 25% of total Authority Support, Revenue, and state appropriations, not including in-kind support. State Appropriations represented 27% of all funding sources, exclusive of in-kind support.

Included in the notes to the financial statements is a discussion of the Authority’s progress in meeting FCC mandates for all commercial and public broadcasters relating to the conversion from analog to digital transmission and the estimated completion costs. As this conversion has progressed, the original estimated costs of completion have been revised as project goals have evolved and some digital technology has decreased in cost. However, in order for the Authority to complete this conversion and meet federal mandates, the Authority is relying upon state funding, supplemental federal matching grants, and private capital grants in exchange for certain broadcasting rights. The FNJPB had planned to launch a major capital campaign in 2008, but due to deteriorating economic conditions, the campaign was put on hold mid-year.

The Authority now broadcasts digitally at full power at all four of its transmitter sites in Trenton/Lawrenceville, Montclair, Warren and Waterford. The transmitter construction was completed in the spring of 2007, and all sites meet the required FCC mandates. During 2008, the Authority completed its master control digital build out at a cost of approximately $2 million in state, federal matching, and capital grants. The federal deadline for broadcasters to be transmitting full power digital by February 17th of 2009 has been revised to June 12th of 2009. It is estimated this delay will cost the Authority an additional $75,000 in analog power expense. In response to cost cutting mandated by the state, the Authority reduced power consumption at its analog transmitters.

The Authority receives support from the Corporation for Public Broadcasting (“CPB”) and must file an Annual Financial Report (“AFR”) with CPB. The AFR provides the basis of the Community Service Grant (“CSG”) awarded by CPB annually to its member stations based on the level of Non Federal Financial Support (“NFFS”) a station receives. The Authority received CPB grants totaling $2,953,010 and $3,065,532 in fiscal year 2008 and FY 2007, respectively.

The FNJPB Financial Goals Policy (“Policy”) outlines the objectives and goals for FNJPB net assets. A primary Policy goal is the ability to designate a portion of the net assets to secure the necessary funds the Authority would require to stay on the air, including the broadcast of vital information in the event of emergency, should the state not be able to provide such funding. The Policy also secures the level of funding committed to the Authority and determines an adequate FNJPB operating reserve based on
levels of expected revenue. As state funding becomes a less reliable source of support amid the constraints of state budgetary policy, management’s position is that an adequate net asset balance is both necessary and fiscally sound. In line with the objectives of the Policy, the FNJPB Board awarded $800,000 of an authorized $1.1 million supplemental distribution to the Authority from its net asset balance to close the Authority’s funding gap for FY 2008.

Further, the FNJPB Board has authorized up to an additional $1.5 million distribution to the Authority to close an anticipated funding gap for FY 2009; this is in addition to its general, operating, and production grants.

Financial Analysis

Net assets may serve, over time, as a useful indicator of a government’s financial position. On a combined basis, the NJPBA’s assets exceeded liabilities by $9,580,338 at the close of fiscal year 2008. Of this amount, $6,597,520 represents the Authority’s net asset balance, an increase of $4,754 from the prior year, all of which is attributable to network operations. The FNJPB’s net asset balance decreased from $4,281,595 to $2,982,818, a decrease of $1,298,777, of which $498,777 is attributable to Foundation operations and $800,000 is attributable to the supplemental grant from the net asset balance made to the Authority in 2008.

The largest portions of the Authority’s assets reflect its investment in capital assets (i.e. transmission towers and studio broadcasting equipment less accumulated depreciation), and amounts due from the State of New Jersey and the FNJPB. The Authority uses these assets to provide public broadcasting services, operate as the state’s emergency broadcaster, to liquidate current liabilities and for any other essential spending necessary to maintain transmission of its signal twenty-four hours per day, seven days a week.

The following are the condensed combined statement of net assets as of June 30, 2008 and 2007:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$ 5,772,159</td>
<td>$ 8,986,108</td>
</tr>
<tr>
<td>Capital assets</td>
<td>$ 6,558,038</td>
<td>$ 6,108,856</td>
</tr>
<tr>
<td>Total assets</td>
<td>$12,330,197</td>
<td>$15,094,964</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$ 2,749,859</td>
<td>$ 4,220,603</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>9,530,338</td>
<td>10,824,361</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Total net assets</td>
<td>9,580,338</td>
<td>10,874,361</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$12,330,197</td>
<td>$15,094,964</td>
</tr>
</tbody>
</table>

Of $5,680,603 in current assets, $285,745 represents amounts due the Authority from the State of New Jersey, a decrease of $3,414,994 from the prior year. Of this amount, $2,046,500 represents use of unrestricted amounts by the Authority to close its fiscal year 2008 funding gap. The FNJPB maintains
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MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

$3,103,326 in cash and short term, liquid investments. The cash and equivalents increased $119,021 from the prior year, mostly due to $263,500 less in award payments to the Authority, an increase of $141,000 in current obligations and decreases in investment accounts of $318,075.

Of the $6,558,038 in net capital assets, $5,863,413 represents the Authority's investment in digital equipment and infrastructure at four transmission tower sites to comply with the FCC mandate to convert from analog based to digital broadcasting capability. This represents an increase of $283,734 on a net basis over the prior year. At June 30, 2008 the Authority met minimum FCC requirements with full power transmission at the main Trenton site and at transmitters in Montclair, Camden and New Brunswick.

As required by accounting standards, unrestricted or temporarily restricted support must be recognized in the fiscal year the unconditional promise is received, while the associated expenses fall into the subsequent fiscal year. Of the $10,874,361 in combined opening total net assets, there were no purchase commitments to acquire equipment related to the digital conversion for which monies had been received and net assets temporarily restricted for capital acquisitions. Of the ending net asset balance of $9,580,338, there were no temporarily restrictions for the purpose of equipment purchase.

Of the NIPBA’s $2,749,859 in current liabilities, $1,533,435 represents the Authority's deferred revenue and deferred capital funding from the State, a decrease of $1,611,767 from the prior year. This net decrease was mainly due to a decrease in deferred capital account balances for funding of digital conversion requirements of $1,465,488 while the Authority’s deferred revenue accounts decreased by $146,279 to help close the state funding gap.

