INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

June 30, 2014

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

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MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board Commissioners of
New Jersey Public Broadcasting Authority

We have performed the procedures enumerated below, which were agreed to by the New Jersey Public Broadcasting Authority ("Authority"), solely to assist the specified parties in evaluating the Authority's compliance with the reliability of amounts reported in the Corporation for Public Broadcasting's ("CPB") Financial Reporting Guidelines ("Guidelines"), for preparing the Annual Financial Report ("AFR") as non-federal financial support ("NFFS") for the fiscal year ended June 30, 2014. The Authority is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Management prepared the attached combining financial statements and schedules listed in the table of contents. These combining financial statements and schedules were prepared for the specific purpose of presenting the financial results of the Authority, as well as Public Media NJ, Inc. ("PMNJ"), an organization considered "financially interrelated" as that term is used in the CPB Financial Reporting Guidelines. PMNJ, a New Jersey nonprofit, 501(c)(3) corporation, entered into a programming and services agreement with the Authority dated July 1, 2011. The combining financial statements include information extracted from the separately audited financial statements of the Authority and PMNJ.

The procedures that we performed and the associated results are as follows:

1. We traced the individual and aggregate balances reported on the combining balance sheet and combining statement of revenue, expenses and changes in net position, (the "combining statements"), on pages three and four to the audited financial statements of each entity.

   We found no exceptions as a result of our procedures.

2. We traced the combining statement of revenue, expenses and changes in net position totals to the combining schedule of revenue in the CPB AFR report, and to the combining schedule of expenses/capital outlay in the CPB AFR report, on pages five and six, respectively.

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We found no exceptions as a result of our procedures.

3. We obtained an understanding of the qualifications used to determine if support and revenue meets the criteria as NFFS as per CPB Guidelines, Section 2 and verified the amounts reported in the AFR as NFFS met criteria.

   We found no exceptions as a result of our procedures.

4. We tested a sample of cash receipts of the Authority for proper line item classification.

   We found no exceptions as a result of our procedures.

5. We obtained an understanding of the expense allocation methods utilized by the Authority and reviewed for compliance with the acceptable methodology for indirect administrative support rules determined in Section 2.6 of the CPB Guidelines.

   We found no exceptions as a result of our procedures.

6. We tested a sample of indirect costs, for exclusion of licensee costs not directly benefiting station operations.

   We found no exceptions as a result of our procedures.

7. We obtained an understanding of the valuation methodology and documentation process for contributed goods and services received to ensure fair value reporting is consistent with industry standards.

   We found no exceptions as a result of our procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Authority's Board of Commissioners, Authority Management, PMNJ and CPB and is not intended to be, and should not be used by, anyone other than these specified parties.

Very truly yours,

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
February 12, 2015

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING BALANCE SHEET
June 30, 2014

	New Jersey Public Broadcasting Authority	Public Media NJ, Inc.	Elimination		Total
Assets					
Cash and cash equivalents	$ -	$ 831,173	$ -		$ 831,173
Accounts receivable, net	89,645	246,626	(213,121)	(a)	123,150
Due from State of New Jersey	427,689				427,689
Grants and gifts receivable, net	-	775,926	-		775,926
Prepaid expense	-	486,552	-		486,552
Due from controlling entity		151,503	-		151,503
Capital assets, net	2,410,147	722,417	-		3,132,564
Total Assets	$ 2,927,481	$ 3,214,197	$ (213,121)		$ 5,928,557
Liabilities					
Accounts payable and accrued expenses	$ 413,328	$ 756,444	$ (213,121)	(a)	$ 956,651
Unearned revenue	162,569	1,527,469			1,690,038
Due from controlling entity	-	-	-		-
Total Liabilities	575,897	2,283,913	(213,121)		2,646,689
Net Position					
Investment in capital assets	2,410,147	-	-		2,410,147
Unrestricted	(58,563)	(73,031)	-		(131,594)
Temporarily restricted	-	953,315	-		953,315
Permanently restricted	-	50,000	-		50,000
Total Net Position	2,351,584	930,284	-		3,281,868
Total Liabilities and Net Position	$ 2,927,481	$ 3,214,197	$ (213,121)		$ 5,928,557

(a) Represents receivable/payable between the Authority and PMNJ:

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2014

	New Jersey Public Broadcasting Authority	Public Media NJ, Inc.	Elimination		Total
Support and Revenue					
New Jersey State support (direct)	$ 1,997,367	$ -	$ -		$ 1,997,367
New Jersey State support (in-kind)	981,390	-	-		981,390
Contributions and grants	2,674,055	5,156,671	(100,000)	(a)	7,730,726
Rental income	2,623,263	-	-		2,623,263
Programming and service fees	400,000	4,677,377	(4,677,377)	(a)	400,000
Royalties	149,685				149,685
Other income	-	11,680	-		11,680
Total Support and Revenue	8,825,760	9,845,728	(4,777,377)		13,894,111
Expenses					
Programming and production	4,764,428	7,072,354	(4,777,377)	(a)	7,059,405
Education	-	15,573	-		15,573
Broadcasting	2,676,964	568,676	-		3,245,640
Fundraising and membership development	-	1,235,738	-		1,235,738
General and administrative	750,292	636,205	-		1,386,497
Total Expenses	8,191,684	9,528,546	(4,777,377)		12,942,853
Change in Net Position	634,076	317,182	-		951,258
Net Assets-Beginning of Year	1,717,508	613,102	-		2,330,610
Net Position-End of Year	$ 2,351,584	$ 930,284	$ -		$ 3,281,868

(a) Public Media NJ, Inc. received $4,777,377 in service fees from the New Jersey Public Broadcasting Authority. Thus revenue was reduced by $4,777,377 and program & production expenses was reduced by the same amount.

