BRANDENBURG TELEPHONE COMPANY

FINANCIAL REPORT

DECEMBER 31, 2019

CONTENTS

JNM

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brandenburg Telephone Company
Brandenburg, Kentucky

We have audited the accompanying financial statements of Brandenburg Telephone Company, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, comprehensive income, changes in stockholder's equity, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Certified Public Accountants and Advisors
642 South Fourth Street, Suite 300 Louisville, Kentucky 40202 tel: 502.583.0248 fax: 502.589-1680 www.jnmcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brandenburg Telephone Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10, Brandenburg Telephone Company has adopted Financial Accounting Standards Update 2014-09, *Revenue from Contracts with Customers.* Our opinion is not modified with respect to this matter.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 24, 2020

BRANDENBURG TELEPHONE COMPANY

BALANCE SHEETS
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,756,582	$ 6,577,300
Accounts receivable	1,194,932	1,176,735
Income tax receivable	1,179,665	891,955
Due from affiliate	18,648,364	17,868,526
Materials and supplies, at average cost - based on the lower of cost or net realizable value	4,042,336	4,972,739
Prepaid insurance	26,798	28,172
Total current assets	33,848,677	31,515,427
NON-CURRENT ASSETS		
Portfolio investments, available-for-sale	2,820,518	2,701,618
Investment in nonregulated	9,386,825	7,881,657
Deferred tax asset	- -	936,265
Total non-current assets	12,207,343	11,519,540
PROPERTY AND EQUIPMENT		
Telephone plant under construction	384,087	320,217
Telecommunications plant	64,836,550	62,673,854
	65,220,637	62,994,071
Less accumulated depreciation	54,528,138	54,214,276
	10,692,499	8,779,795
	$ 56,748,519	$ 51,814,762

The Notes to Financial Statements are an integral part of these statements.

BRANDENBURG TELEPHONE COMPANY

BALANCE SHEETS (Continued)
December 31, 2019 and 2018

	2019	2018
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 370,697	$ 311,209
Customer deposits	18,306	17,015
Other current and accrued liabilities	824,081	500,397
Total current liabilities	1,213,084	828,621
NON-CURRENT LIABILITIES		
Pension accrual	183,709	1,025,224
Deferred tax liability	413,728	- -
Total non-current liabilities	597,437	1,025,224
STOCKHOLDER'S EQUITY		
Common stock, $50 par value; authorized shares, 100,000; issued and outstanding shares, 100,000	5,000,000	5,000,000
Retained earnings	47,765,288	43,744,735
Accumulated other comprehensive income (loss):		
Unrealized gains (losses) on securities	5,457	19,091
Pension unrecognized gain	2,167,253	1,197,091
Total stockholder's equity	54,937,998	49,960,917
	$ 56,748,519	$ 51,814,762

The Notes to Financial Statements are an integral part of these statements.

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF INCOME
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues:		
Local network service	$ 2,209,973	$ 2,639,567
Network access service	10,550,899	9,630,410
Long distance network	501,676	514,282
Miscellaneous revenue	1,403,212	1,326,737
Collection recoveries	13,011	2,516
Total operating revenues	14,678,771	14,113,512
Operating expenses:		
Plant specific operations expense	3,600,992	3,942,656
Plant non-specific	1,573,230	1,584,769
Depreciation	1,681,914	1,447,443
Customer operations expense	1,815,888	1,791,313
Corporate operation expense	2,881,534	2,049,699
Other taxes	426,385	391,419
Total operating expenses	11,979,943	11,207,299
Operating income	2,698,828	2,906,213
Other income:		
Interest income	189,626	86,014
Other operating gains	385,459	450,196
Total other income	575,085	536,210
Income before income taxes	3,273,913	3,442,423
Income taxes	1,565,947	1,675,239
Net income before nonregulated income	1,707,966	1,767,184
Nonregulated income	2,312,587	1,640,511
Net income	$ 4,020,553	$ 3,407,695

The Notes to Financial Statements are an integral part of these statements.

