GCI, LLC AND SUBSIDIARIES

Consolidated Financial Statements
as of and for the years ended
December 31, 2020 and 2019

GCI, LLC AND SUBSIDARIES
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Management's Discussion and Analysis and Results of Operations

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying consolidated financial statements and the notes thereto.

Overview

GCI, LLC is comprised of two operating entities, GCI Holdings, LLC ("GCI Holdings") and Evite, Inc. ("Evite") (until Evite was sold on September 14, 2020), as well as equity interests in Liberty Broadband Corporation ("Liberty Broadband") (until Liberty Broadband was distributed to parent on December 21, 2020), Charter Communications, Inc. ("Charter") (until Charter was distributed to parent on February 16, 2021), and LendingTree, Inc. ("LendingTree") (until LendingTree was distributed to parent on November 16, 2020) and other assets and liabilities.

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of December 31, 2020 as a result of the merger between GCI, LLC's parent, GCI Liberty, Inc. ("GCI Liberty"), and Liberty Broadband that was completed on December 18, 2020. Pursuant to the Agreement and Plan of Merger, dated as of August 6, 2020, entered into by GCI Liberty, Liberty Broadband, Grizzly Merger Sub 1, LLC, a wholly owned subsidiary of Liberty Broadband ("Merger LLC"), and Grizzly Merger Sub 2, Inc., a wholly owned subsidiary of Merger LLC ("Merger Sub"), Merger Sub merged with and into GCI Liberty (the "First Merger"), with GCI Liberty surviving the First Merger as an indirect wholly owned subsidiary of Liberty Broadband (the "Surviving Corporation"), and immediately following the First Merger, GCI Liberty (as the Surviving Corporation in the First Merger) merged with and into Merger LLC (the "Upstream Merger", and together with the First Merger, the "Combination"), with Merger LLC surviving the Upstream Merger as a wholly owned subsidiary of Liberty Broadband.

Although GCI, LLC's parent company was acquired on December 18, 2020, GCI, LLC has not elected to apply pushdown accounting in these consolidated financial statements but it may elect to do so in the future. Accordingly, the accompanying consolidated financial statements reflect the historical net assets, operations, and cash flows of GCI, LLC without regard to the acquisition of its parent company by Liberty Broadband.

Update on Economic Conditions

GCI Holdings offers wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of GCI Holdings' business and operations depends upon economic conditions in Alaska. In December 2019, Chinese officials reported a novel coronavirus outbreak. COVID-19 has since spread through China and internationally. On March 11, 2020, the World Health Organization assessed COVID-19 as a global pandemic, causing many countries throughout the world to take aggressive actions, including imposing travel restrictions and stay-at-home orders, closing public attractions and restaurants, and mandating social distancing practices, which has caused a significant disruption to most sectors of the economy.

Although the COVID-19 pandemic has significantly impacted Alaska, GCI Holdings has continued to deliver services uninterrupted by the pandemic and expects to be able to continue to respond to the increase in network activity. As a major provider of Internet services in Alaska, GCI Holdings believes it plays an instrumental role in enabling social distancing through telecommuting and e-learning across the state and remains focused on its service to customers, as well as the health and safety of its employees and customers.

The majority of GCI Holdings' workforce has transitioned to working at home full time and it expects to keep those employees working from home through the middle of 2021.

GCI Holdings cannot predict the ultimate impact of COVID-19 on its business, including the depth and duration of the economic impact to its customers' ability to pay for products and services including the impact of extended unemployment benefits and other stimulus packages and what assistance may be provided to its customers. There is a risk that GCI Holdings' accounts receivable and bad debt expense will increase substantially due to the economic impact of the COVID-19 pandemic. In addition, there is uncertainty regarding the impact of government emergency declarations, the ability of suppliers and vendors to provide products and services to GCI Holdings and the risk of limitations on the deployment and maintenance of its services.

The Alaska economy is dependent upon the oil industry, state government spending, United States military spending, investment earnings and tourism. The price of Alaska North Slope Crude oil has decreased significantly and large tourism companies have decided not to operate during 2020 due to the COVID-19 pandemic. It is expected that the decline in oil prices will continue to put significant pressure on the Alaska state government budget. Although the Alaska state government has significant reserves that GCI Holdings believes will help fund the state government for the next couple of years, major structural budgetary reforms will be required in order to offset the impact of the COVID-19 pandemic and low oil prices. Although GCI Holdings cannot predict the long-term impact COVID-19 will have on these sectors of the Alaska economy, adverse circumstances in these industries may have an adverse impact on the demand for its products and services and on its results of operations and financial condition.