The following are the condensed combined statement of support, revenues and expenses and changes in net assets at June 30, 2008 and 2007.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support and revenues</td>
<td>$ 19,429,986</td>
<td>$ 18,986,103</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>34,563,423</td>
<td>34,515,019</td>
</tr>
<tr>
<td>Excess of expenses over revenue before general appropriations and contributed services and facilities</td>
<td>(15,133,437)</td>
<td>(15,528,916)</td>
</tr>
<tr>
<td>General appropriations and contributed services and facilities from State of New Jersey</td>
<td>13,839,414</td>
<td>15,404,942</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>(1,294,023)</td>
<td>(123,974)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>10,874,361</td>
<td>10,998,335</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ 9,580,338</td>
<td>$ 10,874,361</td>
</tr>
</tbody>
</table>

Excluding NIPBA depreciation expense of $1,094,351, excess combined expense over revenue before general appropriations and contributed services and facilities was $14,039,086 for 2008, a decrease of $201,433 from the prior year. On a combined basis, operating expenses including depreciation increased a modest $48,407 from the prior year amid flat state funding and an increasingly challenging economic climate.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

An increase of $109,262 in programming, production, and broadcasting costs, including a reduction of $194,046 in depreciation expense related to fully depreciated analog assets were partly offset by a decrease of $60,858 in total support services, which included an increase of $276,689 in program service awards. The Authority received $347,232 less in contributed state-allocated benefit, facility and occupancy costs in 2008.

The change in net assets from the prior year is partially attributable to recognition of depreciation expense through “operations” as required by GASB 34. Accordingly, the Authority recorded expense of $1,073,083 in 2008, compared to $1,266,776 in 2007. Historically, depreciation expense was closed directly into the net General Fixed Asset Fund on the statement of net assets and did not impact operations. The Authority’s change in net assets, excluding depreciation, was $1,077,837, a decrease of $307,293 from fiscal year 2007. In 2008, the Authority incurred $1,068,575 in benefit costs for certain classes of employees, a decrease of $105,425 from 2007 as a new state union contract required Authority employees to contribute towards health benefit costs. Historically, these benefit costs had been paid for by the state. On a combined basis, before depreciation expense and an $800,000 supplemental grant, comparable operating income decreased by $564,095, mainly due to an increase in state employee wages, the loss or reduction in partner state agency contracts and no increase in state appropriations.

The Authority records the in-kind occupancy value and interest expense associated with the debt on the buildings it occupies in Trenton and Newark but does not own as non-operating revenue and operating expense. In fiscal year 2008 this amounted to $1,762,470 as compared to $1,870,390 in fiscal year 2007.

The issuance of GASB 34, which the Authority implemented for the year ended June 30 2003, required a significant change in the presentation of the combining statement of support, revenue and expenses and change in net assets. GASB 34 requires that the Authority and all governments display their general appropriations and contributed services from the state below the line “excess of expenses over revenues before appropriations and contributed services from State of New Jersey”, even though related contributed and in-kind service expenses are included above the line in total expenditures. This presentation of total support and revenue to total expenditures results in the Authority operating in a more significant deficit position before state appropriations and in-kind support is displayed to close operating deficits.

Significant Events

The Authority had $1,103,255 less in state appropriated funds for operations in fiscal year 2008, including an unrestricted carry forward of $1,274,255 in 2007 to close an operating gap. Over the past three fiscal years the authority has seen total reductions of $2,790,000 in state funding. The FNJPB, due to deteriorating economic conditions, experienced declines in contributions and fundraising revenues.

Along with unbudgeted expenditures of $218,396 relating to a proposed NJPBA conversion to community licensee, FNJPB realized a net excess of expenses over revenue of $498,800 in unrestricted support during the year, before a supplemental grant of $800,000. These results included successful member-pledge ticketed events held at the Boardwalk Hall in Atlantic City and other venues.
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

types of ticketed events are planned for 2009 and beyond, although their success cannot be predicted with certainty given the state of the economy.

During fiscal year 2008 the Authority added $1,863,194 in new transmitting and broadcasting equipment, of which $1,629,797 relates to the digital conversion, including a new mobile uplink satellite truck. The Authority also retired the remaining $319,660 of fully depreciated pre FY 2003 analog assets in fiscal year 2008.

Cash Flows

On a combined net basis, net cash used in operating activities in fiscal year 2008 was $2,079,963, net of state appropriations of $5,930,000 and included a drawdown of $800,000 in the FNJPB net asset balance, compared to 2007 net cash used by operations of $1,379,812, net of state appropriations of $5,759,000 and excluding the carry forward of $1,274,255 to close an operating gap. This represents a increase of $700,151.

Net cash from capital and related financing activities was $1,871,460, due primarily to advances on State receivables necessary to close an operational gap, as compared to net cash used of $530,303 in 2007 related to digital conversion equipment acquisition. Matching federal NTIA grants of $973,500 were applied in 2008 for completion of the master control digitization.

Budgetary Highlights

The budget adopted prior to the beginning of the fiscal year was not amended during the year; however revenue and expenditure projections were periodically adjusted and revised forecasts issued during the fiscal year as new data became available.

On a combined basis for fiscal year 2008, operating revenues (total support and revenues of $19,429,986 plus general state appropriations of $5,930,000), were $25,359,986 as opposed to the combined budget of $25,371,000. The difference between actual versus budgeted revenue are highlighted by the following:

- The Authority received $84,000 less than budgeted in State appropriations for operations.
- The Authority needed $300,000 less than a budgeted $1,100,000 drawdown of FNJPB reserve balances to close an operating gap.
- Media Productions and Facility Rental income was $260,000 less than budget as statewide cuts resulted in further reductions in state agency billings.
- Digital Education and Workforce Development Service fees were $347,000 higher than anticipated.
- CPB Community Service Grants were $50,000 less than budgeted
- Tower rental income exceeded budget by $172,000
- A negative variance of $291,000 in FNJPB membership support due to the declining economy was in line with PBS system wide tends.
- A $281,000 positive result in major gifts, which included an unanticipated bequest of $275,000.
- The FNJPB Gala event fell $103,000 short of its goal amid a slowing economy.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- General Corporate support, due to the loss of a key account executive and the same factors impacting Media Production and Facility Rentals, was $477,000 under budget
- Local Production revenue was $56,000 higher than budgeted.

