WNET.ORG

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2009 AND 2008

MPS Marks Paneth & Shron LLP
Certified Public Accountants and Consultants

WNET.ORG
(A New York Education Corporation Chartered by the Board of Regents)
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2009 AND 2008

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Marks Paneth & Shron LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
WNET.ORG

We have audited the accompanying consolidated statements of financial position of WNET.ORG (a New York education corporation chartered by the Board of Regents) and subsidiaries (collectively, the "Company") as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WNET.ORG and subsidiaries as of June 30, 2009 and 2008 and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 4, the consolidated financial statements include investments valued at $37.2 million (22.7% of net assets) and $44.5 million (19.5% of net assets) as of June 30, 2009 and 2008, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules of functional expenses (shown on pages 19 and 20) are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Those supplemental schedules are the responsibility of the Company's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Marks Paneth & Shron LLP

New York, NY
December 10, 2009

WNET.ORG
(A New York Education Corporation Chartered by the Board of Regents)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
Cash and cash equivalents (Note 18)	$ 6,082,000	$ 7,864,000
Investments (Notes 2C, 4, 5, 7, 14 and 17)	85,728,000	111,881,000
Accounts receivable (net of allowance for doubtful accounts of $1,360,000 and $714,000 in 2009 and 2008, respectively)	7,483,000	5,804,000
Grants and gifts receivable, net (Notes 3 and 14)	59,697,000	85,841,000
Costs incurred for programs not yet telecast	20,224,000	23,927,000
Prepaid expenses and other assets, net (Notes 11 and 15)	3,616,000	4,034,000
Property and equipment, net (Note 6)	32,559,000	30,264,000
Excess of purchase price over net tangible assets acquired and broadcast license	13,554,000	13,554,000
TOTAL ASSETS	$ 228,943,000	$ 283,169,000
LIABILITIES		
Accounts payable and accrued expenses (Notes 2H, 2K, 11, 12C and 12D)	$ 39,275,000	$ 30,284,000
Deferred revenue (Note 13)	9,958,000	11,893,000
Bank line of credit (Notes 4 and 7)	16,000,000	13,000,000
TOTAL LIABILITIES	65,233,000	55,177,000
COMMITMENTS AND CONTINGENCIES (Note 12)		
NET ASSETS		
Unrestricted:		
Operations	19,535,000	41,698,000
Nonspendable (Notes 4 and 17)	4,907,000	30,817,000
Board designated (Note 17)	1,739,000	1,739,000
Total unrestricted (Note 19)	26,181,000	74,254,000
Temporarily restricted (Note 8)	75,366,000	92,862,000
Permanently restricted (Notes 9 and 17)	62,163,000	60,876,000
TOTAL NET ASSETS	163,710,000	227,992,000
TOTAL LIABILITIES AND NET ASSETS	$ 228,943,000	$ 283,169,000

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

WNET.ORG
(A New York Education Corporation Chartered by the Board of Regents)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	For the Year Ended June 30, 2009				For the Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008
OPERATING REVENUE AND OTHER SUPPORT:								
Contributions and underwriting for designated projects (Note 10)	$ 39,581,000	$ 76,828,000	$ -	$ 116,409,000	$ 42,588,000	$ 119,257,000	$ -	$ 161,845,000
New York State grant	8,713,000	-	-	8,713,000	8,749,000	-	-	8,749,000
Nonbroadcast sales	6,001,000	-	-	6,001,000	7,477,000	-	-	7,477,000
Investment income (Note 4)	5,343,000	-	-	5,343,000	7,932,000	-	-	7,932,000
Other income (Note 13)	9,670,000	-	-	9,670,000	9,573,000	-	-	9,573,000
Total revenue	69,308,000	76,828,000	-	146,136,000	76,319,000	119,257,000	-	195,576,000
Net assets released from restrictions:								
Underwriting for designated projects (Note 10)	60,473,000	(60,473,000)	-	-	75,084,000	(75,084,000)	-	-
CPB Program Grants	5,957,000	(5,957,000)	-	-	2,912,000	(2,912,000)	-	-
CPB Community Service Grant	8,958,000	(8,958,000)	-	-	11,975,000	(11,975,000)	-	-
PBS Program Service Grants	18,936,000	(18,936,000)	-	-	16,771,000	(16,771,000)	-	-
Total net assets released from restrictions	94,324,000	(94,324,000)	-	-	106,742,000	(106,742,000)	-	-
TOTAL OPERATING REVENUE AND OTHER SUPPORT	163,632,000	(17,496,000)	-	146,136,000	183,061,000	12,515,000	-	195,576,000
OPERATING EXPENSES:								
Program service (Note 10):								
National program service	88,478,000	-	-	88,478,000	83,296,000	-	-	83,296,000
Broadcast station	39,936,000	-	-	39,936,000	43,815,000	-	-	43,815,000
Education	9,458,000	-	-	9,458,000	11,597,000	-	-	11,597,000
Total program service	137,872,000	-	-	137,872,000	138,708,000	-	-	138,708,000
Fundraising:								
Membership and development	18,543,000	-	-	18,543,000	19,146,000	-	-	19,146,000
Marketing	5,876,000	-	-	5,876,000	6,522,000	-	-	6,522,000
Total fundraising	24,419,000	-	-	24,419,000	25,668,000	-	-	25,668,000
Management and administration services	23,504,000	-	-	23,504,000	18,619,000	-	-	18,619,000
TOTAL OPERATING EXPENSES	185,795,000	-	-	185,795,000	182,995,000	-	-	182,995,000
CHANGE IN NET ASSETS FROM OPERATIONS	(22,163,000)	(17,496,000)	-	(39,659,000)	66,000	12,515,000	-	12,581,000
NON-OPERATING ACTIVITIES AND SUPPORT:								
Endowment contributions	-	-	1,287,000	1,287,000	-	-	2,512,000	2,512,000
Investment (loss) income from investment fund contributions (Note 4)	(20,203,000)	-	-	(20,203,000)	4,410,000	-	-	4,410,000
Transferred investment income (Note 4)	(5,312,000)	-	-	(5,312,000)	(7,840,000)	-	-	(7,840,000)
Investment fund management fees	(395,000)	-	-	(395,000)	(441,000)	-	-	(441,000)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(25,910,000)	-	1,287,000	(24,623,000)	(3,871,000)	-	2,512,000	(1,359,000)
CHANGE IN TOTAL NET ASSETS (Note 19)	(48,073,000)	(17,496,000)	1,287,000	(64,282,000)	(3,805,000)	12,515,000	2,512,000	11,222,000
Net Assets - beginning of year	74,254,000	92,862,000	60,876,000	227,992,000	78,059,000	80,347,000	58,364,000	216,770,000
NET ASSETS - END OF YEAR	$ 26,181,000	$ 75,366,000	$ 62,163,000	$ 163,710,000	$ 74,254,000	$ 92,862,000	$ 60,876,000	$ 227,992,000

