Michiana Public Broadcasting Corporation

Financial Report

September 30, 2023

Contents

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Independent Auditor's Report

To the Board of Directors
Michiana Public Broadcasting Corporation

Opinion

We have audited the financial statements of Michiana Public Broadcasting Corporation (the "Corporation"), which comprise the statement of financial position as of September 30, 2023 and 2022 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of September 30, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Michiana Public Broadcasting Corporation

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

November 20, 2023

Statement of Financial Position

September 30, 2023 and 2022

	2023	2022
Assets		
Cash	$ 30,177	$ 586,316
Investments (Note 6)	237,623	230,285
Underwriting receivable - Less allowance for doubtful receivables of $28,960 in 2023 and $5,660 in 2022	64,981	98,219
Grants and other receivables - Less allowance for doubtful receivables of $5,048 in 2023 and $4,544 in 2022	279,639	273,831
Program contract rights	481,695	482,580
Other assets	96,185	88,530
Property and equipment - Net (Note 7)	5,117,345	5,356,938
Total assets	**$ 6,307,645**	**$ 7,116,699**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 98,390	$ 669,770
Bank line of credit (Note 8)	117,000	-
Refundable advances (Note 2)	111,000	111,000
Contract liabilities (Note 4)	125,781	130,755
Accrued compensation	88,275	71,885
Program contract rights payable	611,769	610,047
Deferred gain on sale-leaseback transaction (Note 9)	341,673	375,557
Finance/capital lease obligation (Note 9)	1,068,473	1,123,992
Total liabilities	2,562,361	3,093,006
Net Assets		
Without donor restrictions	3,735,284	4,023,693
With donor restrictions (Note 2)	10,000	-
Total net assets	3,745,284	4,023,693
Total liabilities and net assets	**$ 6,307,645**	**$ 7,116,699**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2023 and 2022

	2023	2022
Changes in Net Assets without Donor Restrictions		
Revenue and support:		
Contributions and support	$ 373,712	$ 555,709
Corporation for Public Broadcasting grants (Note 3)	959,469	870,365
State grants	438,602	425,584
Federal Communications Commission grants	-	25,394
Member income	1,090,754	1,084,760
Program underwriting (Note 4)	886,078	777,308
Program underwriting - Contributed nonfinancial assets (Notes 4 and 5)	182,623	243,425
Other income	175,104	161,995
Net assets released from restrictions	-	100,000
Total revenue and support	4,106,342	4,244,540
Expenses:		
Program services:		
Production and broadcasting	1,357,579	1,259,567
Programming and education	960,496	915,677
Promotion	217,926	192,112
Total program services	2,536,001	2,367,356
Support services:		
Management and general	887,463	845,903
Memberships and development	1,005,172	1,007,114
Total support services	1,892,635	1,853,017
Total expenses	4,428,636	4,220,373
(Loss) Gain from Operating Activities	(322,294)	24,167
Other Items - Amortization of deferred gain	33,885	33,885
(Decrease) Increase in Net Assets without Donor Restrictions	(288,409)	58,052
Changes in Net Assets with Donor Restrictions		
Contributions	10,000	-
Net assets released from restrictions	-	(100,000)
Increase (Decrease) in Net Assets with Donor Restrictions	10,000	(100,000)
Decrease in Net Assets	(278,409)	(41,948)
Net Assets - Beginning of year	4,023,693	4,065,641
Net Assets - End of year	**$ 3,745,284**	**$ 4,023,693**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2023