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2019 and 2018

	2019	2018
Net income	$ 4,020,553	$ 3,407,695
Other comprehensive income (loss):		
Defined benefit plan	970,162	1,660,330
Unrealized gains (losses) on available-for-sale securities	(13,634)	(29,437)
Total other comprehensive income (loss)	956,528	1,630,893
Total comprehensive income	$ 4,977,081	$ 5,038,588

The Notes to Financial Statements are an integral part of these statements

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
Years Ended December 31, 2019 and 2018

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2018	$ 5,000,000	$ 40,337,040	$ (414,711)	$ 44,922,329
Net income	- -	3,407,695	- -	3,407,695
Change in unrealized (loss) on securities available-for-sale net of tax (benefit) of $5,154	- -	- -	(29,437)	(29,437)
Change in pension accrual net of tax benefit of $442,759	- -	- -	1,660,330	1,660,330
Balance at December 31, 2018	5,000,000	43,744,735	1,216,182	49,960,917
Net income	- -	4,020,553		4,020,553
Change in unrealized (loss) on securities available-for-sale net of tax (benefit) of $4,545	- -	- -	(13,634)	(13,634)
Change in pension accrual net of tax expense of $323,387	- -	- -	970,162	970,162
Balance at December 31, 2019	$ 5,000,000	$ 47,765,288	$ 2,172,710	$ 54,937,998

The Notes to Financial Statements are an integral part of these statements.

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,020,553	$ 3,407,695
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,681,914	1,447,443
Deferred tax provisions	1,077,007	966,213
Change in assets and liabilities, net of the effects of investing activities:		
Accounts receivable	(18,197)	85,783
Income tax receivable	(287,710)	376,000
Due from affiliate	(779,838)	(975,450)
Materials inventory	930,403	(986,547)
Prepaid insurance	1,374	(6,197)
Accounts payable	59,488	3,359
Customer deposits	1,291	(2,114)
Other current and accrued liabilities	323,684	(116,299)
Net cash provided by operating activities	7,009,969	4,199,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,655,482)	(4,868,142)
Proceeds from sales and disposals of property and equipment	17,375	18,600
Nonregulated activities	807,419	340,330
Net cash (used in) investing activities	(4,830,688)	(4,509,212)
Net increase (decrease) in cash and cash equivalents	2,179,281	(309,326)
Cash and cash equivalents:		
Beginning of year	6,577,300	6,886,626
End of year	$ 8,756,581	$ 6,577,300
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	$ 2,013,587	$ 1,718,861

The Notes to Financial Statements are an integral part of these statements.

BRANDENBURG TELEPHONE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Company maintains its records in accordance with practices prescribed or permitted by the Kentucky Public Service Commission and the Rural Utilities Service (RUS) which conforms to accounting principles generally accepted in the United States in all material respects. The significant policies are as follows:

Nature of operations

The Brandenburg Telephone Company is a telephone company that offers business and residential telephone service to customers located in Meade, Hardin and Breckinridge counties in Kentucky. Brandenburg Telephone Company is a wholly-owned subsidiary of Brandenburg Communications Corporation.

Telephone plant

Telephone plant in service is stated at original cost, which is the cost when first dedicated to public service. Such cost includes applicable supervisory and overhead cost.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of removal, net of any salvage value, is charged to accumulated depreciation. Gain or loss on the sale of assets is recognized as income in the year in which the assets are sold.

Depreciation

Provision has been made for depreciation for financial statement purposes on the basis of estimated useful lives of assets (as prescribed by the Public Service Commission of Kentucky) using the straight-line method.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers temporary investments having original maturities of three months or less to be cash equivalents. The Company maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. Management believes that credit risk related to the accounts is minimal.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts receivable

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial. Accounts are written off as uncollectible at the time management determines the collection is unlikely. The Company's policy is not to accrue interest on accounts receivable.

Telecommunications Revenue Recognition

Revenues are recognized when earned. Bills are sent to customers on credit the first of each month with local service being billed a month in advance of service. Sales are concentrated in a portion of three (3) central Kentucky counties. Payments are due 10 days from the date of billing. If payment has not been made, then customers are subject to disconnect on the 21st day after the billing date.