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

WNET.ORG
(A New York Education Corporation Chartered by the Board of Regents)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (64,282,000)	$ 11,222,000
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,718,000	4,986,000
Loss on disposal of fixed assets, net	32,000	12,000
Loss on sale of stock contributions	25,000	51,000
Endowment contributions	(1,287,000)	(2,512,000)
Realized gains on investments	(8,245,000)	(8,404,000)
Unrealized loss on investments	30,622,000	7,079,000
Subtotal	(38,417,000)	12,434,000
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(1,679,000)	(1,203,000)
Grants and gifts receivable	26,144,000	(13,369,000)
Costs incurred for programs not yet telecast	3,703,000	(2,307,000)
Prepaid expenses and other assets	418,000	671,000
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	9,595,000	4,709,000
Deferred revenue	(1,935,000)	(2,293,000)
Net Cash Used in Operating Activities	(2,171,000)	(1,358,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases and reinvested income	(11,909,000)	(22,567,000)
Proceeds from sales of investments	15,685,000	25,160,000
Loss on sale of stock contributions	(25,000)	(51,000)
Purchase of property and equipment	(7,045,000)	(4,217,000)
Proceeds from sale of property and equipment	-	5,000
Net Cash Used in Investing Activities	(3,294,000)	(1,670,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	1,287,000	2,512,000
Increase in bank line of credit	3,000,000	13,000,000
Payment of notes payable	-	(10,250,000)
Payment of annuity obligations	(604,000)	(493,000)
Net Cash Provided by Financing Activities	3,683,000	4,769,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,782,000)	1,741,000
Cash and cash equivalents - beginning of year	7,864,000	6,123,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,082,000	$ 7,864,000
Supplemental Disclosure of Cash Flow Information:		
Interest paid during the year	$ 388,000	$ 335,000

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

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

WNET.ORG is a New York education corporation chartered by the Board of Regents on April 15, 2008. Its mission is to acquire, distribute, and through its controlled subsidiaries, Educational Broadcasting Corporation ("EBC") and Creative News Group, LLC ("CNG"), produce public educational television programs. WNET.ORG is the sole member of EBC and CNG. WNET.ORG serves the entire New York City metro area with unique local productions, broadcasts and innovative educational and cultural projects. WNET.ORG's goal is to create media experiences of lasting significance for New York, America and the world. On March 20, 2009, WNET.ORG received a final determination letter from the Internal Revenue Service granting its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Formed in 1962, EBC is a New York education corporation chartered by the Board of Regents. EBC produces and broadcasts public educational television programs individually and in collaboration with other entities and broadcasts such programs on Channel 13 ("WNET"), Channel 21 ("WLIW") and on other public television stations throughout the United States.

On January 31, 2003, EBC acquired the assets of the Long Island Educational TV Council, Inc. (the "Council"), including WLIW. Principal operating activities of the Council are now conducted by EBC under the name WLIW, L.L.C.

In addition, Public Broadcasting Communications, Inc. ("PBC") is a controlled subsidiary of EBC. It is currently dormant.

Current LLC ("Current") is another subsidiary of WNET.ORG. Current is a Delaware limited liability company that publishes a bi-weekly newspaper covering the public television and radio industries.