	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	$ 655,301	$ 86,105	$ 88,450	$ 829,856	$ 239,009	$ 454,418	$ 693,427	$ 1,523,283
Employee benefits	51,153	6,537	122	57,812	5,338	18,885	24,223	82,035
Retirement	13,410	857	2,591	16,858	90	11,155	11,245	28,103
Payroll taxes	47,221	6,228	6,560	60,009	17,640	33,562	51,202	111,211
Total salaries and related expenses	767,085	99,727	97,723	964,535	262,077	518,020	780,097	1,744,632
PBS programming	-	621,892	-	621,892	-	-	-	621,892
Other programming	-	33,398	-	33,398	-	39,168	39,168	72,566
Dues and subscriptions	1,290	-	196	1,486	77,326	239	77,565	79,051
Telephone and utilities	44,295	618	-	44,913	165,198	5,195	170,393	215,306
Materials and supplies	9,761	19,407	6,819	35,987	5,374	3,536	8,910	44,897
Printing and publications	733	38,099	66,699	105,531	349	23,221	23,570	129,101
Advertising, marketing, and development	-	72,902	36,198	109,100	-	182,623	182,623	291,723
Postage and shipping	5,075	11	-	5,086	7,305	17,197	24,502	29,588
Travel and conferences	10,750	598	10,291	21,639	19,816	13,441	33,257	54,896
Repairs and maintenance	106,419	-	-	106,419	-	-	-	106,419
Insurance	-	-	-	-	50,114	-	50,114	50,114
Interest and bank charges	54,921	-	-	54,921	12,094	28,922	41,016	95,937
Depreciation and amortization	151,714	57,609	-	209,323	115,720	-	115,720	325,043
Contract services	196,467	15,500	-	211,967	168,550	66,942	235,492	447,459
Bad debt	-	-	-	-	-	82,176	82,176	82,176
Miscellaneous	1,194	735	-	1,929	3,540	24,492	28,032	29,961
Lease expense	7,875	-	-	7,875	-	-	-	7,875
Total functional expenses	**$ 1,357,579**	**$ 960,496**	**$ 217,926**	**$ 2,536,001**	**$ 887,463**	**$ 1,005,172**	**$ 1,892,635**	**$ 4,428,636**

See notes to financial statements.

Statement of Functional Expenses

Year Ended September 30, 2022

	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	$ 584,627	$ 79,761	$ 76,272	$ 740,660	$ 224,056	$ 419,204	$ 643,260	$ 1,383,920
Employee benefits	54,570	5,357	105	60,032	4,591	18,618	23,209	83,241
Retirement	13,335	845	1,752	15,932	458	9,489	9,947	25,879
Payroll taxes	41,914	5,543	5,625	53,082	16,486	31,798	48,284	101,366
Total salaries and related expenses	694,446	91,506	83,754	869,706	245,591	479,109	724,700	1,594,406
PBS programming	-	587,975	-	587,975	-	-	-	587,975
Other programming	-	30,331	-	30,331	-	27,363	27,363	57,694
Dues and subscriptions	2,744	-	-	2,744	71,918	-	71,918	74,662
Telephone and utilities	42,257	591	-	42,848	158,521	5,477	163,998	206,846
Materials and supplies	8,048	10,525	7,889	26,462	8,567	7,746	16,313	42,775
Printing and publications	708	32,773	50,097	83,578	-	28,059	28,059	111,637
Advertising, marketing, and development	-	61,090	38,057	99,147	-	243,425	243,425	342,572
Postage and shipping	2,144	20	-	2,164	10,562	18,128	28,690	30,854
Travel and conferences	4,150	761	12,315	17,226	9,519	11,340	20,859	38,085
Repairs and maintenance	121,778	196	-	121,974	-	-	-	121,974
Insurance	-	-	-	-	41,911	-	41,911	41,911
Interest and bank charges	57,623	-	-	57,623	1,833	28,018	29,851	87,474
Depreciation and amortization	142,814	57,609	-	200,423	105,685	-	105,685	306,108
Contract services	166,985	42,300	-	209,285	187,584	73,705	261,289	470,574
Bad debt	-	-	-	-	-	57,236	57,236	57,236
Miscellaneous	15,870	-	-	15,870	4,212	27,508	31,720	47,590
Total functional expenses	**$ 1,259,567**	**$ 915,677**	**$ 192,112**	**$ 2,367,356**	**$ 845,903**	**$ 1,007,114**	**$ 1,853,017**	**$ 4,220,373**

See notes to financial statements.

Statement of Cash Flows

Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Decrease in net assets	$ (278,409)	$ (41,948)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation and amortization	325,043	306,108
Bad debt expense	82,176	57,236
Unrealized (gain) loss on investments	(1,824)	23,215
Amortization of program contract rights	654,035	618,306
Amortization of deferred gain	(33,885)	(33,885)
Changes in operating assets and liabilities that provided (used) cash:		
Underwriting receivables	9,888	(45,227)
Grants and other receivables	(64,634)	(48,655)
Program contract rights	(651,428)	(604,538)
Other assets	(7,655)	40,035
Accounts payable	(22,843)	52,061
Contract liabilities	(4,974)	(42,673)
Accrued compensation	16,390	(3,893)
Refundable advances	-	(44,000)
Net cash provided by operating activities	21,880	232,142
Cash Flows from Investing Activities		
Purchase of property and equipment	(633,987)	(116,931)
Purchases of investments	(5,514)	(4,100)
Net cash used in investing activities	(639,501)	(121,031)
Cash Flows from Financing Activities		
Proceeds from line of credit	367,000	-
Payments on line of credit	(250,000)	-
Payments on finance/capital lease	(55,518)	(52,817)
Net cash provided by (used in) financing activities	61,482	(52,817)
Net (Decrease) Increase in Cash	(556,139)	58,294
Cash - Beginning of year	586,316	528,022
Cash - End of year	**$ 30,177**	**$ 586,316**
Supplemental Cash Flow Information		
Cash paid for interest	$ 9,069	$ -
Property and equipment purchases included in accounts payable	32,848	581,385
Property and equipment payments made from prior year accounts payable	(581,385)	-