Combined NJPBA Operations, Production and Support service expenses, excluding donated and in-kind services were $26,654,000 versus $26,435,000 budgeted, mainly due to unbudgeted professional fees ($218,000) related with a proposed plan to transition the NJPBA from a state licensee model to a community licensee.

A $669,000 revenue shortfall in the FNJPB due to the deteriorating economic conditions were significantly offset by $574,000 in expense reductions, mainly as a result of lower Fundraising and Development costs ($380,000), Marketing and Communication expense ($107,000), Literacy projects ($74,000) and Administrative expense ($73,000). These savings were partly offset by higher digital initiative costs ($60,000).

Authority Programming and local production costs were under budget by $233,000, broadcasting costs (including $88,000 in higher energy costs) were $70,000 under budget and Facility and Administrative expenses were $110,000 less than anticipated due to lower benefit cost, maintenance, and information technology costs. Partly offsetting these savings, acquired television and radio programming ($52,000), and program related Digital Education Services costs related to higher services income ($118,000) exceeded budget.

Capital Assets

The NJPBA’s combined investment in capital assets as of June 30, 2008, net of total accumulated depreciation equals $6,558,038. This represents an increase of $449,182 over the prior fiscal year all of which is attributable to the Authority. During fiscal year 2008 asset acquisitions amounted to $1,863,194 all of which relates to the Authority and includes $1,629,797 for new equipment purchased to meet the FCC digital mandates.

These additions were offset by depreciation expense of $1,094,351 of which $1,073,083 relates to the Authority on new and previously acquired assets. Of the $6,558,038 in net capital assets, $6,506,797 is attributable to the Authority and includes the disposal of the remaining pre fiscal year 2003 analog assets amounting to $319,660.

Federal NTIA matching funds and other capital grants provided the Authority the necessary funds to acquire the equipment needed to comply with the minimum FCC requirements. It is estimated that approximately another $11,000,000 is required to complete the full digital conversion of the Network infrastructure. In light of the state’s fiscal difficulties, future funding from this source is uncertain. In response, the FNJPB has been working with professional counsel on seeking the major funding necessary to meet the Authority’s future capital needs as well as future federal matching grants.

During FY2008 the Authority took delivery on a new, digital capable mobile uplink satellite truck at a cost of $304,000.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Long term debt

Prior to fiscal year 2003, the NJPBA’s balance sheet had included a General Long-Term Obligation Fund Group that included Authority assets for current and long term portions to be provided by the state for the retirement of long-term obligations and equal offsetting amounts for the current and long-term balances of the General Long Term obligation on the building occupied by the Authority. Under the guidelines of GASB 34, which the Authority implemented in fiscal year 2003, as required, the Authority elected to no longer report a General Long Term Obligation Fund Group, as it neither owns the building nor is responsible for the debt service. However, the Authority continues to recognize the occupancy (depreciation), annual taxes, and interest portion of the debt service paid by the state as qualifying in-kind revenue and expense in its calculation of non-federal financial support for CPB funding purposes.

Requests for Information

This financial report is designed to provide a general overview of the NJPBA’s finances for all those with an interest therein. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Executive Director of the New Jersey Public Broadcasting Authority, P.O. Box 777, Trenton, NJ 08625-0777.
INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners of
New Jersey Public Broadcasting Authority

We have audited the accompanying combining statement of net assets of the New Jersey Public Broadcasting Authority (the "Authority") and the Foundation for New Jersey Public Broadcasting, Inc. (the "FNJPB") (combined herein and referred to as "NJPBA") as of June 30, 2008, and the related combining statement of support, revenues and expenses, and changes in net assets and combined statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's and the FNJPB's respective managements. Our responsibility is to express an opinion on these combining financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As disclosed in the notes to combining financial statements, NJPBA does not capitalize and amortize program material license agreements in accordance with SFAS-63, Financial Reporting by Broadcasters. The cost of these items is expensed when purchased, and amortization is not provided. The effects of this departure from generally accepted accounting principles is not determinable.

In our opinion, except for the effects of adjustments, if any, resulting from not recording prepaid program material license agreements, net of accumulated amortization, in the combining statement of net assets, the financial statements referred to above present fairly, in all material respects, the financial position of the NJPBA as of June 30, 2008, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.
INDEPENDENT AUDITORS' REPORT (CONTINUED)

The Management's Discussion and Analysis and the budgetary comparison information on pages 1 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of NJPBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to decide the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the NJPBA taken as a whole. The combined schedule of functional expenses on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 23, 2009
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING STATEMENT OF NET ASSETS

June 30, 2008

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>New Jersey Public Broadcasting Authority</th>
<th>Foundation for New Jersey Public Broadcasting, Inc.</th>
<th>Eliminations</th>
<th>Combined Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$385</td>
<td>$3,103,326</td>
<td>$-</td>
<td>$3,103,711</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>428,964</td>
<td>-</td>
<td>428,964</td>
</tr>
<tr>
<td>Due from Foundation for NJ Public Broadcasting, Inc.</td>
<td>1,407,699</td>
<td>-</td>
<td>(1,407,699)</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>658,746</td>
<td>1,203,437</td>
<td>-</td>
<td>1,862,183</td>
</tr>
<tr>
<td>Due from State of New Jersey</td>
<td>285,745</td>
<td>-</td>
<td>-</td>
<td>285,745</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,352,575</td>
<td>4,735,727</td>
<td>(1,407,699)</td>
<td>5,680,603</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets</td>
<td>6,506,797</td>
<td>51,241</td>
<td>-</td>
<td>6,558,038</td>
</tr>
<tr>
<td>Prepaids and other assets</td>
<td>-</td>
<td>41,556</td>
<td>-</td>
<td>41,556</td>
</tr>
<tr>
<td>Permanently restricted investments</td>
<td>- 50,000</td>
<td>-</td>
<td>-</td>
<td>50,000</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>6,506,797</td>
<td>142,797</td>
<td>-</td>
<td>6,649,594</td>
</tr>
<tr>
<td>Total assets</td>
<td>$8,859,372</td>
<td>$4,878,524</td>
<td>(1,407,699)</td>
<td>$12,330,197</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