In 2008, WNET.ORG acquired CNG. CNG is a New York limited liability company that produces public education television programs for broadcast on WNET and WLIW and for online distribution.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Presentation*** – The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements of the Company include the accounts of WNET.ORG and its subsidiaries, EBC, WLIW, CNG, Current and PBC. All intercompany balances have been eliminated. Also, the Company's consolidated financial statements were rounded to the nearest thousands.

B. ***Cash and Cash Equivalents*** – The Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents, except cash and money market funds held in the investment portfolio.

C. ***Investments*** – Investments are stated at fair value. Fair value for investments traded publicly is based on published market prices. Fair values of investments not traded publicly have been estimated by management based on information provided by the fund managers or the general partners. Investment transactions are accounted for on the date the investments are purchased or sold (trade date). The realized gains are from the sale of securities and capital gain distributions, which are recorded as earned. Interest and dividend income are recorded when earned.

   As of June 30, 2009 and 2008, the consolidated financial statements include investments valued at $37,203,000 and $44,542,000, respectively, whose value has been estimated by management based on information provided by the fund managers or general partners of the investment companies.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. ***Property and Equipment*** – Property and equipment is recorded at cost less accumulated depreciation. The amounts do not purport to represent replacement or realizable values. The Company capitalizes property and equipment with a cost of $750 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 31 years. Expenditures for leasehold improvements are capitalized and amortized over the shorter of the life of the asset or the lease term.

F. ***Impairment of Long-Lived Assets*** – In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, the Company 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 the Company for each of the years ended June 30, 2009 and 2008.

G. ***Excess of Purchase Price Over Net Tangible Assets Acquired and Broadcast License*** – The excess of the purchase price over the net tangible assets acquired in 1962 and the broadcast license are not being amortized. In the opinion of management, the station and the related broadcast license are deemed to have indefinite lives, and no diminution in value has occurred. There were no impairment charges recorded during the years ended June 30, 2009 and June 2008.

H. ***Life Annuities*** – The Company has entered into Life Annuity Trusts whereby donors receive payments for the remainder of their lives with any remainder at death reverting to the Company, unless specifically restricted by the donor. The remainders of all such agreements have been permanently restricted by the donors. The liability is determined based on actuarial assumptions and, as of June 30, 2009 and 2008, a liability of $3,948,000 and $3,135,000, respectively, was included in accounts payable and accrued expenses. The amount of contributions recorded by the Company is the fair value of the trust assets received less the present value of the estimated annuity payments. As of June 30, 2009 and 2008, the trust assets were $6,312,000 and $5,840,000, respectively.

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

The Company 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 purpose restrictions accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

The Company reports gifts of cash and other assets as permanently restricted support when use by the Company is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Company. Earnings on permanently restricted net assets are available for various programs as described in Note 9.

The Company reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. ***Allowance for Doubtful Accounts*** – The Company 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 and historical information.

K. ***Deferred Rent*** – The Company leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, the Company records an adjustment to rent expense each year to reflect its straight-lining policy. The annual adjustment recorded for the years ended June 30, 2009 and 2008 amounted to a $466,000 decrease and a $220,000 increase, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as accounts payable and accrued expenses in the accompanying consolidated statements of financial position. As of June 30, 2009 and 2008, such deferrals amounted to $5,332,000 and $5,798,000, respectively.

L. ***Nonbroadcast Sales*** – Nonbroadcast sales are generated primarily from home video sales and royalties.

M. ***Other Income*** – Other income is generated from facility rental fees and reimbursement for expenses. Additionally, during the years ended June 30, 2009 and 2008, the Company recognized revenue from the licensing of its unused spectrum (see Note 13).

N. ***Measure of Operations*** – The Company includes in its definition of operations, all support, revenue and expenses that are an integral part of its program and supporting activities. Endowment contributions and investment income, including realized and unrealized gains and losses, earned in excess of the Company's authorized spending policy, are recognized as non-operating activities and support.

O. ***Income Taxes*** – WNET.ORG and its subsidiaries are 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 consolidated financial statements.

P. ***Use of Estimates*** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. In the Company's opinion, actual results are not expected to vary materially from the estimates and assumptions used in preparing the financial statements, except as it relates to certain investments as described in Note 4.

Q. In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. As defined in SFAS 157, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, SFAS 157 establishes a fair value hierarchy that includes three levels, which prioritize observable and unobservable inputs used to measure fair value (as defined in Note 14). The hierarchy gives the highest priority to the unadjusted quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In early 2008, the FASB approved Staff Position ("FSP") FAS-157-2, "Effective Date of FASB Statement No. 157," which delays by one year, the effective date of SFAS 157 for certain nonfinancial assets and nonfinancial liabilities for nonpublic companies. On July 1, 2008, the Company adopted the portion of SFAS 157 that has not been delayed and plans to adopt the balance of the provisions of SFAS 157 during the fiscal year ended June 30, 2010.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. ***Investment Spending Policy*** – The Company's Board has authorized a policy to provide a predictable flow of funds to support operations. The policy permits up to a 5% spending rate to be used for operations based on the average cumulative investment fund balance for the past three fiscal years as long as nonspendable investment earnings are available.

The Company considers the investment earnings in excess of its spending rate to be nonspendable restricted net assets.

S. ***Reclassification*** – Certain line items in the June 30, 2008 financial statements have been reclassified to conform to the June 30, 2009 presentation.