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING SCHEDULE OF REVENUE FOR THE CORPORATION FOR PUBLIC BROADCASTING ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Sch. #	Line #	Description	New Jersey Public Broadcasting Authority	Public Media NJ, Inc.		Eliminations	Total
A	1(f)	Federal Funds - Other	$ 62,706	$ -		$ -	$ 62,706
A	2(a)	Community Service Grant	1,496,811	-			1,496,811
A	2(b)	TV Interconnection Grant	65,337	25,000			90,337
A	2 (c)	PBS non royalties	69,001	-			69,001
A	2(e)	Public broadcasting stations	44,482	200,000	(a)	(100,000)	144,482
A	2(f)	Other PBE Funds	-	-			-
A	4	State Gov't	3,109,274	4,677,377	(a)	(4,677,377)	3,109,274
A	7	Private Colleges and Universities	52,620	-			52,620
A	8	Foundations	-	480,785			480,785
A	9	Business	2,911,623	1,942,623			4,854,246
A	10	Membership	-	2,159,333			2,159,333
A	14(a)	Special fundraising activities		348,930			348,930
A	15 (c)	PBS pass-through	32,517	-			32,517
A	19	Major individual gifts		-			-
A	20	Other Direct Revenue	-	11,680			11,680
B	1.b.5	Indirect Admin Support	208,434	-			208,434
B	2	Occupancy	772,955	-			772,955
			$ 8,825,760	$ 9,845,728		$ (4,777,377)	$ 13,894,111

(a) Service fee revenue received from NJ Public Broadcasting Authority

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

COMBINING SCHEDULE OF EXPENSES/CAPITAL OUTLAY FOR THE CORPORATION FOR PUBLIC BROADCASTING ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014

Sch. #	Line #	Description	New Jersey Public Broadcasting Authority		Public Media NJ, Inc.	Eliminations		Total
Expenses								
		Program Services						
E	1	Programing and Production	$ 4,764,428	a	$ 6,502,686	$ (4,777,377)	(a)	$ 6,489,737
E	2	Broadcasting and Engineering	2,676,964		647,108			3,324,072
E	3	Program Information & Promotion	-		506,809			506,809
								-
		Support Services						-
E	4	Management and General	750,292		636,205			1,386,497
E	5	Fundraising and Membership	-		1,085,154			1,085,154
E	6	Underwriting	-		150,584			150,584
			-		-			-
		Total Expenses	$ 8,191,684		$ 9,528,546	$ (4,777,377)		$ 12,942,853
Capital								
E	9(b)	Equipment	$ 1,068,685		$ 281,129			$ 1,349,814

(a) $4,777,377 of expenses recorded in programming that was recorded as revenue on PMNJ's books

See independent accountants' report.

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

Financial Statements

June 30, 2014

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

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Overview of the Financial Statements

The management of the New Jersey Public Broadcasting Authority (the "Authority"), has prepared this narrative overview and analysis of the financial activities for the year ended June 30, 2014, 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.

Since the Authority is comprised of a single enterprise fund, no fund-level financial statements are shown. The Authority's operating budget is allocated by the State of New Jersey Department of Treasury and is not legally adopted, thus there are no budgetary schedules included.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether or not the financial position of the Authority is improving or deteriorating.

Net positions increase when revenues exceed expenses. An increase in liabilities without corresponding increases to assets results in a decrease to net position and a deteriorating financial position.

The statement of support, revenues and expenses, and changes in net position presents information showing how a government entity's net position changed during the fiscal year. Changes in net position 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 unearned revenue)*. The financial statements also contain footnote disclosures including the Authority's "in-kind" revenue and expense.

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

Financial Analysis

Net position may serve, over time, as a useful indicator of a agency's financial position. The Authority's assets exceeded liabilities by $2,351,584 at the close of fiscal year 2014, an increase of $634,076 from the prior fiscal year.

Fiscal 2012 was a transitional year for the Authority. As the first year of operations under the new model, it included some trailing liabilities from the old operational model, as well as the consummation of the sale of the radio licenses that had been agreed to in Fiscal 2011. Fiscal 2014 and 2013 represents a "new normal" for Authority operations and will be a better benchmark for comparisons going forward. It should be noted that the Authority's mission is limited to the operation of the statewide broadcast infrastructure and oversight of the "Programming and Services Agreement". As such, there is no anticipation of adding or expanding services, developing new revenue streams or engaging in activities that would significantly change the net position calculation in future periods.

Financial Analysis (Continued)

The largest portions of the Authority's assets reflect its investment in capital assets (*i.e. transmission towers related equipment, studio broadcasting equipment as required by the FCC as a licensee to retain the capability to originate broadcasts if necessary, and other items essential to the interconnection and monitoring of the broadcast signal,*) less accumulated depreciation. The Authority uses these assets to provide public broadcasting services, disseminate emergency broadcast information statewide as needed, and to liquidate current liabilities and for any other essential spending necessary to maintain transmission of the broadcast signal on a full time basis.

