NEW JERSEY PUBLIC
BROADCASTING AUTHORITY

Combining Financial Statements

June 30, 2011
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

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NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financials

The management of the New Jersey Public Broadcasting Authority (alone, the “Authority”) and its related nonprofit 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, 2011, for the readers of these financial statements. 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.

On December 17, 2010 the purposes of the Authority and of the Foundation were “de-coupled” per the provisions of the New Jersey Public Broadcasting System Transfer Act of 2010 (“Transfer Act”).

Due to the fact that prior to December 17, 2010 the Foundation mission was to raise awareness and funds for the Authority, and under the memorandum of understanding entered into on March 11, 2011 between the Foundation and the Authority (“March 2011 MOU”) whereby the Foundation agreed to provide certain funds to the Authority through June 30, 2011, the two entities are reported on a combining basis for the full fiscal 2011 year, as in prior years. On July 1, 2011 a new operator, Public Media NJ, Inc. (“PMNJ”) assumed, under the Programming and Services Agreement dated July 1, 2011 between PMNJ and the Authority (“PMNJ Agreement”), responsibility for programming of the New Jersey Network Television Network (“NJN Television Network”). However, the Authority remains the licensee of the FCC television broadcast licenses. Additional information regarding this transfer can be found in the Significant Events section of this narrative.

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, similar to prior years. We encourage the readers to consider the information presented here in conjunction with the financial statements as a whole.

At June 30, 2011, on a combined basis, the change in NJPBA net assets was a decrease of $1,110,298, as compared to an increase of $52,566 in the prior year. This decrease was primarily due to a significant decline in Foundation underwriting grants, Corporation for Public Broadcasting (“CPB”) funding, and partner agency fee for service contracts, significantly offset by additional Authority lease agreements of excess educational broadband service (“EBS”) capacity with Clearwire Communications LLC. The signing fees from the new agreement amounted to $2,000,000 and represented a major component in helping the Authority close its state basis budget year in balance. The additional revenue was accompanied by significant reductions in general operating costs, including staff attrition.

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. The financial statements also contain 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.

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. An increase in liabilities without corresponding increases to assets results in a decrease to net assets and a deteriorating financial position. A weak economy, steadily declining state, private, and public support impacted by the much publicized uncertainty regarding the future of NJN, and increases in fixed state obligations over the past three years has resulted in a decrease in NJPBA net assets.

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).

As required, and in order to qualify for its community service grants, the NJPBA files an annual financial report ("AFR") with the Corporation for Public Broadcasting ("CPB") and an annual public broadcasting system station activity benchmark survey (SABS).

Though not required, included in the supplementary information of the financial statements is a combined schedule of functional expenses for purposes of additional analysis. This schedule was included due to the increased focus on functional expense allocations of non-profit organizations that arose with the 2006 Pension Protection Act. 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.

In comparison to other public broadcasters that have 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 footnotes, management's discussion and analysis also presents certain information 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.

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.

Also included in the notes is a discussion of the sale of the New Jersey Network Radio Network ("NJN Radio Network") and the transfer of the programming responsibilities with respect to the NJN Television Network to PMNJ.

The NJPBA holds non-commercial, educational television and radio licenses, as well as several educational broadband service ("EBS") licenses. These licenses were granted to the NJPBA by the FCC for public service purposes. In the past some licenses have been leased for other purposes, with resulting revenues helping to fund public service activities.

Financial Analysis and Capital Assets

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 $5,383,914 at the close of fiscal year 2011, a decrease of $1,110,298.

Of this amount, $4,937,469 represents the Authority's net asset balance, a decrease of $944,668, attributable to network operations. The FNJPB net asset balance of $446,445 is a decrease of $165,630 attributable to Foundation operations.

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 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 NJPBA's combined investment in capital assets as of June 30, 2011, net of total accumulated depreciation equals $4,179,307. This represents a decrease of $792,894 from the prior fiscal year most of which is attributable to Authority asset depreciation. During fiscal year 2011 the Authority had no new asset acquisitions, due to the anticipated transfer of network operations.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Federal NTIA matching funds and other capital grants have provided the Authority the funds to acquire the equipment necessary to comply with minimum FCC requirements. It is estimated that approximately $10,000,000 would be required to complete the full digital conversion of the Network's production facility. In light of the state's fiscal difficulties and imminent operational transfer, future funding from state sources is unlikely. If in a position to do so, the Authority may apply for federal matching grants.

The following are the condensed combined statement of net assets as of June 30, 2011 and 2010:

**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$3,234,240</td>
<td>$4,905,263</td>
</tr>
<tr>
<td>Capital assets</td>
<td>4,179,307</td>
<td>4,972,200</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$7,413,547</td>
<td>$9,877,463</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>2,029,633</td>
<td>3,383,251</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,333,914</td>
<td>6,444,212</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><strong>Total net assets</strong></td>
<td>5,383,914</td>
<td>6,494,212</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$7,413,547</td>
<td>$9,877,463</td>
</tr>
</tbody>
</table>

Of the $3,234,240 in current assets, $1,567,138 represents the Authority's balance held by the State of New Jersey and $413,948 represents FNJPB cash and short-term liquid investments, a decrease of $1,653,231 from the prior year, mostly due to the settlement of Foundation intercompany obligations to the Authority and State of New Jersey and $250,692 represents the devaluation of program rights assets as they hold no material value beyond June 30, 2011, due to the transfer of network operations.

