Michiana Public Broadcasting Corporation

Financial Report

September 30, 2021

Contents

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Independent Auditor's Report

To the Board of Directors
Michiana Public Broadcasting Corporation

We have audited the accompanying financial statements of Michiana Public Broadcasting Corporation (the "Corporation"), which comprise the statement of financial position as of September 30, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses, 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.

Auditor's 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 audits 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 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 Michiana Public Broadcasting Corporation as of September 30, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the financial statements, the COVID-19 pandemic has impacted business operations. Our opinion is not modified with respect to this matter.

To the Board of Directors
Michiana Public Broadcasting Corporation

As described in Note 2 to the financial statements, the Corporation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

November 15, 2021

Statement of Financial Position

September 30, 2021 and 2020

	2021	2020
Assets		
Cash	$ 528,022	$ 325,370
Investments (Note 5)	249,400	-
Underwriting receivable - Less allowance of doubtful receivables of $5,660 in 2021 and 2020	60,645	44,646
Grants and other receivables - Less allowance for doubtful receivables of $5,940 in 2021 and $9,044 in 2020	274,759	266,863
Program contract rights	451,080	484,136
Other assets	128,565	110,774
Property and equipment - Net (Note 6)	4,964,730	5,167,566
Total assets	**$ 6,657,201**	**$ 6,399,355**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 36,324	$ 62,273
Refundable advances (Note 2)	155,000	265,955
Contract liabilities (Note 4)	173,428	197,325
Accrued compensation	75,778	83,942
Paycheck Protection Program loan (Note 8)	-	277,100
Program contract rights payable	564,779	611,191
Deferred gain on sale-leaseback transaction (Note 9)	409,442	443,327
Capital lease obligation (Note 9)	1,176,809	1,227,055
Total liabilities	2,591,560	3,168,168
Net Assets		
Without donor restrictions	3,965,641	3,231,187
With donor restrictions (Note 2)	100,000	-
Total net assets	4,065,641	3,231,187
Total liabilities and net assets	**$ 6,657,201**	**$ 6,399,355**

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2021 and 2020

	2021	2020
Changes in Net Assets without Donor Restrictions		
Revenue and support:		
Contributions and support	$ 325,812	$ 169,867
Corporation for Public Broadcasting grants (Note 3)	879,591	809,112
Corporation for Public Broadcasting grants - Stabilization funds (Note 3)	490,365	260,205
State grants	439,853	372,708
Federal Communications Commission grants	6,400	2,084
Member income	1,032,585	1,064,075
Program underwriting (Note 4)	992,814	725,537
Other income	187,668	176,513
Total revenue and support	4,355,088	3,580,101
Expenses:		
Program services:		
Production and broadcasting	1,255,235	1,456,592
Programming and education	873,849	866,630
Promotion	166,006	185,244
Total program services	2,295,090	2,508,466
Support services:		
Management and general	769,317	703,141
Memberships and development	867,212	897,364
Total support services	1,636,529	1,600,505
Total expenses	3,931,619	4,108,971
Gain (Loss) from Operating Activities	423,469	(528,870)
Other Items		
Forgiveness of Paycheck Protection Program loan (Note 8)	277,100	-
Amortization of deferred gain	33,885	33,885
Increase (Decrease) in Net Assets without Donor Restrictions	734,454	(494,985)
Changes in Net Assets with Donor Restrictions - Contributions	100,000	-
Increase (Decrease) in Net Assets	834,454	(494,985)
Net Assets - Beginning of year	3,231,187	3,726,172
Net Assets - End of year	**$ 4,065,641**	**$ 3,231,187**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2021

