
Michiana Public Broadcasting Corporation

Financial Report
September 30, 2020

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-15

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, 2020 and 2019 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, 2020 and 2019 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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

November 16, 2020

Michiana Public Broadcasting Corporation

Statement of Financial Position

September 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 325,370	\$ 66,199
Underwriting receivable - Less allowance of doubtful receivables of \$5,660 in 2020 and 2019	44,646	81,024
Grants and other receivables - Less allowance for doubtful receivables of \$9,044 in 2020 and \$5,602 in 2019	266,863	284,173
Program contract rights	484,136	474,547
Other assets	110,774	58,202
Property and equipment - Net (Note 4)	5,167,566	5,716,637
Total assets	\$ 6,399,355	\$ 6,680,782
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 62,273	\$ 147,330
Bank line of credit (Note 5)	-	244,981
Refundable advances (Note 2)	265,955	-
Deferred revenue	197,325	111,354
Accrued compensation	83,942	76,407
Paycheck Protection Program loan (Note 6)	277,100	-
Program contract rights payable	611,191	622,470
Deferred gain on sale-leaseback transaction (Note 7)	443,327	477,212
Capital lease obligation (Note 7)	1,227,055	1,274,856
Total liabilities	3,168,168	2,954,610
Net Assets without Donor Restrictions	3,231,187	3,726,172
Total liabilities and net assets	\$ 6,399,355	\$ 6,680,782

Michiana Public Broadcasting Corporation

Statement of Activities and Changes in Net Assets

Years Ended September 30, 2020 and 2019

	2020	2019
Changes in Net Assets without Donor Restrictions		
Revenue and support:		
Contributions and support	\$ 158,867	\$ 148,038
Contributions and support for 24/7 PBS Kids Channel Corporation for Public Broadcasting grants (Note 3)	11,000	658,150
Corporation for Public Broadcasting grants (Note 3)	809,112	834,492
Corporation for Public Broadcasting grants - Stabilization funds (Note 3)	260,205	-
State grants	372,708	438,602
Federal Communications Commission grants (Note 4)	2,084	234,041
Member income	1,064,075	971,697
Program underwriting, including in-kind revenue of \$197,968 and \$270,306 in 2020 and 2019, respectively	725,537	1,086,464
Other income	176,513	184,788
	<u>3,580,101</u>	<u>4,556,272</u>
Total revenue and support	3,580,101	4,556,272
Net assets released from restrictions	-	15,000
	<u>3,580,101</u>	<u>4,571,272</u>
Total revenue, support, and net assets released from restrictions	3,580,101	4,571,272
Expenses:		
Program services:		
Production and broadcasting	1,456,592	1,492,592
Programming and education	866,630	859,107
Promotion	185,244	195,158
	<u>2,508,466</u>	<u>2,546,857</u>
Total program services	2,508,466	2,546,857
Support services:		
Management and general	703,141	716,953
Memberships and development	897,364	1,024,297
	<u>1,600,505</u>	<u>1,741,250</u>
Total support services	1,600,505	1,741,250
Total expenses	<u>4,108,971</u>	<u>4,288,107</u>
(Loss) Gain from Operating Activities	(528,870)	283,165
Other Items - Amortization of deferred gain	33,885	33,885
	<u>33,885</u>	<u>33,885</u>
(Decrease) Increase in Net Assets without Donor Restrictions	(494,985)	317,050
Changes in Net Assets with Donor Restrictions - Net assets released from restrictions	-	(15,000)
	<u>-</u>	<u>(15,000)</u>
(Decrease) Increase in Net Assets	(494,985)	302,050
Net Assets - Beginning of year	3,726,172	3,424,122
	<u>3,726,172</u>	<u>3,424,122</u>
Net Assets - End of year	<u>\$ 3,231,187</u>	<u>\$ 3,726,172</u>

Michiana Public Broadcasting Corporation

Statement of Functional Expenses

Year Ended September 30, 2020

	Program Services				Support Services			Total
	Production and Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Memberships and Development	Total Support Services	
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