The Authority's investment in capital assets as of June 30, 2014, net of total accumulated depreciation equals $2,410,147. This represents an increase of $513,306 from the prior fiscal year, attributable in part to construction in progress related to the transmission towers.

Of the Authority's $575,897 in current liabilities, $413,328 represents the Authority's accounts payable and accrued expenses, a decrease of $532,837 from 2013 mainly due to the decrease in overall operating expenses resulting from the transition to the new operating model.

The following is the condensed statement of net assets as of June 30, 2014 and 2013:

Statement of Net Position

	2014	2013
Current and other assets	$ 517,334	$ 929,401
Capital assets	2,410,147	1,896,841
Total assets	$ 2,927,481	$ 2,826,242
Current liabilities	$ 575,897	$ 1,108,734
Net position		
Investment in capital assets	2,410,147	1,896,841
Unrestricted	(58,563)	(179,333)
Total net position	2,351,584	1,717,508
Total liabilities and net position	$ 2,927,481	$ 2,826,242

Current assets of $517,334, which represents tower lease receivables and amounts due from the State of New Jersey decreased $412,067 from the prior year due to less funds carried forward from the State of New Jersey.

The following is the condensed statement of support, revenues and expenses and changes in net position for the years ended June 30, 2014 and 2013.

Statement of support, revenues and expenses and changes in net position

	2014	2013
Support and revenues	$ 8,825,760	$ 10,797,146
Expenses	8,191,684	11,177,761
Change in net position	634,076	(380,615)
Net position, beginning of year	1,717,508	2,098,123
Net position, end of year	$ 2,351,584	$ 1,717,508

Statement of support, revenues and expenses and changes in net position (Continued)

Support and revenues decreased $1,971,386 and expenses decreased $2,986,077 mainly due to a decrease in CPB grant funding as well as State support.

As a result of the Public Broadcasting Transfer Act of 2010, the Authority is "in, but not of" the Department of the Treasury. Through a Memorandum of Understanding between Treasury and the Authority, Treasury provides staff support (currently 5 full time positions) and other support of approximately $2,000,000 for Authority operations. Other external revenue streams *(Corporation for Public Broadcasting Grants, license fees, tower rents, and cable waiver fees)* are received by the Authority and passed through to PMNJ under the terms of the Programming and Services Agreement (see Significant Events).

Significant Events

As of July 1, 2011, the Authority entered into a "Programming and Services Agreement" with PMNJ, Inc. ("PMNJ") under which PMNJ assumed responsibility for all television programming, production, fundraising, promotion and general station operations. Many activities that were formerly the responsibility of the Authority have been taken over by PMNJ. The Authority continues to be the FCC licensee, and operates the broadcast transmitters and related infrastructure to support the statewide distribution of public media programming in New Jersey.

The annual Community Service Grant ("CSG") from the CPB is declining. This is not unexpected. A key driver of the amount of this grant is the Non-Federal Financial Support ("NFFS") that accrues to the operation during the fiscal year. That amount is reported to CPB annually and used in the formula to calculate the grant amount in the following year. In effect, the NFFS in year 1 is reported to CPB in year 2 after the completion of the Year 1 audit, and is used in the calculation of the grant to be received in year 3. In the Authority's last full year of operations - the NFFS was approximately $8,000,000. Under the new operating model, it quickly fell to about half that amount. This year, it reaches, what will probably be the "new normal" going forward. This is a reflection of the smaller direct and indirect support provided by the State of New Jersey.

Our partners in PMNJ have been kept informed about the decline in the NFFS and its implications two years hence - per the CPB funding method. The reduction in federal funding may be offset by increased success by PMNJ in raising other NFFS.

During fiscal year 2014, and concluding early in fiscal year 2015, two significant capital projects were completed by the Authority. These include a new strobe lighting system on the Authority's Montclair transmitter tower, and tower painting at all four major Authority television transmission sites.

The Authority staff and board are closely following a planned FCC Spectrum Auction that could have significant implications for the Authority in future years. The FCC has recently announced a six to nine month delay in the process as a result of some legal challenges. The Authority will continue to monitor this situation closely, and develop strategies and recommendations as appropriate.

Requests for Information

This financial report is designed to provide a general overview of the New Jersey Public Broadcasting Authority'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.

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of
New Jersey Public Broadcasting Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of New Jersey Public Broadcasting Authority ("Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

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Auditors' Responsibility (Continued)

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2014 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note K to the financial statement, the net position, beginning of year, has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages one through three be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, the schedule of functional expenses for the year ended June 30, 2014, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of functional expenses for the year ended June 30, 2014 is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses for the year ended June 30, 2014, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2015, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

February 2, 2015

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

STATEMENT OF NET POSITION
June 30, 2014

ASSETS

Accounts receivable, net	$ 89,645
Due from State of New Jersey	427,689
Capital assets, net	2,410,147
Total assets	$ 2,927,481

LIABILITIES AND NET POSITION

Liabilities	
Accounts payable and accrued expenses	$ 413,328
Unearned revenue	162,569
Total liabilities	575,897
Net Position	
Investment in capital assets	2,410,147
Unrestricted	(58,563)
Total net position	2,351,584
Total liabilities and net position	$ 2,927,481

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

STATEMENT OF SUPPORT, REVENUES AND EXPENSES,
AND CHANGES IN NET POSITION
Year Ended June 30, 2014

Support and revenues	
New Jersey State support (direct)	$ 1,997,367
New Jersey State support (in-kind)	981,390
New Jersey Public Broadcasting Authority Trust Fund support	1,111,907
Corporation for Public Broadcasting grants	1,562,148
Tower rentals	2,623,263
Food Network contract revenue	400,000
Royalties	34,021
Radio facility lease revenue	113,483
Other income	2,181
Total support and revenues	8,825,760
Expenses	
Programming and production	4,764,428
Broadcasting	2,676,964
General and administrative	750,292
Total expenses	8,191,684
Change in net position	634,076
Net position, beginning of year, as previously reported	862,130
Restatement (see Note K)	855,378
Net position, beginning of year, restated	1,717,508
Net position, end of year	$ 2,351,584

See notes to financial statements.