	Program Services				Support Services			
	Production and Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Memberships and Development	Total Support Services	Total
Salaries	$ 587,085	$ 48,396	$ 34,636	$ 670,117	$ 212,819	$ 361,676	$ 574,495	$ 1,244,612
Employee benefits	55,980	4,823	92	60,895	4,100	21,579	25,679	86,574
Retirement	12,092	803	-	12,895	524	9,268	9,792	22,687
Payroll taxes	41,777	3,335	2,633	47,745	15,582	26,387	41,969	89,714
Total salaries and related expenses	696,934	57,357	37,361	791,652	233,025	418,910	651,935	1,443,587
PBS programming	-	600,964	-	600,964	-	-	-	600,964
Other programming	-	24,223	-	24,223	-	45,381	45,381	69,604
Dues and subscriptions	2,528	-	-	2,528	65,698	-	65,698	68,226
Telephone and utilities	40,939	450	-	41,389	137,169	4,172	141,341	182,730
Materials and supplies	8,118	8,141	27,522	43,781	8,228	6,373	14,601	58,382
Printing and publications	120	42,180	46,894	89,194	49	25,159	25,208	114,402
Advertising, marketing, and development	-	40,925	2,355	43,280	-	136,913	136,913	180,193
Postage and shipping	1,947	-	-	1,947	5,630	14,338	19,968	21,915
Travel and conferences	1,339	-	12,245	13,584	2,935	8,303	11,238	24,822
Repairs and maintenance	151,898	-	-	151,898	279	-	279	152,177
Insurance	-	-	-	-	40,146	-	40,146	40,146
Interest and bank charges	60,202	-	-	60,202	2,469	25,593	28,062	88,264
Depreciation and amortization	137,451	57,609	-	195,060	105,112	-	105,112	300,172
Contract services	147,795	42,000	39,629	229,424	167,013	72,101	239,114	468,538
Bad debt	-	-	-	-	80	88,969	89,049	89,049
Miscellaneous	5,964	-	-	5,964	1,484	21,000	22,484	28,448
Total functional expenses	**$ 1,255,235**	**$ 873,849**	**$ 166,006**	**$ 2,295,090**	**$ 769,317**	**$ 867,212**	**$ 1,636,529**	**$ 3,931,619**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services				Support Services			
	Production and Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Memberships and Development	Total Support Services	Total
Salaries	$ 620,125	$ 45,449	$ 68,159	$ 733,733	$ 204,458	$ 310,196	$ 514,654	$ 1,248,387
Employee benefits	50,292	4,173	2,530	56,995	5,125	18,728	23,853	80,848
Retirement	10,581	671	660	11,912	1,120	6,746	7,866	19,778
Payroll taxes	45,193	3,166	5,177	53,536	15,041	22,164	37,205	90,741
Total salaries and related expenses	726,191	53,459	76,526	856,176	225,744	357,834	583,578	1,439,754
PBS programming	-	606,438	-	606,438	-	-	-	606,438
Other programming	-	30,622	-	30,622	-	64,258	64,258	94,880
Dues and subscriptions	2,699	-	-	2,699	71,212	-	71,212	73,911
Telephone and utilities	99,992	4,607	549	105,148	70,500	5,648	76,148	181,296
Materials and supplies	6,414	6,734	121	13,269	5,177	6,838	12,015	25,284
Printing and publications	297	38,330	46,109	84,736	111	24,329	24,440	109,176
Advertising, marketing, and development	-	20,520	12,132	32,652	-	204,365	204,365	237,017
Postage and shipping	1,266	-	-	1,266	7,891	16,821	24,712	25,978
Travel and conferences	1,482	-	11,638	13,120	6,138	7,466	13,604	26,724
Repairs and maintenance	67,643	-	-	67,643	820	-	820	68,463
Insurance	-	-	-	-	36,917	-	36,917	36,917
Interest and bank charges	-	-	-	-	78,106	24,776	102,882	102,882
Depreciation and amortization	443,862	62,871	-	506,733	55,248	9,204	64,452	571,185
Contract services	103,006	42,493	37,893	183,392	144,342	68,227	212,569	395,961
Bad debt	-	-	-	-	-	96,858	96,858	96,858
Miscellaneous	3,740	556	276	4,572	935	10,740	11,675	16,247
Total functional expenses	**$ 1,456,592**	**$ 866,630**	**$ 185,244**	**$ 2,508,466**	**$ 703,141**	**$ 897,364**	**$ 1,600,505**	**$ 4,108,971**

See notes to financial statements.