Michiana Public Broadcasting Corporation

Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services				Support Services			Total
	Production and Broadcasting	Programming and Education	Promotion	Total Program Services	Management and General	Memberships and Development	Total Support Services	
Salaries	\$ 537,898	\$ 53,526	\$ 91,678	\$ 683,102	\$ 198,819	\$ 361,193	\$ 560,012	\$ 1,243,114
Employee benefits	46,348	5,582	5,085	57,015	5,522	22,333	27,855	84,870
Retirement	9,821	744	1,799	12,364	2,153	5,356	7,509	19,873
Payroll taxes	38,230	3,714	6,721	48,665	14,622	26,148	40,770	89,435
Total salaries and related expenses	632,297	63,566	105,283	801,146	221,116	415,030	636,146	1,437,292
PBS programming	-	616,225	-	616,225	-	-	-	616,225
Other programming	-	23,734	-	23,734	-	48,065	48,065	71,799
Dues and subscriptions	1,745	-	-	1,745	58,702	-	58,702	60,447
Telephone and utilities	99,720	4,369	560	104,649	61,448	4,300	65,748	170,397
Materials and supplies	8,412	10,629	1,057	20,098	4,297	8,676	12,973	33,071
Printing and publications	96	35,946	42,830	78,872	-	24,259	24,259	103,131
Advertising, marketing, and development	-	36,664	577	37,241	-	276,531	276,531	313,772
Postage and shipping	6,182	-	-	6,182	8,747	18,312	27,059	33,241
Travel and conferences	2,156	-	8,194	10,350	10,131	15,268	25,399	35,749
Repairs and maintenance	57,534	177	-	57,711	-	-	-	57,711
Insurance	-	-	-	-	35,376	-	35,376	35,376
Interest and bank charges	-	-	-	-	86,178	24,354	110,532	110,532
Depreciation and amortization	542,266	13,112	-	555,378	60,203	10,034	70,237	625,615
Contract services	138,743	46,157	36,657	221,557	168,738	85,882	254,620	476,177
Bad debt	-	-	-	-	-	69,201	69,201	69,201
Miscellaneous	3,441	8,528	-	11,969	2,017	24,385	26,402	38,371
Total functional expenses	\$ 1,492,592	\$ 859,107	\$ 195,158	\$ 2,546,857	\$ 716,953	\$ 1,024,297	\$ 1,741,250	\$ 4,288,107

Michiana Public Broadcasting Corporation

Statement of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (494,985)	\$ 302,050
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation and amortization	571,185	625,615
Bad debt expense	96,858	69,201
Amortization of program contract rights	647,727	648,750
Amortization of deferred gain	(33,885)	(33,885)
Contributions and grants for long-lived assets - 24/7 PBS Kids Channel and transmitter	-	(794,479)
Changes in operating assets and liabilities that provided (used) cash:		
Underwriting receivables	25,893	(18,198)
Grants and other receivables	(69,063)	(101,919)
Program contract rights	(668,595)	(659,365)
Other assets	(52,572)	3,621
Accounts payable	(85,057)	38,501
Deferred revenue	85,971	(59,107)
Accrued compensation	7,535	2,582
Refundable advances	265,955	-
Net cash provided by operating activities	296,967	23,367
Cash Flows Used in Investing Activities - Purchase of property and equipment	(22,114)	(797,558)
Cash Flows from Financing Activities		
Net (payments on) proceeds from bank line of credit	(244,981)	70,000
Proceeds from Paycheck Protection Program loan	277,100	-
Payments on capital lease	(47,801)	(44,276)
Cash proceeds received for long-lived assets - 24/7 PBS Kids Channel and transmitter	-	794,479
Net cash (used in) provided by financing activities	(15,682)	820,203
Net Increase in Cash	259,171	46,012
Cash - Beginning of year	66,199	20,187
Cash - End of year	<u>\$ 325,370</u>	<u>\$ 66,199</u>
Supplemental Cash Flow Information - Cash paid for interest	\$ 13,883	\$ 19,575

September 30, 2020 and 2019

Note 1 - Nature of Business

Michiana Public Broadcasting Corporation (MPBC or the "Corporation") owns and operates WNIT Center for Public Media (Channel 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 (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. There were no net assets with donor restrictions as of September 30, 2020 and 2019.