Interstate revenues are recognized on the cost basis recovery method. Compensation for intrastate/interlata service is received through tariffed access charges as filed with the FCC. These access charges are billed to the interlata long distance carrier and retained by the Company.

Income taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates.

The Company's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Management believes the Company has no uncertain tax positions resulting in an accrual of tax expense or benefit.

The Company recognizes interest accrued related to uncertain tax positions in interest expense and penalties in operating expenses. The Company did not recognize any interest or penalties during the years ended December 31, 2019 and 2018.

The Company's income tax returns are subject to examination by the Internal Revenue Service and the Kentucky Department of Revenue until the expiration of the related statutes of limitations on those tax returns. In general, the tax returns have a three year statute of limitations for federal and a four year statute of limitations for state.

Note 1. Summary of Significant Accounting Policies (Continued)

Comprehensive income

Comprehensive income is the total of (1) net income plus (2) all other changes in net assets arising from non-owner sources, which are referred to as other comprehensive income. Other comprehensive income includes defined benefit plan pension plan income (expenses) and unrealized gains (losses) on available-for-securities, net of deferred tax expense (benefit).

Subsequent events

Brandenburg Telephone Company has evaluated subsequent events through March 24, 2020, the date which the financial statements were available to be issued.

Note 2. Pension Plan

The Company sponsors a defined benefit pension plan that covers substantially all employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Company and compensation rates near retirement.

The following illustrates the pension plan for the years ended December 31, 2019 and 2018:

	2019	2018
Benefit obligation at beginning of year	$ 33,692,112	$ 37,744,417
Service cost	885,155	1,047,449
Interest cost	1,377,558	1,354,137
Benefits paid	(1,159,896)	(1,078,086)
Actuarial (gain) loss	5,133,403	(5,375,805)
Benefit obligation at end of year	$ 39,928,332	$ 33,692,112

	2019	2018
Fair value of plan assets at beginning of year	$ 32,666,888	$ 34,506,958
Actual return on plan assets	8,237,631	(761,984)
Employer contributions	- -	- -
Benefits paid	(1,159,896)	(1,078,086)
Fair value of plan assets at end of year	$ 39,744,623	$ 32,666,888

	2019	2018
Reconciliation of funded status:		
Funded status	$ (183,709)	$ (1,025,224)
Unrecognized actuarial (gain) loss	- -	- -
Unrecognized transition (asset) obligation	- -	- -
Unrecognized prior service cost	- -	- -
Net amount recognized at year end	$ (183,709)	$ (1,025,224)

NOTES TO FINANCIAL STATEMENTS

Note 2. Pension Plan (Continued)

Amounts recognized in the statements of financial position consists of:

	2019	2018
Noncurrent assets	$ - -	$ - -
Noncurrent liabilities	(183,709)	(1,025,224)
Net amount recognized at year end	$ (183,709)	$ (1,025,224)

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income:

	2019	2018
Transition (obligation) asset	$ - -	$ - -
Prior service credit (cost)	(1,172)	(7,506)
Accumulated gain (loss)	2,510,904	1,647,357
Accumulated other comprehensive income before taxes	2,509,732	1,639,851
Cumulative employer contributions in excess of net periodic benefit cost	(2,693,441)	(2,665,075)
Net amount recognized in statements of financial position	$ (183,709)	$ (1,025,224)

Components of net periodic benefit cost:

	2019	2018
Service cost	$ 885,155	$ 1,047,449
Interest cost	1,377,558	1,354,137
Expected return on plan assets	(2,240,681)	(2,370,353)
Amortization of prior service cost	6,334	6,334
Amortization of transitional obligation	- -	- -
Recognized acturial (gain) loss	- -	- -
Net periodic benefit cost	$ 28,366	$ 37,567

Weight-average assumptions as of December 31:

	2019	2018
Discount rate	4.17%	3.65%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	5.00%	6.00%

Note 2. Pension Plan (Continued)

The following is an analysis of plan assets by category at measurement dates December 31:

	2019	2018
Cash	2%	2%
Debt securities	22%	27%
Equity securities	76%	71%
	100%	100%

Benefits expected to be paid in each of the next five years and in the aggregate for the five years thereafter are:

Fiscal year	
2020	$ 1,273,584
2021	1,537,981
2022	1,645,803
2023	1,735,571
2024	1,895,758
2025-2029	9,394,387

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 7.00% long-term rate of return on assets assumption.