Statement of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 834,454	$ (494,985)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation and amortization	300,172	571,185
Bad debt expense	88,969	96,858
Unrealized loss on investments	600	-
Amortization of program contract rights	633,770	647,727
Amortization of deferred gain	(33,885)	(33,885)
Forgiveness of Paycheck Protection Program loan	(277,100)	-
Changes in operating assets and liabilities that (used) provided cash:		
Underwriting receivables	(37,939)	25,893
Grants and other receivables	(74,925)	(69,063)
Program contract rights	(647,126)	(668,595)
Other assets	(17,791)	(52,572)
Accounts payable	(25,949)	(85,057)
Contract liabilities	(23,897)	85,971
Accrued compensation	(8,164)	7,535
Refundable advances	(110,955)	265,955
Net cash provided by operating activities	600,234	296,967
Cash Flows from Investing Activities		
Purchase of property and equipment	(97,336)	(22,114)
Purchases of investments	(250,000)	-
Net cash used in investing activities	(347,336)	(22,114)
Cash Flows from Financing Activities		
Net payments on bank line of credit	-	(244,981)
Proceeds from Paycheck Protection Program loan	-	277,100
Payments on capital lease	(50,246)	(47,801)
Net cash used in financing activities	(50,246)	(15,682)
Net Increase in Cash	202,652	259,171
Cash - Beginning of year	325,370	66,199
Cash - End of year	**$ 528,022**	**$ 325,370**
Supplemental Cash Flow Information - Cash paid for interest	$ 644	$ 13,883

See notes to financial statements.

Note 1 - Nature of Business

Michiana Public Broadcasting Corporation (MPBC or the "Corporation") owns and operates the WNIT Center for Public Media (broadcasting on channels 34.1, 34.2, 34.3, 34.4, 34.5, and WNIT.org), which provides educational and cultural television programs and related services to communities in northern Indiana and southwestern Michigan. The leadership of MPBC is provided by community volunteers, and support is provided by the communities served through memberships, corporate donations, underwriting, and donated services. Additional support is also received from grants from the Corporation for Public Broadcasting and the State of Indiana. Programming is received from the Public Broadcasting Service (PBS) and other sources.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Corporation have been prepared on the basis of generally accepted accounting principles in the United States of America (GAAP).

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. As of September 30, 2021, $100,000 of net assets are restricted for operation of the PBS Kids Channel. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. There were no net assets with donor restrictions as of September 30, 2021 and 2020.

Grants and Other Receivables

Grants and other receivables consist of amounts awarded from the Corporation for Public Broadcasting (CPB) during the year and pledges from members. Based on management's review of the grants receivable balance and historical collection information, management has not recorded an allowance for doubtful receivables, as it is the opinion of management that the receivable will be collected in full. An allowance for membership pledges is provided based upon management's judgment and analysis regarding such factors as prior collection history, nature of the pledge, and payment method. As of September 30, 2021 and 2020, the Corporation has recorded an allowance of doubtful receivables of $5,940 and $9,044, respectively.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions include operating grants, membership income, and contributions and support.

Revenue, gains, and other support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the year in which the contributions are received are reported as contributions without donor restrictions in the financial statements.

Note 2 - Significant Accounting Policies (Continued)

Grant Revenue

Grant revenue received for certain government and foundation grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying financial statements. Grant funding payments received in advance of conditions being met are recorded as refundable advances, which amount to $155,000 and $265,955 as of September 30, 2021 and 2020, respectively.

Revenue Recognition

The Corporation derives its revenue primarily from contributions, member income, program underwriting, and federal and state grants. The following program underwriting revenue streams are governed by Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*:

Underwriting - Spot

The Corporation generates revenue from written agreements with various organizations where the Corporation delivers acknowledgement of underwriting within TV spots for a distinct program and contract period. Revenue is recognized over the agreed-upon contract period as underwriting acknowledgement is delivered.

In some situations, the Corporation collects cash prior to the satisfaction of the performance obligation, which results in the Corporation recognizing a contract liability. Total contract liabilities were $63,521 as of October 1, 2019.

Underwriting - Local

The Corporation generates revenue from written agreements with various organizations where the Corporation provides locally produced shows. Revenue is recognized upon the premier broadcasting of those shows.

In some situations, the Corporation collects cash prior to the satisfaction of the performance obligation, which results in the Corporation recognizing a contract liability. Total contract liabilities were $47,833 as of October 1, 2019.

Customers are billed in accordance with agreed upon payment terms, which is typically monthly and due upon receipt. All payments are nonrefundable and nontransferable. Accounts receivable consists of underwriting receivables that are carried at original invoice amount. The valuation of the accounts receivable is based upon management's estimate of the collectibility of such receivables. Management reviews trade accounts receivable on a consistent basis and follows up with those customers that are delinquent. Management records a specific reserve when the collectibility of a receivable balance is uncertain. The Corporation recognized impairment losses of $22,020 and $6,028 on accounts receivable in 2021 and 2020, respectively. At October 1, 2019, accounts receivable amounted to $81,024.