Grants and Other Receivables

Grants and other receivables consist of amounts awarded from the Corporation for Public Broadcasting 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, 2020 and 2019, the Corporation has recorded an allowance of doubtful receivables of \$9,044 and \$5,602, 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 \$265,955 as of September 30, 2020. There were no refundable advances as of September 30, 2019.

Program Underwriting Revenue

Revenue received to underwrite production programming is deferred and recognized as revenue when related costs are incurred. The Corporation recognizes revenue from underwriting agreements as deferred until the programs being sponsored are aired.

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.

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 and \$68,878 at September 30, 2020 and 2019, respectively, is subject to NTIA liens, which expire at various dates through September 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 such, the total proceeds received from the loan are recorded as a liability on the statement of financial position and included in proceeds received from financing activities in the statement of cash flows as of September 30, 2020. See Note 6 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.

Note 2 - Significant Accounting Policies (Continued)

Volunteer services are not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America.

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 programs 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 pandemic declaration, the Corporation closed its facilities to the public and its employees at the end of business, Friday, March 13, 2020. As of the date of these financial statements, the Corporation has reopened with limited capacity for employees. The closure resulted in a reduction in underwriting revenue from area businesses of approximately \$290,000, the delay of many planned local productions for fiscal year 2020, and a moderate reduction in grant revenue of approximately \$26,500 as many foundations focused their giving on direct COVID-19 relief. As fiscal year 2020 came to a close, the Corporation had a steady improvement in grant revenue, although not to pre-COVID-19 levels, and slight improvement in business underwriting. The Corporation received additional funding through the Corporation for Public Broadcasting (CPB) as part of the Federal Stimulus Package amounting to \$260,205 and also received a PPP loan for \$277,100. These two items offset the revenue decline from underwriting and grants. As a result, the Corporation finished fiscal year 2020 with the majority of accounts payable current, no outstanding balance on the line of credit, and an increased cash balance.

No impairments were recorded as of the statement of financial position date; however, due to uncertainty surrounding the situation, management's judgment regarding this could change in the future. Management acknowledges there is ongoing financial uncertainty related to COVID-19 that could negatively impact the Corporation's future financial position; changes in net assets; and, where applicable, timing and amount of cash flows.

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of October 1, 2019, the Corporation adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Corporation adopted the new standard on a modified prospective basis, and it impacted the recognition of certain contribution and grant agreements. Government grants now meet the criteria of a nonreciprocal (contribution) transaction, and, under conditional grants, conditions must be met before revenue is recognized. The standard did not require a restatement of prior year amounts.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued 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 new guidance will be effective for the Corporation's year ending September 30, 2021. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Corporation is reviewing current revenue streams and does not feel this standard will have a significant impact on the timing of revenue recognition. However, the Corporation does expect to have expanded disclosures as a result of the new standard.

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.

Reclassification

On the statement of functional expenses, certain 2019 amounts have been reclassified to conform to the 2020 presentation. Specifically, advertising, marketing, and development expenses amounting to \$43,572 were reclassified to telephone and utilities.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 16, 2020, which is the date the financial statements were available to be issued. Subsequent to year end, the Corporation received notification from its lending institution of the SBA's approval of a final PPP loan forgiveness amount of \$277,100, which is the full loan amount disclosed in Note 6.