NOTE 3—GRANTS AND GIFTS RECEIVABLE

As of June 30, 2009 and 2008, the Company has unconditional grants and gifts receivable as follows:

	2009	2008
Amount due in less than one year	$ 40,632,000	$ 49,368,000
Amount due from one to five years	19,376,000	37,963,000
Amount due after five years	2,656,000	2,916,000
	62,664,000	90,247,000
Less: Unamortized discount to present value	(2,667,000)	(4,106,000)
Allowance for doubtful accounts	(300,000)	(300,000)
	$ 59,697,000	$ 85,841,000

The pledges to be received after one year are discounted to present value at interest rates ranging from 2.00% to 6.00%. The amortization of the discount is reflected as additional contribution revenue in the accompanying consolidated financial statements.

NOTE 4—INVESTMENTS

The major classes of investments as of June 30, 2009 and 2008 are as follows:

	2009	2008
Cash and money market funds	$ 7,077,000	$ 17,482,000
U.S. equity funds	17,431,000	2,890,000
International equity funds	16,778,000	24,549,000
Fixed income funds	18,738,000	20,751,000
Treasury Inflation Protected Securities (TIPS)	8,514,000	8,628,000
Alternative investments	9,968,000	24,842,000
Natural resources trust	7,222,000	12,739,000
	$ 85,728,000	$ 111,881,000

NOTE 4—INVESTMENTS (Continued)

Certain investments including alternative investments are made up of funds of funds that invest primarily in limited partnerships and private investment companies. Investments in limited partnerships are valued at fair value, as determined by the investees' General Partners. Such value generally represents the Company's proportionate share of the Partner's capital of the investment partnerships as reported by their general partners. Securities with no readily available market are initially valued at cost, with subsequent adjustments to values which reflect either the basis of meaningful third-party transactions in the private market or the fair value deemed appropriate by the general partners of the underlying investment partnership. In such instances, consideration is also given to the financial condition and operating results of the issuer, the amount that the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant. Securities with a readily available markets (listed on a securities exchange or traded in the over-the-counter market) are valued at quoted market prices, or at an appropriate discount from such price if marketability of the securities is limited. The investments in private investment companies are valued at fair value using the net assets valuations provided by the underlying private investment companies, unless management determined another valuation is more appropriate. Substantially all the underlying assets of the limited partnership and private investment companies consist of public equity markets, cash and cash equivalents, and other investments stated at fair value.

Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. Additionally, due to the inherent uncertainty of these valuations, the estimated fair value of investments without readily determinable fair value may differ from the fair value that would have been used had a ready market existed for the investments, and these differences could be material.

Investment income earned during the years ended June 30, 2009 and 2008 follows:

	2009	2008
Income from investment fund:		
Realized gains	$ 8,245,000	$ 8,404,000
Unrealized losses	(30,622,000)	(7,079,000)
	(22,377,000)	1,325,000
Dividends/interest	2,174,000	3,085,000
Total investment fund (loss) income	$ (20,203,000)	$ 4,410,000

The transfer from the investment fund of current and prior period accumulated income amounted to $5,312,000 and $7,840,000 for the years ended June 30, 2009 and 2008, respectively. The total investment income from operations was comprised of the following:

	2009	2008
Investment fund – Board authorized	$ 5,312,000	$ 7,840,000
Dividends/interest - operations	56,000	143,000
Realized loss - operations	(25,000)	(51,000)
Total investment income from operations	$ 5,343,000	$ 7,932,000

As of June 30, 2009 and September 30, 2009, approximately $19,296,000 and $30,632,000, respectively of investments in mutual funds were pledged as collateral against the $25,000,000 bank line of credit.

NOTE 5—INVESTMENT FUND

From the inception of the investment fund through June 30, 2009 and 2008, $168,555,000 and $185,500,000, including investment income, was received by the Company for the investment fund, respectively, and $82,827,000 and $73,619,000, respectively, was expended for operations.

The following summarizes the cumulative activity of the investment fund for the years ended June 30, 2009 and 2008:

	2009	2008
Investment fund revenue including investment income:		
Permanently restricted grants and gifts and cumulative income	$ 103,596,000	$ 111,198,000
National Endowment for the Arts ("NEA") cash reserve fund	1,932,000	1,932,000
Donor-designated programming and facilities projects	21,874,000	21,374,000
Operating fund	41,153,000	50,996,000
Total investment fund income	168,555,000	185,500,000
Deductions:		
Gifts received and expended for current operations during the same year	9,634,000	9,350,000
Previously deferred gifts expended for prior operations	69,678,000	60,328,000
Expended for operations	3,515,000	3,941,000
Total deductions	82,827,000	73,619,000
	$ 85,728,000	$ 111,881,000
Net investment fund balances including investment income:		
Endowment fund	$ 46,158,000	$ 62,909,000
NEA cash reserve fund	1,932,000	1,932,000
Operating fund	37,638,000	47,040,000
	$ 85,728,000	$ 111,881,000

NOTE 6—PROPERTY AND EQUIPMENT

As of June 30, 2009 and 2008, property and equipment consists of the following:

	2009	2008
Land, building and leasehold improvements	$ 22,698,000	$ 21,668,000
Television and other equipment	72,629,000	67,331,000
Construction/work in progress (see below)	1,926,000	1,546,000
Total cost	97,253,000	90,545,000
Less: Accumulated depreciation and amortization	(64,694,000)	(60,281,000)
Net book value	$ 32,559,000	$ 30,264,000

NOTE 6—PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization for the years ended June 30, 2009 and 2008 amounted to $4,718,000 and $4,986,000, respectively. During the years ended June 30, 2009 and 2008, certain fully depreciated equipment with a total cost of approximately $337,000 and $736,000, respectively, were written off. As of June 30, 2009 and 2008, construction/work in progress consists primarily of a build-out of WLIW facilities and the construction of the studio at Lincoln Center. It is expected the estimated costs to complete these projects will approximate $3,250,000.

NOTE 7—BANK LINE OF CREDIT

The Company has a $25,000,000 line of credit with a bank, which bears interest at the lower of the London Inter-Bank Offering Rate plus 1% (1.3% as of June 30, 2009) or prime + 1%, at the Company's discretion. As of June 30, 2009 and 2008, the Company had borrowed $16,000,000 and $13,000,000, respectively. Approximately $19,296,000 and $30,632,000 of investments in mutual funds as of June 30, 2009 and September 30, 2009, respectively, were pledged as collateral against the $25,000,000 line of credit. Under the terms of the line of credit, the Company is required to meet certain financial covenants, and as of June 30, 2009, the Company was in compliance with these covenants. The line expires on December 31, 2009. As of December 10, 2009, the outstanding borrowings amounted to $23,500,000.

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2009 and 2008, temporarily restricted net assets are available for the following purposes:

	2009	2008
Underwriting for designated projects	$ 56,748,000	$ 55,496,000
CPB Program Grants	1,146,000	578,000
CPB Community Service Grant	5,051,000	4,383,000
PBS Program Services Grants	12,421,000	32,405,000
	$ 75,366,000	$ 92,862,000

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS

As of June 30, 2009 and 2008, permanently restricted net assets consist of the following:

	2009	2008
General Programs	$ 33,731,000	$ 32,842,000
Art and Humanities Programs	10,395,000	10,347,000
Social Programs	11,213,000	10,963,000
Education Resources Fund	231,000	231,000
Children's Programs	2,804,000	2,804,000
Science and Nature Programs	2,002,000	1,902,000
News and Public Affairs Programs	1,787,000	1,787,000
	$ 62,163,000	$ 60,876,000

NOTE 10—IN-KIND INCOME

During the years ended June 30, 2009 and 2008, the Company received approximately $6,104,000 and $15,142,000, respectively, of in-kind income. The in-kind income consists primarily of production revenue and donated advertising as follows:

	2009	2008
Production revenue	$ 6,104,000	$ 14,995,000
Donated advertising	-	147,000
	$ 6,104,000	$ 15,142,000

These amounts have been calculated based upon the fair value of the services performed as reported to the Company by the donors and are included in the Company's consolidated financial statements as follows:

	2009	2008
Revenues-underwriting for designated projects	$ 6,104,000	$ 15,142,000
Expenses:		
National Program Service	$ 5,067,000	$ 13,061,000
Broadcast station	175,000	854,000
Education	862,000	1,227,000
	$ 6,104,000	$ 15,142,000

NOTE 11—RETIREMENT PLANS

The Company 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, the Company purchases annuity contracts for each eligible employee who elects to participate in the plan. The Company's minimum contribution rate under the plan is 3% of eligible compensation. In addition, employee contributions will be matched by the Company up to an additional 5% of eligible compensation. Expenses under the plan for the years ended June 30, 2009 and 2008, amounted to $2,453,000 and $2,564,000, respectively. The Company's policy is to fund retirement plan costs currently.

In addition, there are several defined contribution plans covering unionized employees. The Company's contribution to these plans is specified by the union collective bargaining agreements and approximated $961,000 and $788,000 for the years ended June 30, 2009 and 2008, respectively.

Further, the Company implemented an IRC section 457(b) defined contribution retirement plan in July 2004, in which only certain highly compensated employees are eligible to participate. Participants may make voluntary contributions, subject to plan limitations, applicable toward the purchase of retirement annuities. As of June 30, 2009 and 2008, the assets and liabilities related to this plan amounted to approximately $583,000 for each year and are included under prepaid expenses and other assets and accounts payable and accrued expenses in the consolidated statements financial position.

NOTE 12—COMMITMENTS AND CONTINGENCIES

A. The Company has entered into various real estate lease agreements expiring through 2024. In December 1997, as a result of the contracted sale of its building, the Company entered into a 21-year operating lease at 450 West 33rd Street. In April 2003, the Company entered into a 15-year operating lease at the Empire State Building for its transmission facilities. As part of this agreement, annual rent expense increased as the Company began transmitting its digital signal at full power from the Empire State Building. This rent increase has been included in the future minimum rentals.

In November 2008, the Company entered into a 15-year and 5-month operating lease at Lincoln Center for the Performing Arts, Inc. primarily for the broadcast site of the program "WORLDFOCUS."