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

Cash flows from operating activities	
Receipts from customers	$ 9,730,916
Payments to suppliers and employees	(8,720,183)
Net cash from operating activities	1,010,733
Cash flow from capital and related financing activities	
Purchase and disposal of capital assets, net	(1,010,733)
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	$ -

Reconciliation of change in net position, net cash from operating activities	
Change in net position	$ 634,076
Adjustments	
Loss on disposal of assets	108,197
Depreciation	389,230
Change in assets and liabilities	
Accounts receivable	(15,622)
Due from State of New Jersey	427,689
Accounts payable and accrued expenses	(527,907)
Unearned revenue	(4,930)
Net cash from operating activities	$ 1,010,733

See notes to financial statements.

A. NATURE OF ORGANIZATION

The New Jersey Public Broadcasting Authority (the "Authority") located in Trenton, New Jersey is an independent Authority in, but not of, the Department of Treasury of the State of New Jersey. The Authority was established in 1968 under the New Jersey Public Broadcasting Act of 1968.

The Authority is the Federal Communications Commission's ("FCC") licensee for seven television broadcasting stations throughout New Jersey.

Effective July 1, 2011, the Authority entered into a programming and services agreement with Public Media NJ, Inc. ("PMNJ"), a New Jersey non-profit corporation, to provide public television programming and services on the stations under the name of NJTV and online at NJTVonline.org. The Authority is responsible to ensure that PMNJ provides high quality non-commercial programming that serves the needs and interests of the citizens of New Jersey and furthers the Authority's educational objectives.

The programming includes a weekday nightly news and public affairs program, live broadcast of New Jersey State annual budget messages and live coverage of New Jersey elections as well as other cultural, educational and inspirational programming.

The New Jersey Public Broadcasting Authority Trust Fund was created by the State of New Jersey ("State") as a restricted, nonlapsing revolving fund managed by the State for the benefit of the Authority as the entity selected to operate the Public Broadcasting System serving New Jersey. The Trust Fund is a separate legal entity which are fiduciary assets of the State.

B. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

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

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 Statements 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.

B. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

Due from the State of New Jersey

Amounts due from the State include funds held at the State for expenses to be paid out in the subsequent period.

Revenue Recognition

Corporate Public Broadcasting grants and the State of New Jersey Appropriations are recognized as revenue when spent.

The Authority receives tower rental income, which is recognized based on the terms of lease occupancy agreements.

The Food Network contract revenue is recognized once the programming service is distributed on the cable network system.

The New Jersey Public Broadcasting Authority Trust Fund support is recognized when the trust funds are spent.

In-kind Contributions

The Authority records the value of in-kind services received from the State of New Jersey for FICA, fringe benefits and fixed occupancy/operating costs of the broadcasting building as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and operations under the Authority's control.

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 values on the dates of donation, except for buildings (see Note D). The Authority capitalizes capital assets with a cost of $20,000 or more and a useful life of greater than three years. 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.

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.

B. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Authority, as a New Jersey State agency, is exempt from all federal and State income taxes.

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 statement of support, revenues and expenses, and changes in net assets. Accordingly, certain operating costs have been allocated among functional categories.

C. ACCOUNTS RECEIVABLE

Accounts receivable for the year ended June 30, 2014, are as follows:

Tower rentals	$ 145,987
Allowance for doubtful accounts	(56,342)
Total	$ 89,645

D. CAPITAL ASSETS

Capital assets for the year ended June 30, 2014, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Transmission antenna and towers	$ 8,186,168	$ 56,778	$ 978,479	$ 7,264,467
Construction in progress-tower painting	7,600	1,011,907	-	1,019,507
Totals at historical cost	8,193,768	1,068,685	978,479	8,283,974
Less accumulated Depreciation for:				
Transmission antenna and towers	6,296,927	389,230	812,330	5,873,827
Total accumulated depreciation	6,296,927	389,230	812,330	5,873,827
Total capital assets	$ 1,896,841	$ 679,455	$ 166,149	$ 2,410,147

Depreciation for the year ended June 30, 2014 amounted to $389,230. During the year ended June 30, 2014, capital assets related to studio equipment were disposed through State of New Jersey auctions as well as transferred to other State agencies.

The Authority occupies a building and uses equipment in Trenton, New Jersey to which the State of New Jersey holds title. Occupancy and equipment use values to determine in-kind support amounts have been calculated using the annual depreciation expense for the equipment calculated on acquisition cost over the estimated useful lives of 39 and 10 years, respectively. For the year ended June 30, 2014, the value has been estimated at $784,210 (see Note J).

E. CONCENTRATIONS, RISK AND UNCERTAINTIES

The Authority is a State agency and, for the year ended June 30, 2014, received a significant portion of its revenue and support, aggregating $2,978,757 from the State of New Jersey, including donated services for administrative support and occupancy costs (see Note J). The ongoing support from the State of New Jersey is subject to State of New Jersey appropriations.