Program Contract Rights

Program contracts generally give the Corporation the right to broadcast programs on its television station. The full contract price is capitalized at the inception of the contract and amortized using the straight-line method over the term of the contract, usually one year. The full contract price is also recorded as program contract rights payable until the invoice is paid.

Note 2 - Significant Accounting Policies (Continued)

Investments

Investments are recorded at fair value. Investments received as donations are recorded at their fair value on the date of receipt. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities and changes in net assets. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment

Property and equipment are recorded at the lower of cost or market value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Estimated lives are 5 to 10 years for office, studio, and technical equipment. Estimated lives are 10 to 20 years for the transmitter plant, DTV conversion equipment, and leased equipment. The estimated life of the building is 40 years.

Certain items of the Corporation’s studio and technical equipment have been acquired in part with National Telecommunications and Information Administration (NTIA) grants from the U.S. Department of Commerce. In connection with these grants, NTIA has a lien for a 10-year period on any equipment acquired with proceeds from NTIA grants. In addition, equipment acquired by the Corporation, which is part of the equipment acquired with NTIA grants, would also be subject to the NTIA liens. Studio and technical equipment with a net book value of $55,719 at September 30, 2020 was subject to NTIA liens, which expired at various dates through September 2021. There was no remaining book value at September 30, 2021. Costs of maintenance and repairs are charged to expense when incurred.

Paycheck Protection Program Loan

Funding received under the Paycheck Protection Program (PPP) is from a lending institution and has the potential to be forgiven in part or wholly by the Small Business Administration (SBA). The proceeds from the loan, therefore, remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Corporation has been legally released or (2) the Corporation pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and the legal release is received, the liability is reduced by the amount forgiven, and a gain on extinguishment is recorded.

As the loan was wholly forgiven, the liability has been reduced and a gain on forgiveness of debt has been recorded on the statement of activities and changes in net assets and included in operating activities in the statement of cash flows as of September 30, 2021. See Note 8 for additional information on the terms and conditions of the PPP agreement.

Donated Services and Assets

Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value.

Volunteer services are not reflected in the financial statements because the services are not recordable under GAAP.

Donated assets are reflected in the financial statements at their estimated fair values at the time of donation.

Note 2 - Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Expenses incurred directly for program services are charged to such service. Certain costs have been allocated between the various program and support services. Salaries and related expenses are allocated on the basis of time and effort. Depreciation, occupancy, and utilities are allocated on an estimate of square feet.

Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The Corporation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code (IRC) Section 501(c)(3).

Use of Estimates

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

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

In response to the ongoing COVID-19 pandemic, the Corporation continued to keep its facilities closed to any large public gatherings and limited visitors. While the station did reopen for staff, it took precautions of daily temperature checks, closely monitoring for any symptoms, wearing masks away from work stations, and monthly deep cleanings that eventually moved to quarterly.

COVID-19 restrictions resulted in local production underwriting revenue being approximately $96,500 short of budget, as three local productions had to be delayed until fiscal year 2022. The restrictions were from filming limitations or events that were part of local documentaries being delayed or canceled due to the pandemic. In fiscal year 2021, grants and program underwriting stabilized, from the prior year reduction related to the COVID-19 impact on businesses and foundation giving. Individual giving continued to be very strong during fiscal year 2021. The Corporation received additional funding through the Corporation for Public Broadcasting as part of the American Rescue Act amounting to $490,365. The Corporation also received full forgiveness of the PPP loan, as further described in Note 8.

As a result, the Corporation finished fiscal year 2021 with the majority all accounts payable current, no outstanding balance on the line of credit, and an increased cash balance. The Corporation deposited excess cash of $250,000 into a reserve investment account through Vanguard.

Management acknowledges there continues to be an ongoing financial uncertainty related to COVID-19 that could impact the Corporation's future financial position; changes in net assets; and, where applicable, timing and amount of cash flows. The extent of the potential impact cannot be estimated at this time.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of October 1, 2020, the Corporation adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Corporation analyzed the standard and determined there is no change in the manner the Corporation recognizes underwriting revenue. As a result, the Corporation did not record any cumulative-effect adjustment to opening net assets. The Corporation adopted the new standard on a modified retrospective basis. The adoption did not result in a restatement of the 2020 financial information, as there was no change to the timing of revenue recognition.

