BRANDENBURG TELEPHONE COMPANY

FINANCIAL REPORT

DECEMBER 31, 2021

C O N T E N T S

Jones, Nale & Mattingly PLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brandenburg Telephone Company
Brandenburg, Kentucky

Opinion

We have audited the accompanying financial statements of Brandenburg Telephone Company, which comprise the balance sheets as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brandenburg Telephone Company and to meet our other 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 Brandenburg Telephone Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit 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 an audit conducted in accordance with generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Brandenburg Telephone Company'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 Brandenburg Telephone Company'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Jones, Nale & Mattingly PLC

Louisville, Kentucky
March 24, 2022

BRANDENBURG TELEPHONE COMPANY

BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,535,774	$ 8,142,469
Accounts receivable	953,196	1,135,047
Income tax receivable	1,656,639	2,224,137
Due from affiliate	21,336,481	19,160,755
Materials and supplies, at average cost - based on the lower of cost or net realizable value	3,823,412	4,082,482
Prepaid insurance	19,583	30,276
Total current assets	35,325,085	34,775,166
NON-CURRENT ASSETS		
Portfolio investments, available-for-sale	2,778,508	2,916,241
Investment in nonregulated	11,050,635	10,893,610
Prepaid pension benefit cost	8,207,830	- -
Total non-current assets	22,036,973	13,809,851
PROPERTY AND EQUIPMENT		
Telephone plant under construction	701,964	976,672
Telecommunications plant	73,956,952	68,680,283
	74,658,916	69,656,955
Less accumulated depreciation	53,381,824	50,941,072
	21,277,092	18,715,883
	$ 78,639,150	$ 67,300,900
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 397,926	$ 756,206
Other current and accrued liabilities	375,097	627,558
Total current liabilities	773,023	1,383,764
NON-CURRENT LIABILITIES		
Accrued pension benefit cost	- -	1,139,950
Deferred tax liability	5,356,928	2,774,657
Total non-current liabilities	5,356,928	3,914,607
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	60,815,895	56,762,551
Accumulated other comprehensive income:		
Unrealized gains (loss) on securities	(1,463)	47,887
Pension unrecognized gain	6,694,767	192,091
Total stockholder's equity	72,509,199	62,002,529
	$ 78,639,150	$ 67,300,900

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

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF INCOME
Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Local network service	$ 1,777,604	$ 1,921,828
Network access service	10,684,313	10,531,359
Long distance network	354,890	371,182
Miscellaneous revenue	619,583	827,907
Collection recoveries	- -	17,627
Total operating revenues	13,436,390	13,669,903
Operating expenses:		
Plant specific operations expense	3,624,666	3,936,841
Plant non-specific	1,605,742	1,769,403
Depreciation	2,626,453	2,059,531
Customer operations expense	1,776,155	1,881,927
Corporate operation expense	1,446,933	1,865,611
Other taxes	476,496	552,562
Total operating expenses	11,556,445	12,065,875
Operating income	1,879,945	1,604,028
Other income:		
Interest income	94,941	126,808
Other operating gains	207,798	372,592
PPP loan forgiveness	- -	1,675,200
Total other income	302,739	2,174,600
Income before income taxes	2,182,684	3,778,628
Income taxes	1,748,669	1,112,690
Net income before nonregulated income	434,015	2,665,938
Nonregulated income	3,619,329	2,904,989
Net income	$ 4,053,344	$ 5,570,927

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

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2021 and 2020

	2021	2020
Net income	$ 4,053,344	$ 5,570,927
Other comprehensive income (loss):		
Defined benefit plan	6,502,676	(1,980,619)
Unrealized gains (losses) on available-for-sale securities	(49,350)	47,887
Total other comprehensive income (loss)	6,453,326	(1,932,732)
Total comprehensive income	$ 10,506,670	$ 3,638,195

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
Years Ended December 31, 2021 and 2020