Revenues received from the New Jersey State entities and expenditures made by the Authority may be subject to financial compliance requirements and audit 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 Authority received 64% or $1,677,269 of its tower rental revenue from Clearwire Spectrum Holdings LLC ("Clearwire") during the year ended June 30, 2014.

F. OPERATING LEASES

The Authority is the lessor of excess digital channel capacity under two operating leases with 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 used to generate tower rental income is included in capital assets; rental income is recorded in the statement of support, revenues and expenses, and changes in net assets as tower rentals.

G. COMMITMENTS AND CONTINGENCIES

On July 1, 2011, the Authority entered into a programming and services agreement with PMNJ for the broadcast and delivery of New Jersey centric programming for a term of five years with an automatic renewal for two additional five year terms. The Authority has also entered into an equipment use agreement with PMNJ for the use of certain Authority equipment by PMNJ in the performance of the programming and services agreement. The equipment use agreement will expire upon termination of the programming and services agreement.

H. PENSION PLAN

Under a memorandum of understanding between the Authority and the State of New Jersey, Department of Treasury, ("Treasury"), Treasury supplies State employees to serve Authority needs. As such, they participate in the State retirement plan. The Authority has no liability for unfunded plan benefits.

As a condition of employment, all 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

H. PENSION PLAN (CONTINUED)

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.

Covered employees are required by PERS to contribute 6.5% of their salaries. The State of New Jersey is required under statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the 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

Employees designated to serve the needs of the Authority are members of the State of New Jersey's cost sharing multiple-employer plan for health and post-retirement medical benefits. Thus, the Authority's portion of this liability and cost is included in the State of New Jersey's Comprehensive Annual Financial Report ("CAFR"), on an annual basis.

As such, the liability to the employees' is 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, 2014, the Authority received donated services from the State of New Jersey of $197,180 for administrative support and $784,210 for occupancy and equipment costs (see Note D).

K. RESTATEMENT OF PRIOR YEAR

In 2014, the Authority determined that the prior year amount of funds recorded as an expense, transfer to State of New Jersey, should have remained on the books as an asset, due from State of New Jersey. Thus, the unrestricted net position and due from State of New Jersey balances at June 30, 2013, were both restated by $855,378, to reflect the amount of funds held at the State for expenses paid in the subsequent year.

SUPPLEMENTARY INFORMATION

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services			
	Programming and Production	Broadcasting	General and Administrative	Total
Salaries and wages	$ -	$ 223,610	$ 226,616	$ 450,226
Benefits and payroll taxes (in-kind)	-	88,731	108,449	197,180
Vehicles/utilities	-	426,453	-	426,453
Travel and conference	-	230	-	230
Telephone/postage/office	-	2,670	158,988	161,658
Occupancy (in-kind)	-	579,717	204,493	784,210
Information systems/OTIS	-	71,975	8,783	80,758
Professional services	-	419,199	42,963	462,162
Programming and operating services	4,764,428	-	-	4,764,428
Maintenance, grounds and equipment	-	366,952	-	366,952
Disposal of assets at auction	-	108,197	-	108,197
Depreciation	-	389,230	-	389,230
Totals	$ 4,764,428	$ 2,676,964	$ 750,292	$ 8,191,684

Mercadien, P.C.
Certified Public Accountants

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 the
New Jersey Public Broadcasting Authority

We have audited, 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, the financial statements of the business activities of New Jersey Public Broadcasting Authority (the "Authority") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 (Continued)*

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

February 2, 2015

NJTV
PUBLIC MEDIA NJ

PUBLIC MEDIA NJ, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2014 AND 2013

MARKS PANETH
ACCOUNTANTS & ADVISORS

PUBLIC MEDIA NJ, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2014 AND 2013

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Public Media NJ, Inc.

We have audited the accompanying financial statements of Public Media NJ, Inc. ("PMNJ") which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PMNJ as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses (shown on page 11) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marks Paneth LLP

New York, NY
November 25, 2014

PUBLIC MEDIA NJ, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2C and 9)	$ 831,173	$ 1,352,343
Accounts receivable (Note 2G)	246,626	691,506
Grants and gifts receivable - net (Notes 2F and 2G)	775,926	535,723
Costs incurred for programs not yet telecast (Note 2H)	255,088	40,959
Prepaid expenses and other assets (Note 8B)	231,464	191,396
Due from controlling entity (Note 5)	151,503	-
Property and equipment, net (Notes 2D and 3)	722,417	590,510
TOTAL ASSETS	$ 3,214,197	$ 3,402,437
LIABILITIES		
Accounts payable and accrued expenses	$ 756,444	$ 973,965
Deferred revenue (Note 4)	1,527,469	1,500,000
Due to controlling entity (Note 5)	-	315,370
TOTAL LIABILITIES	2,283,913	2,789,335
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Unrestricted (Note 12)	(73,031)	76,914
Temporarily restricted (Note 6)	953,315	486,188
Permanently restricted (Note 7)	50,000	50,000
TOTAL NET ASSETS	930,284	613,102
TOTAL LIABILITIES AND NET ASSETS	$ 3,214,197	$ 3,402,437

The accompanying notes are an integral part of these financial statements.