The Plan's investments measured at fair value on a recurring basis is as follows:

		Fair value measurements using;	
December 31, 2019	Fair value	Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Common stocks	$ 30,516,526	$ 30,516,526	$ - -
Corporate bonds	5,495,171	- -	5,495,171
U.S. government securities	794,150	- -	794,150
Foreign obligations	1,356,022	- -	1,356,022
State & municipal	951,062	- -	951,062
Total	39,112,931	$ 30,516,526	$ 8,596,405
Cash accounts	631,692		
Total	$ 39,744,623		

Note 2. Pension Plan (Continued)

December 31, 2018	Fair value	Fair value measurements using; Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Common stocks	$ 23,447,768	$ 23,447,768	$ - -
Corporate bonds	5,565,815	- -	5,565,815
U.S. government securities	559,110	- -	559,110
Foreign obligations	1,521,416	- -	1,521,416
State & municipal	1,086,392	- -	1,086,392
Total	32,180,501	$ 23,447,768	$ 8,732,733
Cash accounts	486,387		
Total	$ 32,666,888		

U.S. GAAP provides a framework for fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methodology for measuring fair value specifies a three-tier hierarchy of valuation techniques based upon whether the inputs to those valuation techniques are based on quoted prices or identical assets or liabilities (Level 1), significant other observable inputs (Level 2), or significant other unobservable inputs that reflects a company's own assumptions of market participant valuation (Level 3).

Level 1 Fair Value Measurements

The fair values of common stock are based on quoted market prices.

Level 2 Fair Value Measurements

The fair value of corporate bonds, U.S. Government securities, foreign obligations and state and municipal securities for which quoted market prices are not available are valued on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

Note 3. Concentrations of Credit Risk

The Company maintains cash and cash equivalents at several banks. The total cash balances at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. A summary of total insured and uninsured amounts held at these financial institutions at December 31, 2019 and 2018 are as follows:

	2019	2018
Total cash and cash equivalents	$ 8,756,582	$ 6,577,300
Less: balance insured by FDIC	1,000,000	1,000,000
Uninsured and uncollateralized	$ 7,756,582	$ 5,577,300

Note 4. Portfolio Investments

The Company has classified all portfolio debt investments as available-for-sale. Available-for-sale investments are stated at fair value with unrealized gains and losses included in stockholder's equity. The cost of investments sold is based on the specific identification method.

The cost and fair market values of marketable debt securities available-for-sale at December 31, 2019 and 2018 were as follows:

	2019	2018
Municipal bonds:		
Amortized cost	$ 2,813,245	$ 2,762,352
Gross unrealized gain	7,273	25,454
Fair value	$ 2,820,518	$ 2,787,806

At December 31, 2019, maturities of investments classified as available-for-sale were as follows:

	Amortized cost	Fair value
Less than one year	$ 2,813,245	$ 2,820,518
One through five years	- -	- -
After five years	- -	- -
	$ 2,813,245	$ 2,820,518

NOTES TO FINANCIAL STATEMENTS

Note 4. Portfolio Investments (Continued)

December 31, 2019	Fair value	Fair value measurements using; Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Municipal bonds	$ 2,785,297	$ - -	$ 2,785,297
Total	2,785,297	$ - -	$ 2,785,297
Cash accounts	35,221		
Total	$ 2,820,518		

December 31, 2018	Fair value	Fair value measurements using; Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Municipal bonds	$ 2,661,880	$ - -	$ 2,661,880
Total	2,661,880	$ - -	$ 2,661,880
Cash accounts	39,738		
Total	$ 2,701,618		

The fair value of municipal bonds and agency securities for which quoted market prices are not available are valued on yields currently available on comparable securities of issuers with similar credit ratings.