Current liabilities
Accounts payable and accrued expenses | $728,417 | $488,007 | $- | $1,216,424 |
Due to the Authority | - | 1,407,699 | (1,407,699) | - |
Deferred revenue | 321,856 | - | - | 321,856 |
Deferred capital funding | 1,211,579 | - | - | 1,211,579 |
Total current liabilities | 2,261,852 | 1,895,706 | (1,407,699) | 2,749,859 |

Net Assets
Unrestricted | 6,597,520 | 2,932,818 | - | 9,530,338 |
Permanently restricted | - | 50,000 | - | 50,000 |
Total net assets | 6,597,520 | 2,982,818 | - | 9,580,338 |
Total liabilities and net assets | $8,859,372 | $4,878,524 | (1,407,699) | $12,330,197 |

See notes to combining financial statements.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING STATEMENT OF SUPPORT, REVENUES AND EXPENSES,
AND CHANGES IN NET ASSETS

Year Ended June 30, 2008

<table>
<thead>
<tr>
<th>Support and revenues</th>
<th>New Jersey Public Broadcasting Authority</th>
<th>Foundation for New Jersey Public Broadcasting, Inc.</th>
<th>Eliminations</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>$</td>
<td>$ 5,219,382</td>
<td>-</td>
<td>$ 5,219,382</td>
</tr>
<tr>
<td>Underwriting</td>
<td>-</td>
<td>3,659,247</td>
<td>-</td>
<td>3,659,247</td>
</tr>
<tr>
<td>Community service grants from Corporation for Public Broadcasting</td>
<td>2,953,010</td>
<td>-</td>
<td>-</td>
<td>2,953,010</td>
</tr>
<tr>
<td>Programming rights</td>
<td>1,300,000</td>
<td>-</td>
<td>-</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Workforce development</td>
<td>942,793</td>
<td>-</td>
<td>-</td>
<td>942,793</td>
</tr>
<tr>
<td>Grants</td>
<td>5,120,180</td>
<td>(4,146,675)</td>
<td>973,505</td>
<td></td>
</tr>
<tr>
<td>Telecasting production/other rental income</td>
<td>394,500</td>
<td>-</td>
<td>-</td>
<td>394,500</td>
</tr>
<tr>
<td>Tower rentals</td>
<td>1,380,690</td>
<td>-</td>
<td>-</td>
<td>1,380,690</td>
</tr>
<tr>
<td>Trade agreements</td>
<td>79,660</td>
<td>-</td>
<td>-</td>
<td>79,660</td>
</tr>
<tr>
<td>Facilities rentals/contract productions</td>
<td>2,256,655</td>
<td>-</td>
<td>-</td>
<td>2,256,655</td>
</tr>
<tr>
<td>Program and video sales and rentals</td>
<td>114,054</td>
<td>-</td>
<td>-</td>
<td>114,054</td>
</tr>
<tr>
<td>Investment return</td>
<td>-</td>
<td>156,490</td>
<td>-</td>
<td>156,490</td>
</tr>
<tr>
<td><strong>Total support and revenues</strong></td>
<td><strong>14,541,542</strong></td>
<td><strong>9,035,119</strong></td>
<td><strong>(4,146,675)</strong></td>
<td><strong>19,429,986</strong></td>
</tr>
</tbody>
</table>

 Expenses

<table>
<thead>
<tr>
<th>Program services</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Programming and production</td>
<td>13,891,636</td>
<td>-</td>
<td>-</td>
<td>13,891,636</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>10,117,221</td>
<td>-</td>
<td>-</td>
<td>10,117,221</td>
</tr>
<tr>
<td><strong>Total program services</strong></td>
<td><strong>24,008,857</strong></td>
<td></td>
<td>-</td>
<td><strong>24,008,857</strong></td>
</tr>
</tbody>
</table>

 Supporting Services

| Underwriting and grant solicitations               | 1,073,855                                  | -                                           | -            | 1,073,855  |
| Fundraising and membership development            |                                             | -                                           | -            | 3,018,513  |
| General and administrative                         | 4,093,490                                  | 789,326                                    | -            | 4,882,816  |
| Awards                                            |                                             | 5,726,057                                  | (4,146,675)  | 1,579,382  |
| **Total supporting services**                     | **5,167,345**                              | **9,533,896**                              | **(4,146,675)** | **10,554,566** |
| **Total expenses before supplemental award**      | **29,176,202**                             | **9,533,896**                              | **(4,146,675)** | **34,563,423** |

 Excess of expenses over revenues before general appropriations and contributed services and facilities

| (14,634,660) | (498,777) | - | (15,133,437) |

 General appropriations and contributed services and facilities from State of New Jersey

| 13,839,414 | - | - | 13,839,414 |

 Change in net assets before supplemental award

| (795,246) | (498,777) | - | (1,294,023) |

 Supplemental award

| 800,000 | (800,000) | - | - |

 Change in net assets

| 4,754 | (1,298,777) | - | (1,294,023) |

 Net assets, beginning of year

| 6,592,766 | 4,281,595 | - | 10,874,361 |

 Net assets, end of year

| $ 6,597,520 | $ 2,982,818 | - | $ 9,580,338 |

See notes to combining financial statements.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINED STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

Cash Flows from Operating Activities
  Support and revenues $ 17,285,053
  Investment return 147,041
  Program support services (25,442,057)
  Net cash used in operating activities (8,009,963)

Cash Flows from Non-Capital Financing Activities
  General appropriations 5,930,000

Cash Flows from Capital and Related Financing Activities
  Acquisition of equipment (net of retirements) (1,543,534)
  Net decrease in due from State of New Jersey 3,414,924
  Net cash provided by capital and related financing activities 1,871,460

Cash Flows provided by Investing Activities
  Proceeds from sale of investments, net of purchases 327,524
  Net increase in cash and cash equivalents 119,021
  Cash and cash equivalents, beginning of year 2,984,690
  Cash and cash equivalents, end of year $ 3,103,711