PUBLIC MEDIA NJ, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	For the Year Ended June 30, 2014				For the Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
OPERATING ACTIVITIES:								
REVENUE AND OTHER SUPPORT:								
Contributions and underwriting for designated projects (Note 2F)	$ 2,332,686	$ 2,823,985	$ -	$ 5,156,671	$ 1,877,956	$ 2,567,360	$ -	$ 4,445,316
Programming and service fees (Note 1)	4,677,377	-	-	4,677,377	5,601,239	-	-	5,601,239
Other income	11,680	-	-	11,680	38,364	-	-	38,364
Total revenue	7,021,743	2,823,985	-	9,845,728	7,517,559	2,567,360	-	10,084,919
Net assets released from restrictions:								
Underwriting for designated projects (Note 2F)	2,356,858	(2,356,858)	-	-	2,125,039	(2,125,039)	-	-
Total net assets released from restrictions	2,356,858	(2,356,858)	-	-	2,125,039	(2,125,039)	-	-
TOTAL REVENUE AND OTHER SUPPORT	9,378,601	467,127	-	9,845,728	9,642,598	442,321	-	10,084,919
EXPENSES:								
Program services:								
Programming	7,072,354	-	-	7,072,354	5,210,221	-	-	5,210,221
Broadcast station	568,676	-	-	568,676	2,122,791	-	-	2,122,791
Education	15,573	-	-	15,573	61,226	-	-	61,226
Total program services	7,656,603	-	-	7,656,603	7,394,238	-	-	7,394,238
Fundraising:								
Membership and development	1,235,738	-	-	1,235,738	1,184,341	-	-	1,184,341
Total fundraising	1,235,738	-	-	1,235,738	1,184,341	-	-	1,184,341
Management and administration	636,205	-	-	636,205	723,339	-	-	723,339
TOTAL EXPENSES	9,528,546	-	-	9,528,546	9,301,918	-	-	9,301,918
CHANGE IN NET ASSETS FROM OPERATIONS	(149,945)	467,127	-	317,182	340,680	442,321	-	783,001
NON-OPERATING ACTIVITIES:								
Endowment contribution	-	-	-	-	-	-	50,000	50,000
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	-	-	-	-	-	-	50,000	50,000
CHANGE IN NET ASSETS	(149,945)	467,127	-	317,182	340,680	442,321	50,000	833,001
Net Assets (Deficit) - Beginning of Year	76,914	486,188	50,000	613,102	(263,766)	43,867	-	(219,899)
NET ASSETS (DEFICIT) - END OF YEAR	$ (73,031)	$ 953,315	$ 50,000	$ 930,284	$ 76,914	$ 486,188	$ 50,000	$ 613,102

The accompanying notes are an integral part of these financial statements.

PUBLIC MEDIA NJ, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 317,182	$ 833,001
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities:		
Endowment contribution	-	(50,000)
Depreciation	149,222	77,995
Bad debt expense	-	53,475
Subtotal	466,404	914,471
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	444,880	187,494
Grants and gifts receivable	(240,203)	(489,916)
Cost incurred for program not yet telecast	(214,129)	(40,959)
Prepaid expenses and other assets	(40,068)	(56,376)
Due from controlling entity	(151,503)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(217,521)	141,625
Deferred revenue	27,469	1,500,000
Due to controlling entity	(315,370)	(777,466)
Net Cash (Used by) Provided by Operating Activities	(240,041)	1,378,873
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(281,129)	(347,674)
Net Cash Used by Investing Activities	(281,129)	(347,674)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contribution	-	50,000
Net Cash Provided by Financing Activities	-	50,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(521,170)	1,081,199
Cash and cash equivalents - beginning of year	1,352,343	271,144
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 831,173	$ 1,352,343

The accompanying notes are an integral part of these financial statements.

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

Public Media NJ, Inc. ("PMNJ", also known as "NJTV") is a 501(c)(3), tax-exempt, New Jersey non-profit corporation incorporated on June 1, 2011. Prior to December 6, 2012, WLIW, L.L.C. ("WLIW") was the sole member of PMNJ; effective December 6, 2012, WNET (the sole member of WLIW) became the sole member of PMNJ. WNET is a 501(c)(3), tax-exempt, New York education corporation chartered by the New York Board of Regents. Its mission is to acquire, distribute and produce public educational television programs.

PMNJ entered into an initial five-year programming and services agreement dated July 1, 2011 with the New Jersey Public Broadcasting Authority ("Authority") to provide certain operational, fundraising and back-office services and high quality, non-commercial television programming, including New Jersey-centric programming specifically designed to meet the needs of the citizens of New Jersey. This agreement is expected to be automatically renewed for two additional five-year terms.

On September 28, 2012, the Foundation for New Jersey Public Broadcasting, Inc. (the "Foundation"), a New Jersey non-profit corporation which had formerly raised money for the benefit of New Jersey's public television network, merged with and into PMNJ. As of the effective date of the merger, the Foundation ceased to have a separate corporate existence and PMNJ, as the surviving corporation, is now the formal successor to the Foundation's assets and property.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Presentation*** – The accompanying financial statements of PMNJ have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), under the accrual basis of accounting.

B. ***Net Assets*** – PMNJ maintains its net assets in accordance with the following three net asset classes:

Unrestricted Net Assets:

- These represent resources received that have not been restricted by the donor and that have no time restrictions. Such resources are available for support of PMNJ's operations over which the Board of Trustees has discretionary control.