Of the $4,179,307 in net capital assets, $4,095,546 represents the Authority’s investment in digital equipment and infrastructure at its transmission tower sites in Trenton, Montclair, Camden and New Brunswick in compliance with FCC digital requirements, a decrease of $792,894 on a net basis over the prior year.

Of the NJPBA's $2,029,633 in current liabilities, $1,921,481 represents the Authority's accounts payable and accrued expenses, a decrease of $134,053 mainly due to timing of payments made at fiscal year end.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

The following are the condensed combined statement of support, revenues and expenses and changes in net assets for the years ended June 30, 2011 and 2010.

**Statement of support, revenues and expenses and changes in net assets**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support and revenues</td>
<td>$14,236,160</td>
<td>$17,568,617</td>
</tr>
<tr>
<td>Expenses</td>
<td>27,506,864</td>
<td>28,838,412</td>
</tr>
<tr>
<td>Excess of expenses over revenue before general appropriations, re-appropriations, and contributed services and facilities from State of New Jersey</td>
<td>(13,270,704)</td>
<td>(11,269,795)</td>
</tr>
<tr>
<td>General appropriations, re-appropriations and contributed services and facilities from State of New Jersey</td>
<td>12,160,406</td>
<td>11,322,361</td>
</tr>
</tbody>
</table>

| Change in net assets           | (1,110,298) | 52,566     |
| Net assets, beginning of year  | 6,494,212   | 6,441,646  |
| Net assets, end of year        | $5,383,914  | $6,494,212 |

Support and revenues decreased $3,332,457 mainly due to declines in corporate underwriting, program grants, contributions and partner agency fee for service contracts. Revenue from "must carry rights" and additional broadband capacity agreements partly offset these reductions.

Mainly due to the expiration of a union negotiated eighteen month wage freeze and furlough savings, programming, production, and broadcasting costs increased $883,099 including depreciation, while total support service expenses decreased by $2,214,657. The Authority received $838,045 more in direct appropriations and contributed state-allocated benefits, facility and occupancy costs in 2011, mainly attributable to the waiving of a prior year $526,000 State charge for utilities, security, and maintenance, as well as benefits paid for certain classes of employees. Administrative expenses declined by $721,903 while development and fundraising costs decreased $640,151 in 2011.

**Significant Events**

In March 2010 the Governor of New Jersey, during his Fiscal Year 2011 Budget Message proposed selling or transferring the Authority’s assets to a nonprofit entity and for the elimination of all state subsidies and support as of January 1, 2011. While the Governor stated in his Fiscal Year 2011 Budget Message that New Jersey could no longer afford to be in the public broadcasting business, it was the State’s desire to see NJN and/or its successor continue to serve the citizens of New Jersey as a privately operated public broadcaster.

A Legislative Task Force on Public Broadcasting ("Task Force") issued its report on October 15, 2010, recommending that the State of New Jersey no longer operate a Public Broadcasting entity. The Task Force agreed on the value of the services that NJN provided and on a mandate to the future operator that would ensure continuation of these services. It also concluded that the television broadcast licenses remain with the State given their potential future value, as well as arguing for continued financial support from the State during a transition period.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

The Task Force listed the various impediments to accomplishing a transfer by January 1, 2011 given the complex legal, practical and logistical nature of such a transition. Subsequent to the issuance of the Task Force report, the State enacted the Transfer Act to provide for the orderly transition of NJN to a private, nonprofit operator. Pursuant to the Transfer Act, the State issued Requests for Proposal (“RFP”) for Operation of the NJN Radio Network, Sale of the NJN Radio Network, and for Operation of the NJN Television Network with a goal of accomplishing the transfer by June 30, 2011. As part of the RFP process, the State evaluated competing bids, including that of the FNJPB, to operate the NJN Television Network.

As previously noted, the purposes of the Authority and Foundation were “de-coupled” on December 17, 2010 pursuant to the Transfer Act. As a result of the “de-coupling”, the Authority and the Foundation entered into the March 2011 MOU and separated the previously co-joined titles of the NJPBA Executive Director/FNJPB President and the NJPBA Director of Finance and Administration/FNJPB Assistant Treasurer. In addition, pursuant to the March 2011 MOU the Foundation agreed to continue its mission of supporting and raising funds for the Authority through June 30, 2011 and the Authority agreed to permit the Foundation to remain as an occupant in the Authority’s state-owned facility.

In June 2011, as a result of the RFP process, the State Treasurer selected PMNJ as the winning bidder for the operation of the NJN Television Network with the agreement to begin July 1, 2011. PMNJ is a New Jersey based nonprofit corporation, whose sole member is WLIW, L.L.C. The sole member of WLIW is WNET.org.

The State Legislature, per the Transfer Act, did not disapprove of the PMNJ Agreement. The initial term of the PMNJ Agreement is for five years, with two options to renew for a period of five years each.