Reconciliation of Excess of Expenses over Revenues before General Appropriations and Contributed Services and Facilities to Net Cash Used in Operating Activities
  Excess of expenses over revenues before general appropriations and contributed services and facilities $(15,133,437)
  Adjustments
    Net realized and unrealized investment losses (9,449)
    Bad debts 104,166
    Contributed services and facilities from State of New Jersey 7,909,414
    Depreciation 1,094,351
  Change in assets and liabilities
    Accounts receivable (480,842)
    Prepays and other assets (23,423)
    Accounts payable and accrued expenses 141,024
    Deferred revenue (146,279)
    Deferred capital funding (1,465,488)
    Net cash used in operating activities $(8,009,963)

See notes to combining financial statements.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
The New Jersey Public Broadcasting Authority (the "Authority"), located in Trenton, New Jersey, is an agency "in but not of" the Department of State of the State of New Jersey. The Authority is responsible for providing non-commercial educational television, radio, internet, and public broadcasting services and coordinating advisory assistance to state, local, and regional agencies on matters pertaining to public broadcasting. The Authority holds authorizations and licenses from the Federal Communications Commission. Programs are produced at its Trenton and Newark studios and on location. Through memberships and affiliations, the Authority has access to programs from the Public Broadcasting Service, the American Program Service, National Public Radio, Public Radio International, and various audio and videotape libraries.

The Foundation for New Jersey Public Broadcasting, Inc. (the "FNJPB") was established to develop broad community interest in, involvement with, and volunteer service to public broadcasting and to generate financial support, sponsorship and/or assistance with fundraising projects for the benefit of the Authority and its several purposes. The FNJPB solicits funds in the name of, and with approval from, the Authority.

Significant Accounting Policies

Basis of Combination
The accompanying combining financial statements of the New Jersey Public Broadcasting Authority include the accounts of the Authority (single entity) and the FNJPB (together, "NJPBA"). Inter-entity balances and transactions have been eliminated in the combined totals. Combining financial statements are presented based on economic interest. The Authority has economic interest in the FNJPB, since the FNJPB holds significant resources to be used for the benefit of the Authority.

Basis of Presentation
The combining financial statements of NJPBA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In June 1999, the Governmental Accounting Standards Board ("GASB") approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. Under this guidance, a public institution is required to include the following in its separately issued reports: management's discussion and analysis ("MD&A"); basic financial statements, as appropriate for the category of special purpose government reporting; notes to financial statements; and required supplementary information other than MD&A. The financial statement presentation of the Authority requires general appropriations from the State of New Jersey and contributed services and facilities to be presented as non-operating revenues, and records depreciation as an expense included in the statement of support, revenues and expenses, and changes in net assets.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Basis of Presentation (Continued)
Financial statement presentation for the FNJPB follows the recommendations of the
The FNJPB is required to report information regarding its financial position and activities
according to three classes of net assets: unrestricted net assets, temporarily restricted net
assets, and permanently restricted net assets.

The combining totals present the combining financial position, changes in net assets and
cash flows of the Authority and the FNJPB.

Public Support and Revenue Recognition
Contributions and underwriting are recognized when the donor makes an unconditional
promise to give to the FNJPB that is, in substance, unconditional. Unconditional promises
to give due in the next year are reflected as current promises to give (underwriting) and are
recorded at their net realizable values. Unconditional promises to give due in subsequent
years are reflected as long-term promises to give and are recorded at the present values of
their net realizable values, using risk-free interest rates applicable to the years in which the
promises are received to discount the amounts.

Conditional promises to give are recognized by the FNJPB when the conditions on which
they are dependent are substantially satisfied.

Support that is restricted by the donor is reported by the FNJPB as an increase in
unrestricted net assets if the restriction expires in the reporting period in which the support
is recognized. All other donor-restricted support is reported as an increase in temporarily or
permanently restricted net assets, depending on the nature of the restriction. When a
restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets
and reported in the statement of support, revenues, and expenses, and changes in net assets
as net assets released from restrictions.

Revenues for services and capital funding are classified as deferred revenues and deferred
capital funding until expended for their purposes since they are conditional.

Cash and Cash Equivalents
For the purpose of the combined statement of cash flows, cash equivalents includes highly
liquid debt instruments with original maturities of three months or less. In addition, the
statement of cash flows excludes permanently restricted cash.

Accounts Receivable
The change in net assets is charged with an allowance for estimated uncollectible amounts
based on past experience and an analysis of current amounts receivable collectibility.
Accounts deemed uncollectible are charged to the allowance in the years they are deemed
uncollectible.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments
For the purposes of these combining statements, investments in marketable securities with readily determinable fair values, limited to FNJB's activities, are reported at their fair values in the combining statement of net assets. Unrealized gains and losses are included in the change in net assets. At June 30, 2008, investments consisted primarily of certificates of deposit and equities whose fair values approximate their costs.

Capital Assets
Transmission antenna and towers, studio and other equipment, and furniture and fixtures are recorded at cost, except for donated items, which are recorded at their fair market values on the dates of donation, except for buildings (see Note E). Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Transmission antenna and towers 7-20 years
Studio and other equipment 5-10 years
Furniture and fixtures 5-10 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Deferred Revenue
Deferred revenue is recognized for program initiatives that will begin in the subsequent fiscal year.

Income Taxes
The FNJB has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is a public charity under Section 509(a)(1) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A). In addition, since the Authority is an entity of the State of New Jersey, it is exempt from federal and state income taxes.

Functional Allocation of Expenses
The costs of providing programming, broadcasting, and support services for the NJPA have been summarized on a functional basis in the combining statement of support, revenues and expenses, and changes in net assets. Accordingly, certain operating costs have been allocated among functional categories. On a combining basis, NJPA is comprised of two organizations. The Authority's primary services are programming, production, and broadcasting while the FNJB is primarily a fundraising organization – virtually all fundraising costs are incurred by FNJB. Expenses reported by the Authority and the FNJB as underwriting and grant solicitation costs, as well as general and administrative costs, are incurred in the support and promotion of the Authority and its several purposes.
B. CONCENTRATIONS, RISK, AND UNCERTAINTIES

The Authority is a state agency and, for the year ended June 30, 2008, received a significant portion of its revenue and support, aggregating approximately $16,235,000, from State of New Jersey agencies and a State of New Jersey commission, including donated services for administrative support and occupancy costs (see Note G).