Temporarily Restricted Net Assets:

- These consist of funds that are restricted by donors for a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets:

- These represent those resources received subject to donor-imposed stipulations that they be maintained intact in perpetuity by PMNJ. Investment income or loss (including gains and losses on investment, interest and dividends) is included in the statements of activities as increases in unrestricted net assets unless the income or loss is restricted by donor or law in which case it is recorded as an increase or decrease in temporarily restricted net assets.

C. ***Cash and Cash Equivalents*** – PMNJ considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents.

D. ***Property and Equipment*** – Property and equipment is recorded at cost less accumulated depreciation. The amounts do not purport to represent replacement or recoverable values. PMNJ capitalizes computer equipment with a cost of $500 or more, and all other property and equipment with a cost of $5,000 or more and a useful life of greater than three years. Depreciation is calculated using the straight-line method over the useful lives of the assets, ranging from 3 to 6 years.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ***Impairment of Long-Lived Assets*** – In accordance with ASC 360-10, *Property, Plant and Equipment, "Impairment or Disposal of Long-Lived Assets,"* PMNJ reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. No impairment loss has been recognized by PMNJ for the years ended June 30, 2014 and 2013.

F. ***Contributions and Grants –*** Contributions and grants are recognized as unrestricted revenue when they are received or unconditionally pledged.

PMNJ reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PMNJ reports gifts of cash and other assets as permanently restricted support when the use of the corpus by PMNJ is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of PMNJ.

The grants and gifts receivable as of June 30, 2014 and 2013 are all due within one year.

G. ***Allowance for Doubtful Accounts*** – PMNJ estimates the allowance for doubtful accounts based on management's evaluation of the creditworthiness of its donors and grantors, the aged basis of its receivables, as well as current economic conditions. As of June 30, 2014 and 2013, an allowance for doubtful accounts of $50,000, was deemed necessary for grants and gifts receivable. As of June 30, 2014 and 2013, no allowance for doubtful accounts was deemed necessary for accounts receivable.

H. ***Costs Incurred for Programs Not Yet Telecast –*** Costs incurred for programs not yet telecast relate to programs that will be aired subsequent to PMNJ's fiscal year-end. As the programs are telecast, these costs are included in operating expenses and related restricted nets assets, if any are released.

I. ***Use of Estimates –*** The preparation of financial statements in accordance with U.S. GAAP requires PMNJ to make estimates and assumptions that affect the reported amounts of assets, as well as liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2014 and 2013:

	2014	2013
Computer equipment	$ 47,204	$ 22,497
Broadcast equipment	919,431	672,353
Construction in progress	9,344	-
Total cost	975,979	694,850
Less: Accumulated depreciation	(253,562)	(104,340)
Net book value	$ 722,417	$ 590,510

NOTE 3—PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended June 30, 2014 and 2013 amounted to $149,222 and $77,995, respectively. As of June 30, 2014, the construction in progress represents PMNJ's studio build-out for its new location in Newark, New Jersey. It is expected that the estimated cost to complete this project will be approximately $2,500,000. As of the date of this report, PMNJ received funding for the majority of the project costs.

NOTE 4—DEFERRED REVENUE

The deferred revenue as of June 30, 2014 and 2013 consists primarily of a $1,500,000 merger and consolidation grant from The Corporation for Public Broadcasting ("CPB"). This grant was received in October 2012 and is evenly split between WNET and the Authority, with each receiving $750,000. The Authority passed its share of the grant to PMNJ. However, the grant cannot be recognized in the operating revenue due to the time restriction that CPB placed on the terms of this grant, whereby PMNJ and the Authority should remain in collaboration for ten years.

NOTE 5—CONTROLLING ENTITY

As described in Note 1, PMNJ is a controlled entity of WNET. Certain officers of WNET are also officers of PMNJ. In addition, one member of the Board of Trustees of WNET is the Chairman of the Board of Trustees of PMNJ. Further, the President and CEO of WNET is also the President and CEO of PMNJ, as well as a member of its Board of Trustees.

As necessary, WNET advances funds to PMNJ for its programming, management and other fees. In some instances, grant collections for PMNJ are made out to WNET. As a result, as of June 30, 2014, the amount due from WNET amounted to $151,503. As of June 30, 2013, there was an amount due to WNET in the amount of $315,370.

NOTE 6—TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2014 and 2013, temporarily restricted net assets amounting to $953,315 and $486,188, respectively, are for designated programs, primarily for NJTV News.

NOTE 7—PERMANENTLY RESTRICTED NET ASSETS

PMNJ has interpreted the New Jersey State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PMNJ classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by PMNJ in a manner consistent with the standard of prudence prescribed by SPMIFA. As of June 30, 2014 and 2013, the endowment is included in cash and cash equivalents and earnings have not accumulated. The endowment was carried over from the Foundation when it merged with PMNJ in 2012.

NOTE 8—RETIREMENT PLAN

PMNJ, through WNET, has a defined contribution retirement plan under IRC Section 403(b) for primarily all full-time nonunion employees who have completed two years of service. Under the plan, WNET purchases annuity contracts for each eligible employee who elect to participate in the plan. WNET's minimum contribution rate under the plan is 3% of eligible compensation. WNET has the option to make or not to make a discretionary nonelective contribution to an eligible employee retirement account. In addition, employee contributions will be matched up to 3% of eligible compensation. Expenses under the plan for the years ended June 30, 2014 and 2013, amounted to $16,166 and $9,359, respectively.