Upcoming Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending September 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is not expected to have a significant effect on the Corporation’s financial statements due to its lease for a tower being classified as a capital lease.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind. Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Corporation’s year ending September 30, 2022 and will be applied using the retrospective method.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 15, 2021, which is the date the financial statements were available to be issued.

Note 3 - Corporation for Public Broadcasting Grants

The Corporation was awarded community service grants from the Corporation for Public Broadcasting of $804,173 and $735,209 during the years ended September 30, 2021 and 2020, respectively, to finance normal programming and promotion expenses. The grant amounts were fully expended in each year; therefore, there are no uncommitted balances as of September 30, 2021 and 2020. The grant amounts were based upon a formula using the nonfederal financial support of $2,178,784 and $2,082,308 recorded by the Corporation for the years ended September 30, 2019 and 2018, respectively.

Note 3 - Corporation for Public Broadcasting Grants (Continued)

In fiscal year 2022, the community service grant will be $870,365 based on nonfederal financial support of $1,837,186 recorded during fiscal year 2020. Nonfederal financial support for the year ended September 30, 2021 will be the basis for the fiscal year 2023 community service grant; however, such grants are dependent on continued funding of CPB by the U.S. government.

The Corporation also received other grants from CPB totaling $75,418 and $73,903 for the years ended September 30, 2021 and 2020, respectively. In addition, the Corporation received $490,365 of stabilization funds for public media under the American Rescue Plan Act and $260,205 of stabilization funds for public media under the Coronavirus Aid, Relief, and Economic Security (CARES) Act from CPB during the years ended September 30, 2021 and 2020, respectively.

Note 4 - Revenue Recognition

During 2021 and 2020, the Corporation's revenue from contracts with customers consisted of the following:

	2021	2020
Underwriting - Spot (revenue recognized over time)	$ 349,700	$ 337,519
Underwriting - Local (revenue recognized at a point in time)	506,201	190,050
Underwriting - In-kind trades	136,913	197,968
Total revenue from contracts with customers	$ 992,814	$ 725,537

Contract Liabilities

The following table provides information about contract liabilities resulting from contracts with customers:

	2021	2020
Underwriting - Spot	$ 120,794	$ 140,491
Underwriting - Local	52,634	56,834
Total	$ 173,428	$ 197,325

Note 5 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Note 5 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments in corporate bonds of $249,400 at September 30, 2021 are valued with Level 1 inputs. There were no investments at September 30, 2020.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2021	2020
Land	$ 211,493	$ 211,493
Buildings	4,517,659	4,517,659
Office equipment	360,255	360,255
Studio and technical equipment	7,295,844	7,279,955
Transmitter plant	376,492	376,492
DTV conversion equipment	571,873	571,873
Equipment under capital lease	1,449,568	1,449,568
Construction in progress	81,448	-
Total cost	14,864,632	14,767,295
Less accumulated depreciation	9,899,902	9,599,729
Net carrying amount	$ 4,964,730	$ 5,167,566

Depreciation and amortization expense for 2021 and 2020 was $300,172 and $571,185, respectively.

During November 2013, the Corporation sold one of its towers and the land on which the tower is located. In addition to the sale, the Corporation signed a lease agreement with the purchaser to lease the tower (see Note 9). Depreciation expense on the leased equipment was $72,478 for 2021 and 2020.

Construction in progress as of September 30, 2021 consists of a new transmitter not yet in service.

Note 7 - Bank Line of Credit

The Corporation has a line of credit allowing the Corporation to borrow up to $375,000. The line of credit is collateralized by substantially all assets of the Corporation and matures on January 15, 2022. Interest is payable monthly at 0.50 percent above the prime rate, with a minimum interest rate of 4.00 percent (an effective rate of 4.00 percent and 4.50 percent at September 30, 2021 and 2020, respectively). There was no outstanding balance as of September 30, 2021 and 2020.

Interest expense was approximately $9,400 for 2020. There was no interest expense for 2021.