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2020	$ 5,000,000	$ 51,191,624	$ 2,172,710	$ 58,364,334
Net income	- -	5,570,927	- -	5,570,927
Change in unrealized gain on securities available-for-sale net of tax expense of $15,962	- -	- -	47,887	47,887
Change in pension accrual net of tax (benefit) of $67,492	- -	- -	(1,980,619)	(1,980,619)
Balance at December 31, 2020	5,000,000	56,762,551	239,978	62,002,529
Net income	- -	4,053,344	- -	4,053,344
Change in unrealized (loss) on securities available-for-sale net of tax expense of $517	- -	- -	(49,350)	(49,350)
Change in pension accrual net of tax expense of $2,352,216	- -	- -	6,502,676	6,502,676
Balance at December 31, 2021	$ 5,000,000	$ 60,815,895	$ 6,693,304	$ 72,509,199

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

BRANDENBURG TELEPHONE COMPANY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,053,344	$ 5,570,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,626,453	2,059,531
PPP loan forgiveness	- -	(1,675,200)
Deferred tax provisions	240,146	1,179,268
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts receivable	181,851	59,885
Income tax receivable	567,498	(1,044,472)
Due from affiliate	(2,175,726)	(512,391)
Materials and supplies	259,070	(40,146)
Prepaid insurance	10,693	(3,478)
Accounts payable	(358,280)	385,509
Other current and accrued liabilities	(252,461)	(214,828)
Net cash provided by operating activities	5,152,588	5,764,605
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,652,621)	(6,569,100)
Proceeds from sales of property and equipment	50,363	21,967
Nonregulated activities	(157,025)	(1,506,785)
Net cash (used in) investing activities	(5,759,283)	(8,053,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan proceeds	- -	1,675,200
Net cash provided by financing activities	- -	1,675,200
Net (decrease) in cash and cash equivalents	(606,695)	(614,113)
Cash and cash equivalents:		
Beginning of year	8,142,469	8,756,582
End of year	$ 7,535,774	$ 8,142,469
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	$ 2,560,759	$ 571,950

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

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.

Use of 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Accounts receivable

Accounts receivable are stated at net realizable value. 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 according to their bill cycle with local service being billed in arrears. Sales are concentrated in a portion of three (3) central Kentucky counties. Payments are due 20 days from the date of billing. If payment has not been made, then customers are subject to disconnect on the 25th 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, 2021 and 2020.

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.

NOTES TO FINANCIAL STATEMENTS

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, 2022, 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, 2021 and 2020:

	2021	2020
Benefit obligation at beginning of year	$ 46,560,498	$ 39,928,332
Service cost	1,389,551	1,171,351
Interest cost	1,170,294	1,267,403
Benefits paid	(1,315,895)	(1,243,632)
Actuarial (gain) loss	(2,015,892)	5,437,044
Benefit obligation at end of year	$ 45,788,556	$ 46,560,498

	2021	2020
Fair value of plan assets at beginning of year	$ 45,420,548	$ 39,744,623
Actual return on plan assets	9,891,733	5,919,557
Employer contributions	- -	1,000,000
Benefits paid	(1,315,895)	(1,243,632)
Fair value of plan assets at end of year	$ 53,996,386	$ 45,420,548

	2021	2020
Reconciliation of funded status:		
Funded status	$ 8,207,830	$ (1,139,950)
Unrecognized actuarial (gain) loss	- -	- -
Unrecognized transition (asset) obligation	- -	- -
Unrecognized prior service cost	- -	- -
Net amount recognized at year end	$ 8,207,830	$ (1,139,950)

NOTES TO FINANCIAL STATEMENTS

Note 2. Pension Plan (Continued)

Amounts recognized in the statements of financial position consists of:

	2021	2020
Noncurrent assets	$ 8,207,830	$ - -
Noncurrent liabilities	- -	(1,139,950)
Net amount recognized at year end	$ 8,207,830	$ (1,139,950)

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

	2021	2020
Transition (obligation) asset	$ - -	$ - -
Prior service credit (cost)	- -	- -
Accumulated gain (loss)	9,046,983	259,583
Accumulated other comprehensive income before taxes	9,046,983	259,583
Cumulative employer contributions in excess of net periodic benefit cost	(839,153)	(1,399,533)
Net amount recognized in statements of financial position	$ 8,207,830	$ (1,139,950)

Components of net periodic benefit cost:

	2021	2020
Service cost	$ 1,389,551	$ 1,171,351
Interest cost	1,170,294	1,267,403
Expected return on plan assets	(3,120,225)	(2,733,834)
Amortization of prior service cost	- -	1,172
Amortization of transitional obligation	- -	- -
Recognized acturial (gain) loss	- -	- -
Net periodic benefit cost	$ (560,380)	$ (293,908)

Weight-average assumptions as of December 31:

	2021	2020
Discount rate	2.56%	3.23%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	5.00%	5.00%

Note 2. Pension Plan (Continued)

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

	2021	2020
Cash	3%	2%
Debt securities	24%	22%
Equity securities	73%	76%
	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	
2022	$ 1,623,123
2023	1,745,405
2024	1,926,520
2025	1,911,275
2026	1,920,449
2027-2031	9,568,442

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, 2021	Fair value	Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Common stocks	$ 39,884,414	$ 39,884,414	$ - -
Corporate bonds	10,706,429	- -	10,706,429
U.S. government securities	483,809	- -	483,809
Foreign obligations	932,409	- -	932,409
State & municipal	726,113	- -	726,113
Total	52,733,174	$ 39,884,414	$ 12,848,760
Cash accounts	1,263,212		
Total	$ 53,996,386		

Note 2. Pension Plan (Continued)

December 31, 2020	Fair value	Fair value measurements using; Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Common stocks	$ 34,629,782	$ 34,629,782	$ - -
Corporate bonds	6,665,709	- -	6,665,709
U.S. government securities	1,059,385	- -	1,059,385
Foreign obligations	1,169,055	- -	1,169,055
State & municipal	1,029,374	- -	1,029,374
Total	44,553,305	$ 34,629,782	$ 9,923,523
Cash accounts	867,243		
Total	$ 45,420,548		

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, 2021 and 2020 are as follows:

	2021	2020
Total cash and cash equivalents	$ 7,535,774	$ 8,142,469
Less: balance insured by FDIC	1,000,000	1,000,000
Uninsured and uncollateralized	$ 6,535,774	$ 7,142,469

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, 2021 and 2020 were as follows:

	2021	2020
Municipal bonds:		
Amortized cost	$ 2,780,488	$ 2,852,392
Gross unrealized gain (loss)	(1,980)	63,849
Fair value	$ 2,778,508	$ 2,916,241

At December 31, 2021, maturities of investments classified as available-for-sale were as follows:

	Amortized cost	Fair value
Less than one year	$ 2,780,488	$ 2,778,508
One through five years	- -	- -
After five years	- -	- -
	$ 2,780,488	$ 2,778,508

NOTES TO FINANCIAL STATEMENTS

Note 4. Portfolio Investments (Continued)

December 31, 2021	Fair value	Fair value measurements using; Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Municipal bonds	$ 2,778,508	$ - -	$ 2,778,508
Total	2,778,508	$ - -	$ 2,778,508
Cash accounts	174,582		
Total	$ 2,953,090		

December 31, 2020	Fair value	Fair value measurements using; Unadjusted quoted prices (Level 1)	Significant other observable inputs (Level 2)
Municipal bonds	$ 2,916,241	$ - -	$ 2,916,241
Total	2,916,241	$ - -	$ 2,916,241
Cash accounts	22,127		
Total	$ 2,938,368		

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.

NOTES TO FINANCIAL STATEMENTS

Note 5. Nonregulated Investments

Investments in nonregulated activities consist of the following:

	2021	2020
Due from affiliate	$ 11,434,224	$ 10,756,801
Inventory	256,359	273,171
Land and land improvements	330,989	330,989
Other equipment	128,633	128,633
Other receivables	4,800	4,800
Fiber optic, mobile telephone and internet equipment	4,348,960	3,988,773
Total nonregulated investments	16,503,965	15,483,167
Less:		
Accumulated depreciation	3,508,583	3,203,032
Accounts payable	38,578	51,704
Accrued expenses	1,906,169	1,334,821
	$ 11,050,635	$ 10,893,610

Following is a summary of net income from nonregulated investments for the year ending December 31, 2021 and 2020:

	2021	2020
Income	6,813,617	6,159,176
Expenses	3,194,288	3,254,187
	$ 3,619,329	$ 2,904,989

Income tax expense related to these activities totaled $950,600 in 2021 and $691,717 in 2020.