Note 5. Nonregulated Investments

Investments in nonregulated activities consist of the following:

	2019	2018
Due from affiliate	$ 8,585,186	$ 6,931,922
Inventory	269,944	287,017
Land and land improvements	330,989	330,989
Other equipment	128,633	128,633
Other receivables	112,343	- -
Fiber optic, mobile telephone and internet equipment	3,617,937	3,442,478
Total nonregulated investments	13,045,032	11,121,039
Less:		
Accumulated depreciation	3,020,171	2,868,784
Accounts payable	50,665	38,966
Accrued expenses	587,371	331,632
	$ 9,386,825	$ 7,881,657

Following is a summary of net income from nonregulated investments for the year ending December 31, 2019 and 2018:

	2019	2018
Income	5,323,842	4,724,386
Expenses	3,011,255	3,083,875
	$ 2,312,587	$ 1,640,511

Income tax expense related to these activities totaled $584,508 in 2019 and $413,224 in 2018.

NOTES TO FINANCIAL STATEMENTS

Note 6. Telecommunications Plant

	2019	2018
Land	$ 1,026,121	$ 1,037,121
Buildings	9,613,786	9,266,870
Digital electronic equipment	2,731,451	2,713,540
Toll and subscriber carriers	4,711,764	4,638,019
Poles, cable and wire	37,418,116	35,936,556
Furniture and office equipment	4,520,269	4,520,269
Embedded accounts	300,712	300,712
Vehicles and other work equipment	4,514,331	4,260,767
Telephone plant in service	$ 64,836,550	$ 62,673,854

The Company provides depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life. Such provision as a percentage of the average balance of the telephone plant in service was 6.9% in both 2019 and 2018.

Note 7. Income Taxes

The provision for income taxes consists of the following:

	2019	2018
Current:		
Federal income tax expense	$ 238,698	$ 383,851
State income tax expense	250,242	325,175
Deferred:		
Federal deferred tax expense	946,429	652,237
State deferred tax expense	130,578	313,976
Total income tax expense	$ 1,565,947	$ 1,675,239

Note 7. Income Taxes (Continued)

The Company and its parent file a consolidated federal income tax return. Income tax expense in the Company's income statement has been allocated an amount equal to the income tax that would have been applicable on a separate return basis.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of the Company's assets and liabilities for financial reporting basis and the amounts used for income tax purposes. The principal sources of temporary differences are different depreciation methods used for financial accounting and tax purposes, as well as pension expense.

Deferred federal and state tax assets and liabilities in the accompanying balance sheets include the following:

	2019	2018
Deferred tax assets (liability), non-current:		
Federal	$ (748,335)	$ 420,491
State	334,607	515,774
Total deferred tax assets (liability)	$ (413,728)	$ 936,265

Note 8. Related Party Transactions

Brandenburg Telephone Company has certificates of deposit at Meade County Bank and West Point Bank at December 31, 2019 and 2018, as follows:

Bank	2019	2018
Meade County Bank	1,049,526	1,024,448
West Point Bank	932,393	928,574

Note 8. Related Party Transactions (Continued)

In addition, the Company has money market and operating accounts in the following banks:

	December 31, 2019	December 31, 2018
Operating accounts:		
Meade County Bank	$ 1,251,533	$ 491,779
First State Bank	1,176,173	614,067
West Point Bank	1,578,855	773,979
Total operating accounts	$ 4,006,561	$ 1,879,825
Money market accounts:		
First State Bank	$ 1,001,149	$ 998,521
River City Bank	1,763,203	1,742,181
Total money market accounts	$ 2,764,352	$ 2,740,702

Meade County Bank, West Point Bank, River City Bank, First State Bank and Brandenburg Telephone Company are related by common ownership.