Note 8 - Paycheck Protection Program Loan

On April 16, 2020, the Corporation received a Paycheck Protection Program term loan through its lending institutions of $277,100. The loan was issued pursuant to the CARES Act's PPP. The note structure required corporation officials to certify certain statements that permitted the Corporation to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Corporation uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Corporation in full by April 2022 in equal monthly principal payments plus interest at 1.00 percent beginning after the lending institution receives the approved loan forgiveness funds from the Small Business Administration. The Corporation has the right to repay any amount outstanding at any time without penalty. This loan helped the Corporation fund payroll, benefits, and building utility costs.

Prior to September 30, 2021, the Corporation applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of $277,100 has been recorded on the statements of activities and changes in net assets and cash flows for the year ended September 30, 2021.

Note 9 - Capital Lease

The Corporation sold one of its towers in November 2013. In addition to the sales agreement, the Corporation signed a lease agreement with the purchaser to lease the tower. The future minimum lease payments under the capital lease are as follows:

Years Ending September 30	Amount
2022	$ 110,440
2023	110,440
2024	125,620
2025	127,000
2026	127,000
Thereafter	994,833
Total	1,595,333
Less amount representing interest	418,524
Present value of net minimum lease payments	$ 1,176,809

Equipment purchased under the capital lease arrangements has been capitalized and is included in property and equipment (see Note 6).

The interest rate on this capital lease is 5 percent.

The gain on the sale-leaseback of the tower and related assets amounted to $677,697 and has been deferred over the 20-year life of the lease. The deferred gain for the years ended September 30, 2021 and 2020 is $409,442 and $443,327, respectively. The Corporation recognized gains of approximately $34,000 during both 2021 and 2020, which are reported within the statement of activities and changes in net assets.

Note 10 - Employee Benefit Plan

The Corporation has a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code, which covers all of its employees. The plan is a defined contribution plan that allows an employee to make voluntary contributions, not to exceed the limits imposed by Section 415 and Section 403(b) of the IRC. Under the plan, the Corporation is obligated to match up to 3 percent of the participant's annual compensation. The Corporation's expense under the plan aggregated $22,687 and $19,778 for the years ended September 30, 2021 and 2020, respectively.

Note 11 - Community Foundations

Certain funds donated by outside donors for the benefit of the Corporation are held and managed by the Community Foundation of St. Joseph County (the "Foundation"). The Foundation maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Corporation. The fair market value of these funds is approximately $500,000 and $411,000 at September 30, 2021 and 2020, respectively. These funds are not reflected in the financial statements. Earnings are available for distribution to the Corporation at the discretion of the Foundation and, therefore, are not reflected as revenue in the financial statements until received by the Corporation.

The Corporation established a fund at Community Foundation of Elkhart County (CFEC). This fund consists mainly of donations directed to CFEC by the Corporation. CFEC maintains legal ownership of the fund and, as such, continues to report the fund as an asset and liability. The Corporation made an initial contribution of $5,000, which is recorded as other assets on the statement of financial position. The fair value of funds held at CFEC is approximately $15,300 and $12,700 at September 30, 2021 and 2020, respectively. In addition, certain funds donated by outside donors for the benefit of the Corporation are held and managed by CFEC. CFEC maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Corporation. The fair market value of these funds is approximately $131,000 and $76,000 at September 30, 2021 and 2020, respectively. These funds, with the exception of the Corporation's initial contribution, are not reflected in the financial statements.

The Corporation established a fund at the Marshall County Community Foundation (MCCF) with an initial contribution of $1,000 by the Corporation. MCCF maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Corporation, with the exception of the Corporation's initial contribution, which is recorded as other assets on the statement of financial position. The fair value of funds held at MCCF is approximately $1,100 at September 30, 2021 and 2020.

Note 12 - Liquidity and Availability of Resources

The following reflects the Corporation's financial assets as of September 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2021	2020
Cash	$ 528,022	$ 325,370
Underwriting receivable - Net	60,645	44,646
Grants and other receivables - Net	274,759	266,863
Investments	249,400	-
Financial assets available to meet cash needs for general expenditures within one year	$ 1,112,826	$ 636,879

The grants and other net receivables are subject to implied time restrictions but are expected to be collected within one year. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Corporation also realizes there could be unanticipated liquidity needs.

Note 12 - Liquidity and Availability of Resources (Continued)

The Corporation has an available balance on a committed line of credit in the amount of $375,000 at September 30, 2021 and 2020, which it could draw upon if needed, as further described in Note 7.