At the same time, the State Treasurer selected WHYY Inc. as the purchaser of the southern portion of the NJN Radio Network and New York Public Radio as the purchaser of the northern portion of the NJN Radio Network. Separate asset purchase agreements, each dated July 1, 2011 were negotiated with WHYY and with New York Public Radio and the State Legislature did not disapprove of either transaction, pursuant to the Transfer Act. As a result of the successful negotiations of the PMNJ agreement and the asset purchase agreements with WHYY and New York Public Radio, the Authority entered into these agreements on July 1, 2011. The FCC approved the assignment of licenses by the Authority to WHYY and New York Public Radio on August 29, 2011. The closing of the asset purchase agreements with WHYY and New York Public Radio is anticipated to occur during November 2011.

As a result, 114 Authority employees were laid off on July 1, 2011. The Authority and the State Department of the Treasury (“Treasury”) entered into an MOU as of July 1, 2011 whereby Treasury agreed to provide the necessary employees (currently six employees) required for the Authority to maintain its FCC licenses.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Other Information

Since fiscal year 2009, the Authority has capitalized and amortized acquired program material license agreements in accordance with Statement of Financial Accounting Standards ("FAS") 63, "Financial Reporting by Broadcasters". As of June 30, 2010 NJPBA had $250,692 remaining in current and non-current capitalized program rights.

As a result of the PMNJ Agreement the Authority determined any remaining program rights possessed no future value beyond June 30, 2011 and fully expensed them in 2011.

The Authority received a state appropriation of $1,898,000 for the six months July 1 to December 31, 2010, reflective of the initial State budget, and a supplemental state appropriation of $2,095,700 for the January 1 to June 30, 2011 period during which the Task Force compiled its findings and the state was negotiating qualified bids for the transfer of NJN operations and sale of its radio network. The $3,993,700 in total appropriations for 2011 was $17,500 less in funds than in fiscal year 2010, and over the past six years the Authority has seen total cumulative reductions of $4,884,000 in state funding.

In fiscal year 2011, the state successfully negotiated a second long-term lease agreement for specified EBS licenses with Clearwire Communications LLC, yielding an initial $2,000,000 signing payment and approximately $456,000 annually thereafter over the life of the contract, with annual escalators. The state had previously negotiated a long-term lease agreement with Clearwire in fiscal year 2010 with a $3,000,000 initial signing payment and worth approximately $1,100,000 annually thereafter, with annual escalators, over the life of the contract. The revenue from these agreements enabled the Authority to close significant budget gaps in both years.

Under an agreement negotiated between the prior administration and state unions in fiscal year 2009, a salary freeze and ten unpaid furlough days impacted all state workers over the fiscal year 2009 and fiscal year 2010 period. In exchange, state workers, including all Authority employees, were granted seven (7) paid leave days accruing to the fiscal year that began on July 1, 2010. Per this agreement employees covered by collective bargaining received deferred increases in fiscal year 2011, 3.5% on July 1, 2010 and a second 3.5% on January 1, 2011.

The FNJPB, amid a still weak economy, staff reductions, and the uncertainty surrounding NJN’s future operator, experienced a $2,500,000 decrease in contributions and underwriting revenues, a decline on par with 2009 at the height of the recession. The FNJPB realized a net deficit of $165,630 in fiscal 2011 as compared to 2010, mainly due to the write down of remaining client underwriting contracts deemed to be uncollectible. The FNJPB implemented additional cost cutting measures amounting to $640,000 on top of $793,000 made in fiscal 2010 in continued response to the weak and difficult fundraising climate.

In addition, the Foundation made approximately $400,000 in general grants to the Authority, a reduction of $1,650,000 from that of 2010 due to the weak fundraising climate exacerbated by the uncertainty of NJN’s future.
During fiscal year 2011 the Authority was unable to purchase any major new transmitting and broadcasting equipment related to the digital conversion given the ongoing debate over NJN’s future, while capital funds from the sale of "must carry" cable rights were utilized for maintaining older equipment and to finance operations.

Cash Flows

On a combined net basis, net cash used in operating activities (before general appropriations) in fiscal year 2011 was $3,305,104, compared to 2010 net cash used in operating activities of $4,538,181, (before general appropriations).

Net cash used in capital and related financing activities in 2011 was $2,643,804, due primarily to a decrease in the amount due to the State, as compared to net cash provided of $552,539 in 2010 related to an increase of $707,336 in amounts due from the State.

Budgetary Highlights

The budgets adopted for both the Authority and the FNJPB for fiscal year 2011 were based on an anticipated six month period, as originally proposed in the state budget. As it became apparent that the NJPBA would exist beyond December 31, 2010, budgets were amended to project the inclusion of the January to June 2011 period. Revenue and expenditure projections were adjusted and revised forecasts issued during the fiscal year as new data became available.