NOTES TO FINANCIAL STATEMENTS

Note 6. Telecommunications Plant

	2021	2020
Land	$ 1,026,121	$ 1,026,121
Buildings	9,719,708	9,719,708
Digital electronic equipment	2,849,377	2,731,451
Toll and subscriber carriers	6,156,905	4,981,157
Poles, cable and wire	42,789,280	39,450,465
Furniture and office equipment	6,258,388	5,636,457
Embedded accounts	300,712	300,712
Vehicles and other work equipment	4,856,461	4,834,212
Telephone plant in service	$ 73,956,952	$ 68,680,283

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 2021 and 2020.

Note 7. Income Taxes

The provision for income taxes consists of the following:

	2021	2020
Current:		
Federal income tax expense (benefit)	$ 1,218,423	$ (210,124)
State income tax expense	290,100	143,546
Deferred:		
Federal deferred tax expense	292,002	1,047,215
State deferred tax expense (benefit)	(51,856)	132,053
Total income tax expense (benefit)	$ 1,748,669	$ 1,112,690

NOTES TO FINANCIAL STATEMENTS

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:

	2021	2020
Deferred tax assets (liability), non-current:		
Federal	$ (4,959,161)	$ (2,778,236)
State	(397,767)	3,579
Total deferred tax assets (liability)	$ (5,356,928)	$ (2,774,657)

Note 8. Related Party Transactions

Brandenburg Telephone Company has certificates of deposit at Meade County Bank and West Point Bank at December 31, 2021 and 2020, as follows:

Bank	2021	2020
Meade County Bank	$ 1,033,066	$ 1,071,834
West Point Bank	975,965	965,419

Note 8. Related Party Transactions (Continued)

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

	December 31, 2021	December 31, 2020
Operating accounts:		
Meade County Bank	$ 1,140,260	$ 1,133,924
First State Bank	542,309	1,092,853
West Point Bank	826,043	1,070,737
Total operating accounts	$ 2,508,612	$ 3,297,514
Money market accounts:		
First State Bank	$ 1,003,249	$ 1,002,246
River City Bank	1,787,151	1,779,579
Total money market accounts	$ 2,790,400	$ 2,781,825

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, 2021 and 2020, the amount due to the Company was $21,336,481 and $19,160,755, respectively.

Note 9. Risks and Uncertainties

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, 2022, management believes that a material impact on the Company's financial position and results of future operations is reasonably possible.

Note 10. Revenue Recognition

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, 2021 and 2020 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.

	2021	2020
Regulated income:		
Local network services	$ 1,777,604	$ 1,921,828
Network access services	10,684,313	10,531,359
Carrier billing and collections	149,092	162,907
Long distance services	354,890	371,182
Miscellaneous	110,991	213,305
Directory revenue	359,500	469,322
	$ 13,436,390	$ 13,669,903
Nonregulated income:		
Housewire outlet revenue	$ 287,388	$ 220,541
Internet activities	4,789,553	4,106,740
Lease revenue	632,089	787,027
Sales revenue	94,936	75,819
Miscellaneous	718,621	630,339
Lease fiber optic revenue	291,030	338,710
	$ 6,813,617	$ 6,159,176

Contract cost liabilities:

Contract cost liabilities include customer deposits. The balance in contract liabilities was $3,921, $20,837 and $18,036 as of December 31, 2021, 2020 and 2019, respectively. The deposits are listed on the balance sheet under other current and accrued liabilities.

Note 11. Paycheck Protection Program Loans

In April 2020, the Company applied for and was granted a forgivable loan of $1,675,200 from the United States Small Business Administration (SBA) Paycheck Protection Program (PPP). Under the CARES Act, subject to limitations, as defined, the loan may be partially or fully forgiven, depending on specified actual payroll and other qualified costs for the covered period following receipt of the loan. Any amount not forgiven will be payable in 24 monthly installments of principal and interest at 1.00% and will be unsecured. The Company accounted for the loan proceeds as debt in accordance with ASC 470. The Company submitted their application for forgiveness to the SBA and were notified in December 2020 that the entire amount of the loan was forgiven. As such, the Company, in compliance with guidance from RUS, have recognized the forgiveness of debt as other income for the qualified costs that were incurred during the covered period of the loan.