For the year ended June 30, 2008, the FNJPB received 10% of its support and revenues from New Jersey state agencies.

Revenues received from Federal and New Jersey state agencies and expenditures made by NJPBA may be subject to financial compliance requirements and possible audits by various Federal and State of New Jersey offices. In addition, amounts due from the State of New Jersey can change based on governmental determinations not in management's control.

The FNJPB maintains cash and cash equivalent balances which may exceed federally insured limits. The FNJPB has not historically experienced any credit-related losses. The investments are primarily financial instruments which are monetary in nature as required by the guidelines of the FNJPB investment policy. Accordingly, interest rates have a more significant impact on performance than do the effects of general levels of inflation. Interest rates generally do not move in the same direction or with the same magnitude as prices of goods and services as measured by the consumer price index. The investments are subject to risk conditions of the investments' objectives, stock market performance, interest rates, economic conditions, and world affairs. The ongoing support from the state agencies is subject to risk conditions of the current economic climate.

Approximately 93% of the labor force is covered by collective bargaining unit agreements. The current agreements expired on June 30, 2007 and were renegotiated from July 1, 2007 through June 30, 2011.

C. ACCOUNTS RECEIVABLE

The majority of underwriting receivables (pledges to give) are received from a broad base of corporate contributors, nonprofit organizations and various state entities.

Accounts receivable as of June 30, 2008, represent tower rental and media services receivables of the Authority and contributions and underwriting receivables of the FNJPB due in less than one year, as follows:

<table>
<thead>
<tr>
<th></th>
<th>Authority</th>
<th>FNJPB</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tower rental</td>
<td>$338,762</td>
<td>$</td>
<td>$338,762</td>
</tr>
<tr>
<td>Media services</td>
<td>331,719</td>
<td>-</td>
<td>331,719</td>
</tr>
<tr>
<td>DCLA/DOPL receivable</td>
<td>238,265</td>
<td>-</td>
<td>238,265</td>
</tr>
<tr>
<td>Contributions and underwriting</td>
<td>-</td>
<td>1,229,481</td>
<td>1,229,481</td>
</tr>
<tr>
<td>Allowances for uncollectible amounts</td>
<td>(250,000)</td>
<td>(26,044)</td>
<td>(276,044)</td>
</tr>
<tr>
<td>Net amounts receivable</td>
<td>$658,746</td>
<td>$1,203,437</td>
<td>$1,862,183</td>
</tr>
</tbody>
</table>
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

D. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets of $50,000 represent endowment funds restricted in perpetuity to continue the purpose of the FNJPB. Income generated by these assets can be used for operating activities.

E. CAPITAL ASSETS

The combined activity in capital assets for the year ended June 30, 2008, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio and other equipment</td>
<td>$21,160,757</td>
<td>$1,387,874</td>
<td>$</td>
<td>$22,548,631</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,855,599</td>
<td>171,281</td>
<td></td>
<td>2,026,880</td>
</tr>
<tr>
<td>Transmission antenna and towers</td>
<td>13,845,461</td>
<td>304,039</td>
<td>(319,660)</td>
<td>13,829,840</td>
</tr>
<tr>
<td>Totals at historical cost</td>
<td>36,861,817</td>
<td>1,863,194</td>
<td>(319,660)</td>
<td>38,405,351</td>
</tr>
<tr>
<td>Less accumulated depreciation for studio and other equipment</td>
<td>19,483,811</td>
<td>921,317</td>
<td></td>
<td>20,405,128</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,783,091</td>
<td>55,524</td>
<td></td>
<td>1,838,615</td>
</tr>
<tr>
<td>Transmission antenna and towers</td>
<td>9,486,059</td>
<td>117,511</td>
<td></td>
<td>9,603,570</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital assets</td>
<td>$6,108,856</td>
<td>$768,842</td>
<td>(319,660)</td>
<td>$6,558,038</td>
</tr>
</tbody>
</table>

The FNJPB occupies a building and uses equipment in Trenton, New Jersey to which the State of New Jersey holds title. Occupancy and equipment use values have been calculated using the annual in-kind debt service interest for the facility paid by the State of New Jersey and the annual depreciation expense calculated on acquisition price over the estimated useful lives of 39 and 10 years, respectively. For the year ended June 30, 2008, the value has been estimated at $1,442,014 (see Note G).

Any disposal of Authority capital assets must be approved by the State of New Jersey.

F. PENSION PLAN

Employees of the Authority are state employees. As such, they participate in the state retirement plan. The Authority has no liability for unfunded plan benefits. Employees of the FNJPB have the option of participating in a FNJPB-sponsored defined contribution retirement plan.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

F. PENSION PLAN (CONTINUED)

As a condition of employment, all Authority full-time employees are required to be members of Public Employees' Retirement System ("PERS"). A member may retire on a service retirement allowance as early as age 60; no minimum service is required. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. For a few employees hired after July 1, 2008, the formula changes and your years of service is divided by 62, times the final average salary. Final average salary means the average of the salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of service. Vested employees who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by State statute.

Covered Authority employees are required by PERS to contribute 5.5% of their salaries. State statute requires the Authority to contribute the remaining amounts necessary to pay benefits when due. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

G. GASB STATEMENT NUMBER 45 - ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST RETIREMENT BENEFITS OTHER THAN PENSION

The Authority is a member of the State of New Jersey's cost sharing multiple-employer plan for health and post retirement medical benefits. Thus, pursuant to the Authority's implementation of GASB Statement Number 45 on June 30, 2008, their portion of this liability and cost will be included in the State of New Jersey's CAFR on an annual basis.

As such, the liability of Authority's employees' is covered under the State plan.

Please refer to State website [www.state.nj.us](http://www.state.nj.us) for more information regarding the plan.