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 (CPB) 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. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. As of September 30, 2023, $10,000 of net assets are donor restricted for marketing of the PBS Kids logo. There were no net assets with donor restrictions as of September 30, 2022.

Grants and Other Receivables

Grants and other receivables consist of amounts awarded from the 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, 2023 and 2022, the Corporation has recorded an allowance for doubtful receivables of $5,048 and $4,544, 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, member 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

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. As of September 30, 2022, the Corporation was eligible to receive and recognize $150,000 of conditional contributions as the match requirement and the occurrence of qualifying expenses. During the year ended September 30, 2023, the conditions of this grant were met, and the amount was recorded as revenue without donor restrictions on the statement of activities and changes in net assets. Grant funding payments received in advance of conditions being met are recorded as refundable advances, which amount to $111,000 as of September 30, 2023 and 2022.

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 - National Programming

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 $120,794 as of October 1, 2021.

Underwriting - Local Programming

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 $52,634 as of October 1, 2021.

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 consist 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 $23,350 and $7,653 on accounts receivable in 2023 and 2022, respectively. At October 1, 2021, accounts receivable amounted to $60,645.

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, digital television (DTV) conversion equipment, and leased equipment. The estimated life of the building is 40 years.

Costs of maintenance and repairs are charged to expense when incurred.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of October 1, 2022, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, *Leases*. 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. The Corporation elected to adopt the ASU using the modified retrospective method as of October 1, 2022 and applied the following practical expedients:

- The Corporation did not reassess if expired or existing contracts are or contain a lease.
- The Corporation did not reassess the lease classification for expired or existing leases.
- The Corporation did not reassess initial direct costs for any existing leases.

As a result of the adoption of the ASU, the Corporation reported the sale and leaseback of one of its towers as a finance lease. Prior to the adoption, the sale and leaseback was reported as a capital lease. There was no impact on net assets as a result of adopting the new ASU.

Upcoming Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets, including the Corporation’s underwriting receivables. Each financial asset presented on the balance sheet would have a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current GAAP and, instead, reflect an entity’s current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss guidance will be effective for the Corporation's year ending September 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of year net assets in the year of adoption. The Corporation is still quantifying the impact of the new standard.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 20, 2023, 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 CPB of $879,749 and $793,247 during the years ended September 30, 2023 and 2022, 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, 2023 and 2022. The grant amounts were based upon a formula using the nonfederal financial support of $2,461,692 and $1,837,186 recorded by the Corporation for the years ended September 30, 2021 and 2020, respectively.

In fiscal year 2024, the community service grant will be $925,359 based on nonfederal financial support of $2,333,473 recorded during fiscal year 2022. Nonfederal financial support for the year ended September 30, 2023 will be the basis for the fiscal year 2025 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 $79,720 and $77,118 for the years ended September 30, 2023 and 2022, respectively. In addition, the Corporation received $490,365 of stabilization funds for public media under the American Rescue Plan Act from CPB during the year ended September 30, 2021.

Note 4 - Revenue Recognition

During 2023 and 2022, the Corporation's revenue from contracts with customers consisted of the following:

	2023	2022
Underwriting - National programming (revenue recognized over time)	$ 265,718	$ 372,563
Underwriting - Local programming (revenue recognized at a point in time)	620,360	404,745
Subtotal program underwriting	886,078	777,308
Underwriting - Contributed nonfinancial assets (Note 5)	182,623	243,425
Total revenue from contracts with customers	$ 1,068,701	$ 1,020,733

Contract Liabilities

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

	2023	2022
Underwriting - National programming	$ 62,147	$ 78,121
Underwriting - Local programming	63,634	52,634
Total	$ 125,781	$ 130,755

Note 5 - Contributed Nonfinancial Assets

The Corporation received the following contributions of nonfinancial assets as in-kind trades for program underwriting services provided for the years ended September 30:

	2023	2022
Premiums/memberships	$ 53,493	$ 89,472
Advertising services	102,518	128,843
Catering services	14,167	10,000
Other services	12,445	15,110
Total in-kind donations	$ 182,623	$ 243,425

Contributed services and premiums/memberships are recognized as in-kind revenue at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Corporation receives various contributed services that are reported using current rates for similar services. The Corporation receives various contributed premiums/memberships that are reported using current rates for similar premiums/memberships.