On a combined basis for fiscal year 2011, exclusive of in-kind revenue and expense, operating revenues (total support and revenues of $14,236,200 plus general state appropriations of $3,993,700), was $18,229,900 as compared to the combined budget of $22,363,000. The difference between actual versus budgeted revenue are highlighted by the following:

- The Authority received $542,000 less than budget in State appropriations for operations.
- Media Productions and Facility Rental income was $376,000 more than budget due to several unanticipated state agency projects.
- Tower lease revenue was $1,581,000 higher than budget, including $2,000,000 realized from the additional excess broadband agreements secured with Clearwire Communications.
- CPB Community Service Grants were $80,000 less than budget as a result of the decline in prior year non-federal financial support.
- Revenue from FNJPB corporate support, concert events, and major and planned giving fell $1,577,000 under goal due to the uncertain future of NJN and the weak economy.
- The FNJPB did not hold its annual benefit event due to the above factors.
- Local production revenues, including the Department of Labor Workforce Development grant, were under budget by $317,000 due to the anticipated transfer of television production operations.

Combined NJPBA Operations, Production and Support service expenses, excluding donated and in-kind services were $19,340,000 versus the budgeted amount of $22,326,000.
This positive variance was mainly due to declines in FNJB\P payroll and benefit costs, lower programming and production costs from fewer production grants, and a decrease in fundraising and development costs, in step with the decline in revenues.

- A $1,800,000 revenue shortfall in the FNJB\P due to the uncertain future of NJN along with a weak economy, was partly offset by $315,000 of reductions in Fundraising and Development costs, savings of $140,000 in marketing and promotion expenses, and $119,000 in lower administrative expenses.
- An additional $850,000 in savings was derived from FNJB\P's Direct Awards to the Authority, which amounted to $400,000 in fiscal year 2011, significantly less than originally budgeted as a result of the revenue shortfall. Similarly, production grants awarded to the Authority were $302,000 less than budgeted, a result of the difficulty to secure project funding given NJN's tenuous position in 2011.
- Authority Programming, Production and Broadcasting costs were under budget by $715,000 mainly due to fewer production grants awarded to the Authority, lower transmitter utility costs and less than anticipated acquired programming costs. Administrative and Development expenses were $792,000 under budget due to lower benefit costs, technical and professional service fees, facility maintenance and information technology costs.
- These positive variances were partly offset by payroll obligations amounting to the second of two 3.5% increases relating to the terms of a prior agreement between State of New Jersey labor unions and the former Governor.

Requests for Information

This financial report is designed to provide a general overview of the NJPBA's finances for 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, 25 South Stockton Street, Trenton, NJ 08608.
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 "NJPB") as of June 30, 2011, 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 combined 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Authority and the FNJPB as of June 30, 2011, and the combined results of their operations and combined statement of cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information on pages 1 through 9 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 November 14, 2011 on our consideration of Authority'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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that 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 23 is presented for purposes of additional analysis 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.

November 14, 2011

[Signature]
Certified Public Accountant
NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING STATEMENT OF NET ASSETS

June 30, 2011

<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>$ 141</td>
<td>$ 413,948</td>
<td>$</td>
<td>$ 414,089</td>
</tr>
<tr>
<td>Due from Foundation for NJ Public Broadcasting, Inc.</td>
<td>67,526</td>
<td>-</td>
<td>(67,526)</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,044,838</td>
<td>144,412</td>
<td>-</td>
<td>1,189,250</td>
</tr>
<tr>
<td>Due from State of New Jersey</td>
<td>1,567,138</td>
<td>-</td>
<td>-</td>
<td>1,567,138</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,679,643</td>
<td>558,360</td>
<td>(67,526)</td>
<td>3,170,477</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>4,179,307</td>
<td>-</td>
<td>-</td>
<td>4,179,307</td>
</tr>
<tr>
<td>Prepays and other assets</td>
<td>-</td>
<td>13,763</td>
<td>-</td>
<td>13,763</td>
</tr>
<tr>
<td>Permanently restricted cash</td>
<td>-</td>
<td>50,000</td>
<td>-</td>
<td>50,000</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>4,179,307</td>
<td>63,763</td>
<td>-</td>
<td>4,243,070</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,858,950</td>
<td>622,123</td>
<td>(67,526)</td>
<td>7,413,547</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

| Current liabilities          |                                         |                                                   |              |                 |
| Accounts payable and accrued expenses | $ 1,921,481                           | $ 108,152                                         | $            | $ 2,029,633     |
| Due to the Authority         | -                                       | 67,526                                            | (67,526)     | -               |
| Total current liabilities    | 1,921,481                               | 175,678                                           | (67,526)     | 2,029,633       |

| Net Assets                   |                                         |                                                   |              |                 |
| Unrestricted                 |                                         |                                                   |              |                 |
| Undesignated                 | 4,937,469                               | -                                                 | -            | 4,937,469       |
| Board designated             | -                                       | 396,445                                           | -            | 396,445         |
| Permanently restricted       | -                                       | 50,000                                            | -            | 50,000          |
| Total net assets             | 4,937,469                               | 446,445                                           | -            | 5,383,914       |
| Total liabilities and net assets | 6,858,950                           | 622,123                                           | (67,526)     | 7,413,547       |