H. CONTRIBUTED SERVICES AND FACILITIES

For the year ended June 30, 2008, the NJPBA received donated services from the State of New Jersey of $6,467,400 for administrative support and $1,442,014 for occupancy and equipment costs (see Note E), which are included in non-operating revenues and programming and production expenses.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

I. RELATED PARTY TRANSACTIONS

Throughout the year, the FNJPB collects specific television and radio project underwriting that it subsequently provides to the Authority. For the year ended June 30, 2008, project underwriting revenues and awards of $1,436,325 were received and awarded to the Authority.

The FNJPB paid the Authority an unrestricted general grant of $750,000 and an additional $1,800,000 of unrestricted general grants solicited by FNJPB during the year ended June 30, 2008. In addition, the FNJPB paid $305,710 to the Public Broadcasting Service on behalf of the Authority during 2008.

Certain services, such as the production of on-air pledge campaigns, data processing services, and facility space and utilities, are provided to FNJPB by the Authority.

The Authority's Executive Director serves as President of the FNJPB. The President is not a board member, receives no compensation from FNJPB and retains no voting privileges.

The Authority's Deputy Executive Director of Finance and Administration serves as the elected Assistant Treasurer of the FNJPB. The Assistant Treasurer is not a board member, receives no compensation from FNJPB, and retains no voting privileges.

J. PROGRAM MATERIAL LICENSE AGREEMENTS

Management of NJPBA has chosen not to capitalize the cost of program material license agreements in accordance with SFAS-63, Financial Reporting by Broadcasters. SFAS-63 requires that broadcasters record the assets and liabilities that are involved in a program's material license agreement as a purchase of a right or group of rights. Amortization of the license agreements would then be calculated under the appropriate method. The effects of this departure from generally accepted accounting principles is not determinable.

K. DIGITAL TELEVISION ("DTV") CONVERSION

The Federal Communications Commission (the "FCC") initially mandated that, by May 2003, all public broadcasters were required to broadcast television in digital format or lose their operating licenses. The Authority met that deadline with the Trenton station transmitting at full power while the Montclair, Camden, and New Brunswick stations who were transmitting at more than half-power have since gone full power digital. The FCC originally permitted stations to operate DTV at interim and reduced power without losing interference protection until July 1, 2006, as long as they provided city-grade service to their communities of license. This deadline has since been extended out to June 12, 2009. The NJPBA obtained grants and limited funding from the State of New Jersey to meet the minimum FCC requirement. Much of the Authority's equipment is still analog based and the Authority has received federal and state awards to offset the required conversion costs. However, in order to produce and broadcast digital television throughout New Jersey, the Authority is planning to invest an additional estimated total of $11,000,000. The successful completion of this conversion is heavily dependent upon future appropriations from the federal government, the State of New Jersey, and other sources which, at this time, cannot be estimated or guaranteed.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

I. SUBSEQUENT EVENTS

The FNJPB has authorized in fiscal year 2009 a supplemental award to the Authority of "up to" $1,500,000 out of its net asset balance to help close an anticipated budget gap. One half of that commitment was paid by FNJPB to the Authority in February 2009. In fiscal year 2008 the FNJPB authorized and granted $800,000 in a supplemental grant to help close the Authority budget gap.

M. ADDITIONAL INFORMATION

The Authority acknowledges that state budget constraints will require the identification of alternative funding sources and spending reductions to achieve long-term financial stability, and will undertake a planning process for the 2010 fiscal year to align future spending with reasonably anticipated recurring revenues. However, management has the necessary plans and controls in place to ensure that there is no budget gap for the fiscal year ending June 30, 2009.

The Authority originally projected a 2009 budget gap, the closure of which would be dependent on alternative revenue streams. As of the date of these financial statements, management has identified alternative funding sources (including the authorized supplemental award from the FNJPB) and expense reductions to balance its 2009 budget. Recent projections of fiscal year 2009 revenue and expenditures show the Authority with a small surplus.

Authority management will continue to freeze non-essential spending and will regularly review its financial projections with the Department of the Treasury for the remainder of the fiscal year. If necessary, management will exercise the authority granted by the Board of Commissioners in the fiscal year 2009 Budget Resolutions “to take all actions necessary” to implement the budget including reduction of the broadcasting hours and the geographic and radio broadcasting coverage of the Authority.
SUPPLEMENTARY INFORMATION
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINED SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended June 30,

<table>
<thead>
<tr>
<th>Supporting Services</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$ 1,440,182</td>
<td>$ 2,170,071</td>
</tr>
<tr>
<td>Benefits (direct and in-kind)</td>
<td>323,227</td>
<td>634,356</td>
</tr>
<tr>
<td>On-air fundraising and member development</td>
<td>1,224,572</td>
<td>-</td>
</tr>
<tr>
<td>Public relations and promotion</td>
<td>62,695</td>
<td>4,241</td>
</tr>
<tr>
<td>Special projects</td>
<td>383,725</td>
<td>-</td>
</tr>
<tr>
<td>Vehicles/utilities</td>
<td>-</td>
<td>2,443</td>
</tr>
<tr>
<td>Travel and conference</td>
<td>60,274</td>
<td>355</td>
</tr>
<tr>
<td>Telephone/postage - allocated</td>
<td>48,932</td>
<td>73,731</td>
</tr>
<tr>
<td>Occupancy (in-kind) - allocated</td>
<td>79,384</td>
<td>119,616</td>
</tr>
<tr>
<td>Information systems/OTIS</td>
<td>-</td>
<td>69,856</td>
</tr>
<tr>
<td>Technical/professional services</td>
<td>133,664</td>
<td>180,964</td>
</tr>
<tr>
<td>Transition costs</td>
<td>-</td>
<td>218,396</td>
</tr>
<tr>
<td>PBS and NPR services</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Program acquisition</td>
<td>-</td>
<td>913,844</td>
</tr>
<tr>
<td>Building and vehicle maintenance</td>
<td>-</td>
<td>1,035,967</td>
</tr>
<tr>
<td>Maintenance, grounds and equipment (direct and in-kind)</td>
<td>155,747</td>
<td>561,654</td>
</tr>
<tr>
<td>WFD and digital classroom</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NJN radio</td>
<td>-</td>
<td>287,232</td>
</tr>
<tr>
<td>Media productions</td>
<td>-</td>
<td>275,941</td>
</tr>
<tr>
<td>Local production</td>
<td>-</td>
<td>481,732</td>
</tr>
<tr>
<td>Interest expense (in-kind) - allocated</td>
<td>72,883</td>
<td>109,820</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>21,268</td>
</tr>
<tr>
<td>Other administrative costs</td>
<td>107,083</td>
<td>306,701</td>
</tr>
<tr>
<td>Totals, year ended June 30, 2008</td>
<td>$ 4,092,368</td>
<td>$ 4,882,816</td>
</tr>
<tr>
<td>Totals, year ended June 30, 2007</td>
<td>$ 4,125,491</td>
<td>$ 4,849,465</td>
</tr>
</tbody>
</table>
# NEW JERSEY PUBLIC BROADCASTING AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/ Program Title</th>
<th>Federal CFDA Number</th>
<th>Grant Award Number</th>
<th>Grant Period</th>
<th>Program Award Amount</th>
<th>Current Year Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>* US Department of Commerce/National Telecommunications and Information Administration</td>
<td>11.550</td>
<td>34-02-N04186</td>
<td>10/01/04-06/30/08</td>
<td>$547,938</td>
<td>$248,786</td>
</tr>
<tr>
<td></td>
<td>11.550</td>
<td>34-02-N05158</td>
<td>10/01/05-06/30/08</td>
<td>744,949</td>
<td>724,214</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td>$1,292,887</td>
<td>$973,000</td>
</tr>
</tbody>
</table>