All donated services and premiums/memberships were utilized by the Corporation's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and premiums/memberships.

The Corporation receives volunteer services that are not recordable under generally accepted accounting principles. The value of the volunteer services is not disclosed since no objective basis is available to measure the value of such services.

Note 6 - 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.

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 bond index funds of $237,623 and $230,285 for years ended September 30, 2023 and 2022, respectively, are valued with Level 1 inputs.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022
Land	$ 211,493	$ 211,493
Buildings	4,959,403	4,517,659
Office equipment	388,364	388,364
Studio and technical equipment	7,632,914	7,286,548
Transmitter plant	297,162	297,162
DTV	571,873	571,873
Equipment under finance/capital lease	1,449,568	1,449,568
Construction in progress	-	702,664
Total cost	15,510,777	15,425,331
Less accumulated depreciation	10,393,432	10,068,393
Net carrying amount	$ 5,117,345	$ 5,356,938

Depreciation and amortization expense for 2023 and 2022 was $325,043 and $306,108, 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). Amortization expense on the leased equipment was $72,478 for 2023 and 2022.

Construction in progress as of September 30, 2022 consisted of the new roof and transmitter not yet in service. Total outstanding commitments for these projects amounted to approximately $58,000 as of September 30, 2022. The project was completed in 2023, and there was no construction in progress or outstanding commitments as of September 30, 2023.

Note 8 - 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, 2024. 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 9 percent and 6.23 percent at September 30, 2023 and 2022, respectively). There was an outstanding balance of $117,000 as of September 30, 2023 and no balance as of September 30, 2022.

There was interest expense of $9,069 for 2023 and no interest expense for 2022.

Note 9 - Lease

In November 2013, the Corporation entered into a sale-leaseback transaction. Under the arrangement, the Corporation sold a tower and leased it back for a period of 20 years. The leaseback was initially recorded as a capital lease under ASC 840, but upon adoption of ASU 842, it is accounted for as a finance lease. 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, 2023 and 2022 is $341,673 and $375,557, respectively. The Corporation recognized gains of approximately $34,000 during both 2023 and 2022, which are reported within the statement of activities and changes in net assets.

Equipment purchased under the leaseback arrangement has been capitalized and is included in property and equipment (see Note 7).

The interest rate on this finance lease is 5 percent.

The future minimum lease payments under this finance lease are as follows:

Years Ending September 30	Amount
2024	$ 125,620
2025	127,000
2026	127,000
2027	127,000
2028	127,000
Thereafter	740,833
Total	1,374,453
Less amount representing present value and interest	305,980
Present value of net minimum lease payments	$ 1,068,473

Note 9 - Lease (Continued)

Expenses recognized under this lease for the year ended September 30, 2023 consist of the following:

Lease cost - Finance lease cost:	
Amortization of right-of-use assets	$ 72,478
Interest on lease liabilities	54,921
Total lease cost	$ 127,399
Other information:	
Gains on sale and leaseback transactions - Net	$ 33,885
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance lease	72,478
Financing cash flows from finance lease	110,440
Weighted-average remaining lease term (years) - Finance lease	11
Weighted-average discount rate - Finance lease	5.0 %

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 Sections 415 and 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 $28,103 and $25,879 for the years ended September 30, 2023 and 2022, 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 (CFSJC). CFSJC 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 $424,000 and $403,000 at September 30, 2023 and 2022, respectively. These funds are not reflected in the financial statements. Earnings are available for distribution to the Corporation at the discretion of CFSJC 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 $13,700 and $12,700 at September 30, 2023 and 2022, 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 $130,000 and $114,000 at September 30, 2023 and 2022, 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 $4,800 and $4,600 at September 30, 2023 and 2022, respectively.

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:

	2023	2022
Cash	$ 30,177	$ 586,316
Underwriting receivable - Net	64,981	98,219
Grants and other receivables - Net	279,639	273,831
Investments	237,623	230,285
Financial assets available to meet cash needs for general expenditures within one year	$ 612,420	$ 1,188,651

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.

The Corporation has an available balance on a committed line of credit in the amount of $258,000 and $375,000 at September 30, 2023 and 2022, respectively, which it could draw upon if needed, as further described in Note 8.