Note 3 - Corporation for Public Broadcasting Grants

The Corporation was awarded community service grants from the Corporation for Public Broadcasting of \$735,209 and \$761,052 during the years ended September 30, 2020 and 2019, 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, 2020 and 2019. The grant amounts were based upon a formula using the nonfederal financial support of \$2,082,308 and \$2,180,895 recorded by the Corporation for the years ended September 30, 2018 and 2017, respectively.

In fiscal year 2021, the community service grant will be \$804,173 based on nonfederal financial support of \$2,178,874 recorded during fiscal year 2019. Nonfederal financial support for the year ended September 30, 2020 will be the basis for the fiscal year 2022 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 \$73,903 and \$73,440 for the years ended September 30, 2020 and 2019, respectively. In addition, the Corporation received \$260,205 of stabilization funds for public media under the Coronavirus Aid, Relief, and Economic Security (CARES) Act from CPB during the year ended September 30, 2020.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019
Land	\$ 211,493	\$ 211,493
Buildings	4,517,659	4,519,940
Office equipment	360,255	357,795
Studio and technical equipment	7,279,955	7,370,105
Transmitter plant	376,492	842,014
DTV conversion equipment	571,873	571,893
Equipment under capital lease	1,449,568	1,449,568
Construction in progress	-	218,787
	14,767,295	15,541,595
Total cost		
Less accumulated depreciation	9,599,729	9,824,958
	\$ 5,167,566	\$ 5,716,637
Net carrying amount		

Depreciation and amortization expense for 2020 and 2019 was \$571,185 and \$625,615, 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 7). Depreciation expense on the leased equipment was \$72,478 for 2020 and 2019.

Construction in progress as of September 30, 2019 consists of a new transmitter. During 2019, the Corporation received grant revenue from the Federal Communications Commission of approximately \$234,000, which was used to purchase the transmitter.

Note 5 - 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, 2021. Interest is payable monthly at 0.50 percent above the prime rate, with a minimum interest rate of 5.00 percent (an effective rate of 4.50 percent and 5.50 percent at September 30, 2020 and 2019, respectively). There was an outstanding balance on the line of credit of \$244,981 as of September 30, 2019. There was no outstanding balance as of September 30, 2020.

Interest expense was approximately \$9,400 and \$16,900 for the years ended September 30, 2020 and 2019, respectively.

Note 6 - Paycheck Protection Program Loan

On April 16, 2020, the Corporation received a Paycheck Protection Program (PPP) 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. Subsequent to year end, the Corporation received notification from its lending institution of the SBA's approval of a final PPP loan forgiveness amount of \$277,100.

Note 7 - 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
2021	\$ 110,440
2022	110,440
2023	110,440
2024	125,620
2025	127,000
Thereafter	<u>1,121,833</u>
Total	1,705,773
Less amount representing interest	<u>478,718</u>
Present value of net minimum lease payments	<u>\$ 1,227,055</u>

Equipment purchased under the capital lease arrangements has been capitalized and is included in property and equipment (see Note 4).

The interest rate on this capital lease is 5 percent.

Note 7 - Capital Lease (Continued)

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, 2020 and 2019 is \$443,327 and \$477,212, respectively. The Corporation recognized gains of approximately \$34,000 during both 2020 and 2019, which are reported within the statement of activities and changes in net assets.

Note 8 - 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 \$19,778 and \$19,873 for the years ended September 30, 2020 and 2019, respectively.

Note 9 - 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 \$411,000 and \$386,000 at September 30, 2020 and 2019, 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 \$12,700 and \$12,000 at September 30, 2020 and 2019, 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 \$76,000 and \$4,000 at September 30, 2020 and 2019, 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, 2020 and 2019.

September 30, 2020 and 2019

Note 10 - 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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 325,370	\$ 66,199
Underwriting receivable - Net	44,646	81,024
Grants and other receivables - Net	<u>266,863</u>	<u>284,173</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 636,879</u>	<u>\$ 431,396</u>

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 \$375,000 and \$130,019 at September 30, 2020 and 2019, respectively, which it could draw upon if needed, as further described in Note 5.