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, 2011

<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 Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions and grants</td>
<td>$</td>
<td>- $ 2,279,739 $</td>
<td>- $</td>
<td>$ 2,279,739</td>
</tr>
<tr>
<td>Underwriting</td>
<td>-</td>
<td>1,327,363</td>
<td>-</td>
<td>1,327,363</td>
</tr>
<tr>
<td>Community service grants from Corporation</td>
<td>2,652,596</td>
<td>-</td>
<td>-</td>
<td>2,652,596</td>
</tr>
<tr>
<td>for Public Broadcasting</td>
<td></td>
<td>Broadcast signal rights:</td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workforce development grant</td>
<td></td>
<td>147,106</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other Grants</td>
<td></td>
<td>894,805</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tower rentals</td>
<td></td>
<td>4,612,687</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Facilities rentals/contract productions</td>
<td></td>
<td>2,115,313</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Program and video sales and rentals</td>
<td></td>
<td>52,255</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment return</td>
<td></td>
<td>2,440</td>
</tr>
<tr>
<td>Total support and revenues</td>
<td>11,474,762</td>
<td>3,609,542</td>
<td>(848,144)</td>
<td>14,236,160</td>
</tr>
</tbody>
</table>

Expenses

<table>
<thead>
<tr>
<th>Program services</th>
<th></th>
<th>Supporting Services</th>
<th></th>
<th>Total expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programming and production</td>
<td>11,953,937</td>
<td>Underwriting and grant solicitations</td>
<td>736,833</td>
<td>24,579,836</td>
</tr>
<tr>
<td>Awards</td>
<td>-</td>
<td>Fundraising and membership development</td>
<td>-</td>
<td>3,775,172</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>8,430,825</td>
<td>General and administrative</td>
<td>3,458,241</td>
<td>27,506,864</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total supporting services</td>
<td>4,195,074</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total expenses</td>
<td>20,384,762</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(848,144)</td>
<td>21,296,091</td>
</tr>
</tbody>
</table>

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

(13,105,074) (165,630) - (13,270,704)

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

12,160,406

Change in net assets

(944,668) (165,630) (1,110,298)

Net assets, beginning of year

5,882,137 612,075 - 6,494,212

Net assets, end of year

$ 4,937,469 $ 446,445 - $ 5,383,914

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

## COMBINED STATEMENT OF CASH FLOWS

**Year Ended June 30, 2011**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Support and revenues</td>
<td>$ 15,266,927</td>
</tr>
<tr>
<td>Investment return</td>
<td>(47,560)</td>
</tr>
<tr>
<td>Program support services</td>
<td>(18,524,471)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(3,305,104)</td>
</tr>
<tr>
<td><strong>Cash Flows from Non-Capital Financing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>General appropriations</td>
<td>3,993,700</td>
</tr>
<tr>
<td><strong>Cash Flows from Capital and Related Financing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Devaluation of program rights</td>
<td>250,692</td>
</tr>
<tr>
<td>Net decrease in due to State of New Jersey</td>
<td>(2,894,496)</td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(2,643,804)</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments, net of purchases</td>
<td>(68)</td>
</tr>
<tr>
<td>Net decrease in cash and cash equivalents</td>
<td>(1,955,276)</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>2,369,365</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 414,089</td>
</tr>
</tbody>
</table>

## 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: $(13,270,704)
- Adjustments:
  - Net realized and unrealized investment losses: 68
  - Bad debts: 157,425
  - Contributed services and facilities from State of New Jersey: 8,166,706
  - Depreciation: 792,894
  - Change in assets and liabilities:
    - Accounts receivable: 875,785
    - Prepaids and other assets: (1,018)
    - Accounts payable and accrued expenses: (26,260)
  - **Net cash used in operating activities**: $(3,305,104)

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 (see Note L).

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.

On December 17, 2010, the purposes of the Authority and the Foundation were decoupled pursuant to the New Jersey Public Broadcasting Transfer Act of 2010. At that time the Authority was moved from being under the "in but not of" Department of the State to the Department of Treasury. The previous board was dismantled and a new Authority board was appointed chaired by the State Treasurer.

On July 1, 2011 a new operator, Public Media NJ, Inc. ("PMNJ"), a New Jersey nonprofit, whose sole member is WLIW, who is a sole member of WNET.org, assumed responsibility for programming which was previously provided by the Authority. As a result the Foundation's mission was revised. The Foundation will now provide fundraising support for New Jersey centric programming through PMNJ instead of the Authority. The Authority, under an operating agreement with PMNJ will turn over all revenues derived from its tower leases, must carry cable rights, and federal funds from CPB to PMNJ.

Significant Accounting Policies

Basis of Combination
The accompanying combined financial statements of the New Jersey Public Broadcasting Authority include the accounts of the Authority (single entity) and the FNJPB (single entity) (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 resources to be used for the benefit of the Authority.
A. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting
The combining financial statements of Authority have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recognized when incurred.

In its accounting and financial reporting, the Authority follows the pronouncements of the Government Accounting Standards Board ("GASB") and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statement of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment.

Financial statement presentation for the FNJPB follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards. 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 combined 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 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.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

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

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.