The rent expense incurred under these agreements aggregated to $5,923,000 and $5,509,000 for the years ended June 30, 2009 and 2008, respectively.

For the years ended after June 30, 2009, the future minimum rentals under the various real estate lease agreements follows:

2010	$ 7,222,000
2011	7,230,000
2012	7,262,000
2013	7,306,000
2014	7,589,000
Thereafter	43,844,000
	$ 80,453,000

In addition, these agreements include escalation provisions for real estate taxes and tenant improvements based on changes in the assessed valuation of the property. Additional rent expense incurred under these escalation clauses for the years ended June 30, 2009 and 2008, amounted to $1,744,000 and $1,614,000, respectively.

B. The Company is party to various pending legal proceedings arising in the ordinary course of business. The Company's management and legal counsel have reviewed the probable outcome of these proceedings and the costs and expenses reasonably expected to be incurred. While the outcome of the pending proceedings cannot be predicted with certainty, based on its review, management believes that the liabilities that may result are not likely to have a material effect on the Company's liquidity, financial condition or change in net assets.

C. The Company receives funding under grants from a variety of organizations. The grant agreements generally contain provisions under which the grantor may audit the books and records of the Company. During the year ended June 30, 2007, a grantor commenced an audit with respect to one grant. The result from this audit did not have a material adverse effect on the Company's liquidity, financial condition or change in net assets for the years ended June 30, 2009 and 2008. A liability was recorded amounting to $2,322,000 and $2,314,000 as of June 30, 2009 and 2008, respectively. Such amount is included in accounts payable and accrued expenses in the accompanying consolidated financial statements.

NOTE 12—COMMITMENTS AND CONTINGENCIES (Continued)

D. The Company's subsidiary, EBC, receives funding under grants from a variety of public and private sources. The grant agreements often contain provisions under which the grantor may audit the books and records of EBC. During the year ended June 30, 2008, EBC received a subpoena from the Office of the Inspector General of the National Science Foundation ("NSF"), notifying EBC that it had commenced a review of, and requesting information regarding, an NSF grant for $1,530,000. Subsequently, that review was expanded to include an additional $9,000,000 in funds from five other NSF grants.

   In a December 12, 2008 letter from the Inspectors General of the NSF, the National Endowment for the Arts ("NEA") and the National Endowment for the Humanities ("NEH") (collectively, the "IGs"), EBC was advised that the NSF IG had identified several "significant concerns" regarding EBC's use of NSF award funds. As a result, the IGs advised EBC of their belief that EBC's actions violated a federal civil statute and that the IGs would be required to refer the matter to the United States Department of Justice for review. The IGs also requested information from EBC concerning two NEA grants and two NEH grants totaling approximately $1,200,000 and $1,120,000, respectively. On September 25, 2009, EBC was advised that the matter had been referred to the Civil Division of the United States Attorney's Office for the Southern District of New York.

   EBC has fully cooperated with the IGs. As of June 30, 2009, management has accrued an estimated reserve of $2,000,000 for possible cost disallowances that are included in accounts payable and accrued expenses in the accompanying consolidated financial statements.

E. Approximately 10% and 11% of the Company's full-time equivalent employees were covered by collective bargaining agreements as of June 30, 2009 and 2008, respectively. The agreements, which cover various periods, stipulate wage levels and differentials, participation in group health and dental plans and certain agreements with regard to paid time off and leave policies, work hours and schedules, personnel policies including grievance, discharge and discipline procedures. A new agreement is currently being negotiated.

NOTE 13—DEFERRED REVENUE

In 2006, the Company entered into an agreement to lease certain of its unused spectrum (bandwidth) to an unrelated third party. The Company recognizes this payment as revenue over 30 years. Included in deferred revenue in the accompanying consolidated financial statements is $9,737,000 and $11,728,000 as of June 30, 2009 and 2008, respectively, related to the unamortized portion of this income. For the years ended June 30, 2009 and 2008, approximately $1,991,000 and $2,289,000, respectively, was recognized in other income. The amount of amortization for the years ended June 30, 2009 and 2008 was based on a reassessment of the deferral made by an outside consultant.

NOTE 14—FAIR VALUE OF FINANCIAL INSTRUMENTS

For instruments, including cash equivalents, certain investments, receivables, payables and debt, the carrying amount approximates fair value because of the short maturity of these instruments. The Company believes it is not practicable to estimate the current fair value of the related party receivable because of the related party nature of the transaction (see Note 15).