*Denotes major program
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

Year Ended June 30, 2008

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of New Jersey Public Broadcasting Authority (exclusive of the Foundation for Public Broadcasting, Inc.) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
Identifying Number: 2007-1

Finding: The State's transaction-based financial reporting process does not enable the Authority to report revenue, expenses, assets, liabilities, or net assets in the form of a trial balance supported by a double entry general ledger accounting system. Accordingly, the Authority cannot produce an accrual "GAAP" basis balance sheet at any reporting period, nor can it efficiently monitor its financial position and activities on a monthly or cumulative basis as a quasi-independent entity. This finding is exclusive of the FNJPB.

Corrective Actions Taken or Planned: At the direction of the Audit Committee, the Authority will work with the Department of Treasury to develop a system to report financial data reliability in accordance with "GAAP".
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified?  
  □ yes  □ no

- Significant deficiencies identified that are not considered to material weaknesses?  
  □ yes  □ none reported

Noncompliance material to financial statements noted?  
□ yes  □ no

Federal Awards

Internal control over major program:

- Material weaknesses identified?  
  □ yes  □ no

- Significant deficiencies identified that are not considered to material weaknesses?  
  □ yes  □ none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  
□ yes  □ no

Identification of major program:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.550</td>
<td>National Telecommunications and Information Administration</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee?  
□ yes  □ no

All Federal and State payroll tax returns were filed timely and all required tax payments were made.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2008

Section II - Financial Statement Findings

2008-1

Criteria: The State's transaction-based financial reporting process does not enable the Authority to report revenue, expenses, assets, liabilities, or net assets in the form of a trial balance supported by a double entry general ledger accounting system. Accordingly, the Authority cannot produce an accrual "GAAP" basis statement of net assets at any reporting period, nor can it efficiently monitor its financial position and activities on a monthly or cumulative basis as a quasi-independent entity. This finding is exclusive of the FNJPB.

Condition: The Authority does not post transactions to a general ledger system; instead it posts State system generated activity to spreadsheets and revises them as new transactions occur.

Cause: The Authority has recognized for several years that a general ledger package is desirable and has researched and identified appropriate software packages. However, due to budget and staffing constraints, the Authority has not been able to obtain and implement a general ledger package with the capability to provide timely periodic financial information both in report form and by export to spreadsheets.

Effect: The current system is cumbersome and time consuming for audits and reconciliations. It is susceptible to errors because it is not self balancing in a double entry format; it does not include reportable activity. Expenses are also susceptible to misclassifications and thus may result in discrepancies with comparative information.

Response: The Authority acknowledges that under the constraints of its present financial reporting system, it cannot produce an accrual, "GAAP" basis statement of net assets and annual financial report per the auditor's findings. Our auditors have previously identified, and the Authority has previously acknowledged, this deficiency during past audit periods.

At the direction of the Audit Committee, the Authority has done preliminary research on several reporting options offered through the State's Office of Information Technology. The Authority will work with the Department of Treasury to develop a system to report financial data reliability in accordance with "GAAP".

Section III - Federal Award Findings and Questioned Costs

None noted
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of New Jersey Public Broadcasting Authority

We have audited the financial statements of New Jersey Public Broadcasting Authority (the "Authority") as of and for the year ended June 30, 2008, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and audit requirements prescribed by the State of New Jersey.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency that gives rise to a material weakness in internal control over financial reporting as per 2008-1.
Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. As discussed above, we identified a deficiency in internal control over financial reporting that is significant and which results in a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's response or corrective action plan and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the board of commissioners, the audit committee, others within the entity, and federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

March 23, 2009
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners of
New Jersey Public Broadcasting Authority

Compliance

We have audited the compliance of New Jersey Public Broadcasting Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.
Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of commissioners, the audit committee, others within the entity, and federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

March 23, 2009
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
CORRECTIVE ACTION PLAN

As indicated in the Schedule of Findings and Questioned Costs, the Authority acknowledges that under the constraints of its present financial reporting system, it cannot produce accrual basis financial statements in accordance with accounting principles generally accepted in the United States of America, on a monthly basis; which our auditors have previously noted and the Authority has previously acknowledged. In response to a July 31, 2008 letter from the State Treasurer and at the direction of the Audit Committee, the Authority will work with the Treasury Department and the state’s Office of Information Technology (OIT) in the interest of developing a GAAP compliant reporting system as well as to the feasibility of implementing the Great Plains Dynamics general ledger and cost accounting system, which is the accounting system the FNJPB uses, in meeting the needs of the Authority.