Funds received for services and capital funding are classified as deferred revenues until
expended for their purposes since they are conditional. Funds received from federal or state
grants are recorded as refundable advances until spent at which time the revenue is
recognized.

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 accounts receivable collectibility.
Accounts deemed uncollectible are charged to the allowance in the years they are deemed
uncollectible.

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.

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.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

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

Income Taxes
The FNJPB 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.

Management evaluated the Foundation's tax positions and concluded that the Foundation
had taken no uncertain tax positions that require adjustment to the financial statements to
comply with the provisions of this guidance. With few exceptions, the Foundation is no
longer subject to income tax examinations by the U.S. federal, state, or local tax authorities
for years before 2007.

Functional Allocation of Expenses
The costs of providing programming, broadcasting and support services for the Authority
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, the NJPBA is comprised
of two organizations. The Authority’s primary services are programming, production and
broadcasting while the FNJPB is primarily a fundraising organization and virtually all
fundraising costs are incurred by FNJPB. Expenses reported by the Authority and the
FNJPB 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, 2011, received a significant
portion of its revenue and support, aggregating approximately $13,776,000, from State of New
Jersey entities, including donated services for administrative support and occupancy costs (see
Note J). The ongoing support from the state entities is subject to State of New Jersey
appropriations.

For the year ended June 30, 2011, the FNJPB received 7% of its support and revenues from New
Jersey state entities.

Revenues received from Federal and New Jersey state entities and expenditures made by the
Authority may be subject to financial compliance requirements and possible audits by various
Federal and State of New Jersey offices. In addition, State of New Jersey appropriations can
change based on governmental determinations not within 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.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

B. CONCENTRATIONS, RISK AND UNCERTAINTIES (CONTINUED)

Approximately 82% of the Authority’s labor force is covered by collective bargaining agreements, which expired on June 30, 2011. Collective bargaining agreements are negotiated by the State of New Jersey, not the Authority.

C. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2011, represent tower rental and media services receivables of the Authority and contributions and underwriting receivables, which are primarily pledges to give from a broad base of corporate contributors, nonprofit organizations and various state entities, of the FNJPB due in less than one year, as follows:

<table>
<thead>
<tr>
<th></th>
<th>Authority</th>
<th>FNJPB</th>
<th>Combined Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tower rental</td>
<td>$683,211</td>
<td>$</td>
<td>$683,211</td>
</tr>
<tr>
<td>Media services</td>
<td>455,674</td>
<td></td>
<td>455,674</td>
</tr>
<tr>
<td>Contributions and underwriting</td>
<td></td>
<td>156,874</td>
<td>156,874</td>
</tr>
<tr>
<td>Less: allowances for uncollectible amounts</td>
<td>94,047</td>
<td>12,462</td>
<td>106,509</td>
</tr>
<tr>
<td>Net amounts receivable</td>
<td>$1,044,838</td>
<td>$144,412</td>
<td>$1,189,250</td>
</tr>
</tbody>
</table>

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, 2011, 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>$22,636,434</td>
<td>$</td>
<td>$</td>
<td>$22,636,434</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>2,026,880</td>
<td></td>
<td></td>
<td>2,026,880</td>
</tr>
<tr>
<td>Transmission antenna and towers</td>
<td>13,829,841</td>
<td></td>
<td></td>
<td>13,829,841</td>
</tr>
<tr>
<td>Totals at historical cost</td>
<td>38,493,155</td>
<td></td>
<td></td>
<td>38,493,155</td>
</tr>
<tr>
<td>Less accumulated depreciation for studio and other equipment</td>
<td>21,216,525</td>
<td>377,780</td>
<td></td>
<td>21,594,305</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>1,942,118</td>
<td>50,506</td>
<td></td>
<td>1,992,624</td>
</tr>
<tr>
<td>Transmission antenna and towers</td>
<td>10,362,312</td>
<td>364,608</td>
<td></td>
<td>10,726,920</td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>33,520,955</td>
<td>792,894</td>
<td></td>
<td>34,313,849</td>
</tr>
<tr>
<td>Total capital assets</td>
<td>$4,972,200</td>
<td>($792,894)</td>
<td></td>
<td>$4,179,307</td>
</tr>
</tbody>
</table>
E. CAPITAL ASSETS (CONTINUED)

The NJPBA 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 for the equipment calculated on acquisition price over the estimated useful lives of 39 and 10 years, respectively. For the year ended June 30, 2011, the value has been estimated at $1,049,547 (see Note J).

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

F. OPERATING LEASES

The Authority is the lessor of excess digital channel capacity under two operating leases with Clearwire Spectrum Holdings LLC ("Clearwire") expiring in 2040.

The Authority is also the lessor of tower rental space of antennas from various broadcasters, communication service companies, and federal agencies under operating leases expiring in various years through 2020. Rent is determined annually based on the number of antennas and related equipment installed on the State owned towers. The tower property leased is included in capital assets; rental income is recorded in the combining statement of support, revenues and expenses and changes in net assets as tower rentals.