NOTE 14—FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) for identical assets or liabilities in an active market that are readily accessible as of the measurement date.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data by correlation or other means.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets carried at fair value as of June 30, 2009 are classified in the table in one of the three levels as follows:

	Level 1	Level 2	Level 3	Total
Assets Carried at Fair Value:				
Grants and gifts receivable	$ -	$ 44,954,000	$ -	$ 44,954,000
Investments:				
Cash and money market funds	7,077,000	-	-	7,077,000
U.S. equity funds	2,115,000	-	15,316,000	17,431,000
International equity funds	12,081,000	-	4,697,000	16,778,000
Fixed income funds	18,738,000	-	-	18,738,000
TIPS	8,514,000	-	-	8,514,000
Alternative investments	-	-	9,968,000	9,968,000
Natural resources trust	-	-	7,222,000	7,222,000
	48,525,000	-	37,203,000	85,728,000
Total Assets at Fair Value	$ 48,525,000	$ 44,954,000	$ 37,203,000	$ 130,682,000

The changes in assets measured at fair value for which the Company has classified Level 3 are as follows:

Balance as of June 30, 2008	$ 44,542,000
Purchases	19,000,000
Redemptions	(11,520,000)
Realized loss	(1,955,000)
Unrealized loss	(12,864,000)
Balance as of June 30, 2009	$ 37,203,000

NOTE 15—PROGRAM RESOURCE GROUP

The former president and general manager of WLIW is the founder and Chairman of the Board of the Program Resource Group ("PRG"). PRG is a nonprofit corporation owned by two charter member public television stations, which provides programming services to more than twenty stations, including its members, for a fee. As of June 30, 2009, PRG was in the process of winding down its operation. The Company performed administrative and accounting services for PRG for a minimal fee for the year ended June 30, 2008. As of June 30, 2009 and 2008, the receivable from PRG for programming services, rent, administrative and accounting services and reimbursable expenses included in other assets, totaled approximately $922,000 and $865,000, respectively, and the reserve was approximately $858,000 and $813,000 as of June 30, 2009 and 2008, respectively. The majority of this receivable and reserve arose before the merger with WLIW, L.L.C.

NOTE 16—INVESTMENT IN V-ME, INC.

In September 2006, the Company entered into an agreement with V-Me, Inc., a national Spanish–language television network. The Company agreed to contribute existing and future programming, assist in the promotion of the network, and assist in securing the Spanish-language rights to programs. In exchange for these services, the Company received a 20% equity investment in V-Me, Inc. The Company did not record an asset related to the investment.

In addition, the Company provided certain production services and the use of facilities to V-Me, Inc. As of June 30, 2009 and 2008, the balance due from V-Me, Inc. amounted to approximately $1,128,000 and $898,000, net of an allowance for doubtful accounts of $1,000,000 and $500,000, respectively.

On April 28, 2009, a promissory note and repayment agreement was executed between V-Me and the Company. V-Me agreed to pay $1,000,000 to the Company representing its indebtedness to the Company through May 1, 2009. The repayment schedule will commence within thirty days upon the completion of V-Me's capital financing or by December 31, 2009, whichever is earlier. After the repayment period, interest at a rate of 10% per annum will accrue on the unpaid portion.

NOTE 17—ENDOWMENT NET ASSETS

The Company currently is not subject to the enacted version of the Uniform Prudent Management of Funds Act ("UPMIFA") since it has not been legislated in New York. The Financial Accounting Standards Board ("FASB") Staff Position ("FSP") No. FAS 117-1 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for profit organization that is subject to UPMIFA. FSP No. FAS 117-1 also improves disclosure about the organizations endowment funds, whether or not the organization is subject to UPMIFA.

The Board of Trustees of the Company has interpreted the state law as requiring the preservation of the historic value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. See Note 2I for how the Company maintains its net assets.

The Company's endowment investment policy is to invest primarily in equities and fixed income based on an asset allocation, approved by the investment committee, to satisfy its overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment fund is described in Note 2R. Unless authorized by the Board of Trustees, the appropriations from the endowment should not deplete the historical dollar value of the endowment fund.

NOTE 17—ENDOWMENT NET ASSETS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Company to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature, if it occurred, are reported in unrestricted net assets. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor-restricted endowment fund where the fair market value of the donor-restricted endowment fund fell below the amount that is required to be retained permanently. There were no such deficiencies as of June 30, 2009 and 2008.

Changes in endowment net assets for years ended June 30, 2009 and 2008 is as follows:

	Unrestricted		Board	Permanently	
	Operations	Nonspendable	Designated	Restricted	Total
Endowment net assets, beginning of year	$ -	$ 30,817,000	$ 1,739,000	$ 60,876,000	$ 93,432,000
Contribution to endowments	-	-	-	1,287,000	1,287,000
Investment activity:					
Interest and dividends	56,000	2,174,000	-	-	2,230,000
Realized loss on investments	(25,000)	-	-	-	(25,000)
Realized gain on investments	-	8,245,000	-	-	8,245,000
Unrealized loss on investments	-	(30,622,000)	-	-	(30,622,000)
Investment fees	-	(395,000)	-	-	(395,000)
Total investment activity	31,000	(20,598,000)	-	-	(20,567,000)
Board appropriated for expenditure	5,312,000	(5,312,000)	-	-	-
Releases from endowment	(5,343,000)	-	-	-	(5,343,000)
Endowment net assets, end of year	$ -	$ 4,907,000	$ 1,739,000	$ 62,163,000	$ 68,809,000

Endowment net assets of $68,809,000 are included in the investments account in the accompanying consolidated statements of financial position.

NOTE 18—CONCENTRATIONS

Financial instruments that potentially subject the Company to a concentration of credit risk include cash and other cash equivalents that may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. During 2008, FDIC insurance coverage for interest bearing accounts, normally limited to $100,000, was increased to $250,000 until December 31, 2013. For non-interest bearing accounts, such coverage is unlimited to June 30, 2010 for participating banks. As of June 30, 2009 and 2008, approximately $6,363,000 and $10,669,000 the Company's cash and cash equivalents are not covered by FDIC insurance. Such amounts include outstanding checks.