NOTE 9—COMMITMENTS AND CONTINGENCIES

A. PMNJ is exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been recorded in the accompanying financial statements. PMNJ has no uncertain tax positions as of June 30, 2014 and 2013 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. PMNJ believes it is no longer subject to Federal or State audits prior to 2011.

B. In November 2011, PMNJ entered into a 3-year operating lease at Montclair State University primarily for the use of a studio facility. The rent expense incurred under this agreement amounted to $400,000 for the years ended June 30, 2014 and 2013, respectively. Prepaid rent as of June 30, 2014 and 2013 amounted to $133,333.

   On October 15, 2014, PMNJ entered into a new lease agreement with another third party for a studio facility located in Newark, New Jersey with a lease term of five years and three months from the commencement date of the lease.

   For the years ended after June 30, 2014, the future minimum rentals under the Montclair and Newark real estate lease agreements are as follows:

2015	$ 324,943
2016	287,415
2017	287,415
2018	287,415
2019	287,415
2020	167,659
	$ 1,642,262

NOTE 10—CONCENTRATIONS

Cash and cash equivalents that potentially subject PMNJ to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporations ("FDIC") insurance limits. Beginning on January 1, 2013, noninterest bearing accounts are insured the same as interest bearing accounts which is up to $250,000 per depositor. As of June 30, 2014 and 2013, there was approximately $706,000 and $1,604,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 11—SUBSEQUENT EVENTS

Management has evaluated events subsequent from the date of the statements of financial position through November 25, 2014, the date the financial statements were available to be issued. Other than what is disclosed in Notes 3 and 9, no other events have occurred subsequent to the statements of financial position date through November 25, 2014 that would require adjustment to or disclosure in the financial statements.

NOTE 12 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following as of June 30, 2014 and 2013:

	2014	2013
Invested in property and equipment	$ 722,417	$ 590,510
Operations – deficit	(795,448)	(513,596)
	$ (73,031)	$ 76,914

The Board of Trustees and senior management are working on a Strategic Plan that addresses PMNJ's path to sustainability. Plans include: cultivating new foundation, corporate and individual major donors; building on the network's innovative partnerships with media and academic partners; expanding the membership base; and exploring new sources of revenue. Moreover, PMNJ continues to develop innovative program content, both on- and off the air, which in turn should attract new viewers, members, partners, and donors.

As part of this continuing effort to improve its unrestricted net assets, the decision to move to a new studio location in Newark, New Jersey is expected to transform the station's production capacities, raise the profile of public television across the state and should create community engagement activities that signal a new era in NJTV's engagement with the public that enriches lives. As a result, it is expected that funding resources will increase at various levels.

Further, PMNJ's programming and service agreement with the Authority is expected to automatically renew at the end of the first five-year term ending in June 2016. Once the agreement auto renews, the commitment to be in collaboration with the Authority for a total of ten years becomes certain. The $1,500,000 merger and consolidation grant from CBP (reflected as a liability in the accompanying statements of financial position) will be fully recognized into income and become part of the unrestricted operating net assets, when the second five year renewal agreement is executed (on or before June 30, 2016).

PUBLIC MEDIA NJ, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	For the Year Ended June 30, 2014				For the Year Ended June 30, 2013			
		Supporting Services				Supporting Services		
	Program Services	Fundraising	Management and Administration	Total 2014	Program Services	Fundraising	Management and Administration	Total 2013
Salaries and wages	$ 1,960,596	$ 277,788	$ -	$ 2,238,384	$ 1,572,148	$ 322,608	$ 2,780	$ 1,897,536
Benefits and payroll taxes	368,812	43,964	-	412,776	303,839	49,674	465	353,978
Dues and PBS assessments	833,226	500	-	833,726	1,230,593	675	-	1,231,268
Program production and acquisition costs	3,281,954	241,853	267	3,524,074	3,166,740	219,995	259	3,386,994
Accounting and legal fees	2,246	-	26,000	28,246	30,197	-	35,220	65,417
Management fee	-	-	600,000	600,000	-	-	600,000	600,000
Supplies and premiums	24,526	327,133	-	351,659	25,069	300,679	2	325,750
Telephone and transmission	185,040	2,426	-	187,466	212,180	37,883	244	250,307
Postage, delivery and fulfillment	7,780	137,987	-	145,767	7,709	118,711	37	126,457
Rent	400,000	-	-	400,000	400,000	-	-	400,000
Occupancy	45,300	2,754	-	48,054	61,748	15,827	613	78,188
Equipment rentals, purchases and maintenance	138,510	8	-	138,518	102,712	820	17	103,549
Printing and publications	22,090	103,420	-	125,510	11,169	51,242	1,270	63,681
Travel and business	195,395	57,178	5,259	257,832	142,728	18,450	9,728	170,906
Depreciation	149,222	-	-	149,222	64,059	-	13,936	77,995
Publicity and promotions	41,906	2,610	-	44,516	62,113	1,372	-	63,485
Merchant processing fees	-	38,117	-	38,117	-	46,405	-	46,405
Bad debts	-	-	-	-	-	-	53,475	53,475
Miscellaneous expenses	-	-	4,679	4,679	1,234	-	5,293	6,527
TOTAL EXPENSES	$ 7,656,603	$ 1,235,738	$ 636,205	$ 9,528,546	$ 7,394,238	$ 1,184,341	$ 723,339	$ 9,301,918

See independent auditors' report.