G. PROGRAMMING LICENSES

Programming licenses paid to the Public Broadcasting Service, ("PBS") and other program providers had previously been reflected as assets and amortized over their estimated useful lives on an accelerated basis, since the first broadcast of the program is more valuable than its reruns. At June 30, 2011, the unamortized balance of the programming rights was written off due to the restructuring of the Authority, resulting in an expense of $250,692 (see Note L).

H. 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.

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 employees hired after July 1, 2008, the formula changes and their 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 New Jersey State statute.
H. PENSION PLAN (CONTINUED)

Covered Authority employees are required by PERS to contribute 5.5% of their salaries. New Jersey 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.

I. 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, their portion of this liability and cost will be included in the State of New Jersey's Comprehensive Annual Financial Report ("CAFR"), on an annual basis.

As such, the liability of the Authority's employees' are covered under the New Jersey State plan.

Please refer to the New Jersey State website www.state.nj.us for more information regarding the plan.

J. CONTRIBUTED SERVICES AND FACILITIES

For the year ended June 30, 2011, the Authority received donated services from the State of New Jersey of $7,117,159 for administrative support and $1,049,547 for occupancy and equipment costs (see Note E), which are included in non-operating revenues and programming and production expenses.

K. 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, 2011, project underwriting and general underwriting revenues and awards of $607,151 were recorded and awarded to the Authority.

The FNJPB paid the Authority an unrestricted general operating grant of $250,000. In addition, the FNJPB paid dues of $294,700 to the Public Broadcasting Service on behalf of the Authority during fiscal year 2011.

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 under the general operating grant. The value of such services has not been ascertained.
NEW JERSEY PUBLIC BROADCASTING AUTHORITY
NOTES TO COMBINING FINANCIAL STATEMENTS

K. RELATED PARTY TRANSACTIONS (CONTINUED)

Until December 17, 2010, at which time the Authority and the Foundation were decoupled under the Transfer Act, the Authority's Acting Executive Director served as the Foundation's Acting President (see Note L).

L. SUBSEQUENT EVENTS

As of July 1, 2011, the Authority transferred its television operations by entering into a programming and services agreement with a New Jersey nonprofit corporation, Public Media NJ, Inc. ("PMNJ") created at the initiative of WNET.org, to provide New Jersey centric programming, emergency broadcasting and other related services, such as fundraising and back office services, for a 5 year term with two additional automatic 5 year renewals. Distribution of the programming continues over the Authority’s owned and operated stations and preserves New Jersey centric programming for the State of New Jersey. Ownership of the licenses remains with the Authority and the Authority will retain all costs associated with the operation and the maintenance of the technical and main studio facilities of the stations and liability for fulfilling FCC licensing requirements. The Authority is also to provide funding to PMNJ derived from its tower leases, cable carry rights, and grants from CPB.

The Authority, as FCC license holder, will still have control of the television stations under FCC rules. As such, the Authority will remain as an operating State of New Jersey authority, with the necessary amount of employees to satisfy FCC requirements provided by the New Jersey Department of the Treasury ("Treasury") to the Authority pursuant to a memorandum of understanding to be entered into between Treasury and Authority.

The Authority has also entered into two separate sale agreements on July 1, 2011, with New York Public Radio ("NYPR") and WHYY stations. The sale has been approved by the FCC. NYPR and WHYY has assumed programming and management of the stations, as of July 1, 2011 and the closing on the two asset purchase agreements is anticipated to occur in November/December 2011. Additionally, the proceeds that will be received from the sale of the Authority’s radio broadcasting licenses and stations will be deposited in a Trust Fund for the support of public broadcasting.

Funding for NJPBA going forward will be incorporated into the New Jersey State budget. It is estimated that for fiscal year 2012, that amount will be approximately $2,000,000.
SUPPLEMENTARY INFORMATION
# NEW JERSEY PUBLIC BROADCASTING AUTHORITY