NOTE 19—CHANGE IN NET ASSETS

During the year ended June 30, 2009, the Company had a total decrease in net assets of approximately $64,282,000, which is primarily resulting from a $22,163,000 decrease from unrestricted operations, a $25,910,000 decrease in investment income and a $17,496,000 decrease in temporarily restricted net assets.

NOTE 19—CHANGE IN NET ASSETS (Continued)

In an effort to make certain that the Company will generate a future operating surplus, the Board of Trustees and management have implemented cost saving measures, efficiencies, and increased efforts to obtain underwriting revenue and support.

NOTE 20—SUBSEQUENT EVENTS (UNAUDITED)

As of November 30, 2009, investment income increased by approximately $8,691,000, which is a 34% recovery from the June 30, 2009 results.

Management has evaluated all subsequent transactions and events after the balance sheet date through December 10, 2009, the date of which these financial statements were available to be issued and, except as already included in notes to these financial statements, has determined that no additional items require disclosure.

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CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Totals for June 30, 2008)

	For the Year Ended June 30, 2009				
		Supporting Services			
	Program Services	Fundraising	Management and Administrative	Total 2009	Total 2008
Salaries and wages	$ 41,437,000	$ 7,866,000	$ 10,805,000	$ 60,108,000	$ 50,461,000
Benefits and payroll taxes	8,895,000	1,732,000	2,710,000	13,337,000	11,807,000
Professional fundraising	-	1,013,000	-	1,013,000	1,341,000
Accounting and legal fees	530,000	91,000	2,828,000	3,449,000	2,338,000
Supplies and premiums	454,000	2,257,000	119,000	2,830,000	3,605,000
Telephone and transmission	1,426,000	756,000	514,000	2,696,000	2,748,000
Postage, delivery and fulfillment	1,350,000	1,790,000	76,000	3,216,000	3,949,000
Rent	5,576,000	817,000	1,351,000	7,744,000	7,245,000
Utilities	745,000	102,000	481,000	1,328,000	1,397,000
Insurance	489,000	98,000	170,000	757,000	749,000
Security and fire safety	314,000	59,000	201,000	574,000	573,000
General building maintenance	447,000	83,000	181,000	711,000	683,000
Equipment rentals, purchase and maintenance	1,296,000	63,000	721,000	2,080,000	1,801,000
Printing and publications	1,218,000	1,037,000	123,000	2,378,000	3,057,000
Travel and business expense	3,677,000	562,000	192,000	4,431,000	4,665,000
Interest expense	253,000	51,000	89,000	393,000	341,000
Depreciation and amortization	3,992,000	254,000	472,000	4,718,000	4,986,000
Advertising and promotion	2,100,000	103,000	78,000	2,281,000	2,232,000
Dues and PBS assessments	12,019,000	14,000	22,000	12,055,000	12,019,000
Program production and acquisition costs	50,879,000	2,833,000	4,000	53,716,000	62,298,000
Miscellaneous expenses	775,000	2,838,000	2,367,000	5,980,000	4,700,000
TOTAL EXPENSES	$ 137,872,000	$ 24,419,000	$ 23,504,000	$ 185,795,000	$ 182,995,000

See independent auditors' report.

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CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

		Supporting Services		
	Program Services	Fundraising	Management and Administrative	Total 2008
Salaries and wages	$ 33,839,000	$ 7,931,000	$ 8,691,000	$ 50,461,000
Benefits and payroll taxes	7,869,000	1,745,000	2,193,000	11,807,000
Professional fundraising	-	1,341,000	-	1,341,000
Accounting and legal fees	880,000	166,000	1,292,000	2,338,000
Supplies and premiums	376,000	3,080,000	149,000	3,605,000
Telephone and transmission	1,387,000	871,000	490,000	2,748,000
Postage, delivery and fulfillment	1,921,000	1,948,000	80,000	3,949,000
Rent	5,032,000	812,000	1,401,000	7,245,000
Utilities	788,000	108,000	501,000	1,397,000
Insurance	463,000	104,000	182,000	749,000
Security and fire safety	304,000	66,000	203,000	573,000
General building maintenance	413,000	83,000	187,000	683,000
Equipment rentals, purchase and maintenance	1,221,000	65,000	515,000	1,801,000
Printing and publications	1,505,000	1,429,000	123,000	3,057,000
Travel and business expense	3,465,000	767,000	433,000	4,665,000
Interest expense	208,000	47,000	86,000	341,000
Depreciation and amortization	4,153,000	294,000	539,000	4,986,000
Advertising and promotion	2,180,000	49,000	3,000	2,232,000
Dues and PBS assessments	11,985,000	7,000	27,000	12,019,000
Program production and acquisition costs	60,033,000	1,924,000	341,000	62,298,000
Miscellaneous expenses	686,000	2,831,000	1,183,000	4,700,000
TOTAL EXPENSES	$ 138,708,000	$ 25,668,000	$ 18,619,000	$ 182,995,000