During 2001, Brandenburg Telecom, LLC (the Corporation), a wholly-owned subsidiary of Brandenburg Communications Corporation was formed. The Company provides telecommunication services in Elizabethtown, Kentucky and other areas outside the franchise territory of Brandenburg Telephone Company. Brandenburg Telephone Company provided the Corporation with funding to assist the Corporation's organizational expenditures. The Company also pays for administrative, labor and employee benefits costs for Brandenburg Telecom, LLC. As of December 31, 2019 and 2018, the amount due to the Company was $18,648,364 and $17,868,526, respectively.

Note 9. Risks and Uncertainties

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Company as of March 24, 2020, management believes that a material impact on the Company's financial position and results of future operations is reasonably possible.

Note 10. Revenue Recognition

Adoption of accounting pronouncement

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers* as of January 1, 2019 using a modified retrospective method. The new standard replaces existing revenue recognition rules with a single comprehensive model to use in accounting for revenue arising from contracts with customers. The adoption of ASU 2014-09 had no material impact on earnings or equity of the Company.

Under ASU 2014-09, the timing of recognition of revenue for each performance obligation may differ from the timing of the customer billing, creating a contract asset or contract liability. Short-term contract liabilities are classified as customer deposits. The Company has no contract assets or long-term contract liabilities.

Nature of goods and services

The following is a description of principal activities from which the Company generates its revenues.

Telecommunications revenues – The Company's regulated sources of revenue are local network services, network access services (interstate and intrastate/interlata), carrier billing, and other service charges. The Company's nonregulated sources of revenue are customer premises and equipment, internet activities, long distance services, video services, and security/surveillance/bus systems.

Significant judgments

Revenues from sales of equipment are recognized when control has transferred to the customer. Telecommunication service revenues are recognized as the related service is provided. Services are deemed to be highly interrelated when the method and timing of transfer and performance risk are the same. Highly interrelated services that are determined to not be distinct have been grouped into a single performance obligation. Each month of services promised is a performance obligation. The series of monthly service performance obligations promised over the course of the contract are combined into a single performance obligation for purposes of the allocation.

The Company has made judgments regarding transaction price, including but not limited to issues relating to variable consideration, time value of money and returns. When determined to be significant in the context of the contract, these items are considered in the valuation of transaction price at contract inception or modification, as appropriate.

Multiple performance obligations

The Company sells bundled service and equipment offerings. In these instances, the Company recognizes its revenue based on the relative standalone selling prices for each distinct service or equipment performance obligation or bundles thereof. The Company estimates the standalone selling price of the device or accessory to be its retail price excluding discounts. The Company estimates the standalone selling price of telecommunication service to be the price offered to customers on month-to-month contracts.

Note 10. Revenue Recognition (Continued)

From time to time, the Company may offer certain promotions to incentivize customers to switch to, or to purchase additional services from the Company. Under these types of promotions, an eligible customer may receive an incentive in the form of a discount off additional services purchased shown as a credit to the customer's monthly bill.

Disaggregation of revenue

In the following table, revenue for the years ended December 31, 2019 and 2018 is disaggregated by type of service and timing of revenue recognition. Telecommunication service revenues are recognized over time and equipment sales at a point in time.

	2019	2018
Regulated income:		
Local network services	$ 2,209,973	$ 2,639,567
Network access services	10,550,899	9,630,410
Carrier billing and collections	159,829	191,113
Long distance services	501,676	514,282
Miscellaneous	727,950	548,678
Directory revenue	528,444	589,462
	$ 14,678,771	$ 14,113,512
Nonregulated income:		
Housewire outlet revenue	218,367	220,768
Internet activities	3,545,066	3,177,824
Lease revenue	693,853	633,411
Sales revenue	32,060	51,853
Miscellaneous	519,010	327,335
Lease fiber optic revenue	315,486	313,195
	$ 5,323,842	$ 4,724,386

Contract cost liabilities:

Contract cost liabilities include customer deposits. The balance in contract liabilities was $18,306 and $17,015 as of December 31, 2019 and 2018, respectively.