## COMBINED SCHEDULES OF FUNCTIONAL EXPENSES

**Years Ended June 30,**

<table>
<thead>
<tr>
<th>Supporting Services</th>
<th>2011</th>
<th>Program Services</th>
<th>2010</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fundraising, Grant Solicitation &amp; Development</strong></td>
<td>$892,993</td>
<td>$1,823,483</td>
<td>$4,942,702</td>
<td>$3,627,637</td>
<td>$11,286,815</td>
</tr>
<tr>
<td><strong>General and Administrative</strong></td>
<td>$232,803</td>
<td>$586,469</td>
<td>$1,647,037</td>
<td>$1,239,432</td>
<td>$3,705,741</td>
</tr>
<tr>
<td>Payroll</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits (direct and in-kind)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-air fundraising and member development</td>
<td>$819,440</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>819,440</td>
</tr>
<tr>
<td>Public relations and promotion</td>
<td>2,330</td>
<td>1,039</td>
<td>37,354</td>
<td>-</td>
<td>40,723</td>
</tr>
<tr>
<td>Special projects</td>
<td>-</td>
<td>-</td>
<td>169,025</td>
<td>-</td>
<td>169,025</td>
</tr>
<tr>
<td>Vehicles/utilities</td>
<td>-</td>
<td>418</td>
<td>33,272</td>
<td>476,737</td>
<td>510,407</td>
</tr>
<tr>
<td>Travel and conference</td>
<td>88,205</td>
<td>1,625</td>
<td>5,003</td>
<td>530</td>
<td>95,363</td>
</tr>
<tr>
<td>Telephone/postage</td>
<td>33,781</td>
<td>68,980</td>
<td>186,976</td>
<td>138,452</td>
<td>428,189</td>
</tr>
<tr>
<td>Occupancy (in-kind)</td>
<td>59,481</td>
<td>121,459</td>
<td>649,680</td>
<td>241,630</td>
<td>1,072,250</td>
</tr>
<tr>
<td>Information systems/OTIS</td>
<td>-</td>
<td>45,348</td>
<td>15,707</td>
<td>122,520</td>
<td>183,575</td>
</tr>
<tr>
<td>Technical/professional services</td>
<td>20,363</td>
<td>141,497</td>
<td>86,682</td>
<td>103,977</td>
<td>352,519</td>
</tr>
<tr>
<td>PBS and NPR services</td>
<td>-</td>
<td>-</td>
<td>1,052,103</td>
<td>-</td>
<td>1,052,103</td>
</tr>
<tr>
<td>Program acquisition</td>
<td>-</td>
<td>-</td>
<td>1,152,807</td>
<td>-</td>
<td>1,152,807</td>
</tr>
<tr>
<td>Building and vehicle maintenance</td>
<td>-</td>
<td>430,083</td>
<td>1,304</td>
<td>16,795</td>
<td>448,182</td>
</tr>
<tr>
<td>Maintenance, grounds and equipment (direct and in-kind)</td>
<td>119,774</td>
<td>501,841</td>
<td>1,491,402</td>
<td>1,590,377</td>
<td>3,703,394</td>
</tr>
<tr>
<td>WFD and digital classroom</td>
<td>-</td>
<td>-</td>
<td>7,681</td>
<td>-</td>
<td>7,681</td>
</tr>
<tr>
<td>NJN radio</td>
<td>-</td>
<td>-</td>
<td>210,104</td>
<td>-</td>
<td>210,104</td>
</tr>
<tr>
<td>Media productions</td>
<td>-</td>
<td>-</td>
<td>339,261</td>
<td>-</td>
<td>339,261</td>
</tr>
<tr>
<td>Local production</td>
<td>-</td>
<td>-</td>
<td>693,230</td>
<td>-</td>
<td>693,230</td>
</tr>
<tr>
<td>Interest expense (in-kind)</td>
<td>23,558</td>
<td>48,105</td>
<td>130,392</td>
<td>95,700</td>
<td>297,755</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>16,250</td>
<td>-</td>
<td>776,644</td>
<td>792,894</td>
</tr>
<tr>
<td>Other administrative costs</td>
<td>62,803</td>
<td>68,645</td>
<td>13,544</td>
<td>394</td>
<td>145,386</td>
</tr>
<tr>
<td><strong>Totals, year ended June 30, 2011</strong></td>
<td>$2,355,531</td>
<td>$3,855,242</td>
<td>$12,865,266</td>
<td>$8,430,825</td>
<td>$27,506,864</td>
</tr>
<tr>
<td><strong>Totals, year ended June 30, 2010</strong></td>
<td>$2,604,714</td>
<td>$4,577,145</td>
<td>$12,923,833</td>
<td>$8,732,720</td>
<td>$28,838,412</td>
</tr>
</tbody>
</table>
Identifying Number: 2010-1

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 or statement of activities 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 Action Taken: As indicated in the Schedule of Finding and Response, the Authority acknowledged 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. In response to a July 31, 2008, letter from the State Treasurer and at the direction of the audit committee, the Authority commenced working 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. However, this work was suspended on July 22, 2010, under the Treasury's directive until the future status of the Authority is determined.
Identifying Number 2011-1

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 or statement of activities at or for 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 the spreadsheets as new transactions occur. The Authority then takes the spreadsheet balances and posts them to a trial balance.

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 the suspension of the implementation under the Treasury's directive, the Authority will not be obtaining and implementing a general ledger package with the capability to provide timely periodic financial information both in report form and by export to spreadsheets, at this time.

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 all reportable activity. Expenses are also susceptible to misclassifications and thus may result in discrepancies with comparative information.

Recommendation: The Authority should implement a general ledger package with the capability to provide timely periodic financial 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 research on several financial reporting options offered through the State's Office of Information Technology ("OIT") and has considered utilizing the FNJPB existing general ledger system. The Authority had been working with the Department of Treasury and OIT to implement a payroll management and financial reporting system that would report financial data reliably in accordance with GAAP, until it was suspended on July 22, 2010, under the direction of the State Treasurer.
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, 2011, and have issued our report thereon dated November 14, 2011. 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, and audit requirements prescribed by the State of New Jersey.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of finding and response, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of finding and response to be a material weakness as item 2011-1.
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 finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit the Authority's response, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, the audit committee, others within the entity, and the State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

November 14, 2011

[Signature]
Certified Public Accountant