The Alaska economy was in a recession that started in late 2015. At the end of 2019, the Alaska economy showed signs of emerging from this recession, however, the recession has continued as a result of the COVID-19 pandemic and continued low oil prices. While it is difficult for GCI Holdings to predict the future impact of a renewed or continuing recession on its business, these conditions have had an adverse impact on its business and could continue to adversely affect the affordability of and demand for some of its products and services and cause customers to shift to lower priced products and services or to delay or forgo purchases of its products and services. Additionally, GCI Holdings' customers may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to GCI Holdings. If that were to occur, GCI Holdings could be required to increase its allowance for doubtful accounts, and the number of days outstanding for its accounts receivable could increase. If the recession continues, it could continue to negatively affect GCI Holdings' business including its financial position, results of operations, or liquidity, as well as its ability to service debt, pay other obligations and enhance shareholder returns.

Rural Health Care ("RHC") Program

GCI Holdings receives support from various Universal Service Fund ("USF") programs including the RHC Program. The USF programs are subject to change by regulatory actions taken by the Federal Communications Commission ("FCC"), interpretations of or compliance with USF program rules, or legislative actions. Changes to any of the USF programs that GCI Holdings participates in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on GCI Holdings' business and the Company's financial position, results of operations or liquidity. The following paragraphs describe certain separate matters related to the RHC Program that impact or could impact the revenue earned and receivables recognized by the Company. As of December 31, 2020, the Company had net accounts receivable from the RHC Program in the amount $237 million, which is included within Trade and other receivables in the consolidated balance sheets.

<u>FCC Rate Reduction.</u> In November 2017, the Universal Service Administrative Company ("USAC") requested further information in support of the rural rates charged to a number of GCI Holdings' RHC customers in connection with the funding requests for the year that runs July 1, 2017 through June 30, 2018. On October 10, 2018, GCI Holdings received a letter from the FCC's Wireline Competition Bureau ("Bureau") notifying it of the Bureau's decision to reduce the rural rates charged to RHC customers for the funding year that ended on June 30, 2018 by approximately 26% resulting in a reduction of total support payments of $27.8 million. The FCC also informed GCI Holdings that the same cost methodology used for the funding year that ended on June 30, 2018 would be applied to rates charged to RHC customers in subsequent funding years. In response to the Bureau's letter, GCI Holdings filed an Application for Review with the FCC.

On October 20, 2020, the Wireline Competition Bureau of the FCC issued two separate letters approving the cost-based rural rates GCI Holdings historically applied when recognizing revenue for services provided to its RHC customers for the funding years that ended on June 30, 2019 and June 30, 2020. GCI Holdings collected $174 million in accounts receivable relating to these two funding years subsequent to December 31, 2020.

On June 25, 2020, GCI Holdings submitted cost studies with respect to a number of its rates for services provided to its RHC customers for the funding year ending June 30, 2021, which require approval by the Bureau. GCI Holdings further updated those studies on November 12, 2020, to reflect the completion of the bidding season for that funding year. Those studies remain pending before the Bureau, and we cannot predict when the Bureau will act upon them.

RHC Program Funding Cap. The RHC program has a funding cap for each individual funding year that is annually adjusted for inflation, and which the FCC can increase by carrying forward unused funds from prior funding years. In recent years, including the current year, this funding cap has not limited the amount of funding received by participants; however, management continues to monitor the funding cap and its potential impact on funding in future years.

Enforcement Bureau and Related Inquiries. On March 23, 2018, GCI Holdings received a letter of inquiry and request for information from the Enforcement Bureau of the FCC relating to the period beginning January 1, 2015 and including all future periods, to which it is in the process of responding. This includes inquiry into the rates charged by GCI Holdings, and presently it is unable to assess the ultimate outcome of this rate inquiry. Other aspects related to the Enforcement Bureau's review of GCI Holdings' compliance with program rules are discussed separately below. The ongoing uncertainty in program funding, as well as the uncertainty associated with the rate review, could have an adverse effect on its business, financial position, results of operations or liquidity.

In the fourth quarter of 2019, GCI Holdings became aware of potential RHC Program compliance issues related to certain of GCI Holdings' currently active and expired contracts with certain of its RHC customers. The Company and its external experts performed significant and extensive procedures to determine whether GCI Holdings' currently active and expired contracts with its RHC customers would be deemed to be in compliance with the RHC Program rules. GCI Holdings notified the FCC of our potential compliance issues in the fourth quarter of 2019.

On May 28, 2020, GCI Holdings received a second letter of inquiry from the Enforcement Bureau in the same matter noted above. This second letter, which was in response to a voluntary disclosure made by GCI Holdings to the FCC, extended the scope of the original inquiry to also include various questions regarding compliance with the records retention requirements related to the (i) original inquiry and (ii) RHC Program.

On December 17, 2020, GCI Holdings received a Subpoena Duces Tecum from the FCC's Office of the Inspector General requiring production of documents from January 1, 2009 to the present related to a single RHC customer and related contracts, information regarding GCI Holdings' determination of rural rates for a single customer, and to provide information regarding persons with knowledge of pricing practices generally.

GCI Holdings continues to work with the FCC to resolve all enforcement inquires discussed above. With respect to the ongoing inquiries from the FCC's Enforcement Bureau and the FCC's Office of the Inspector General, GCI Holdings recognized a liability of approximately $17.0 million during the fourth quarter of 2019 for contracts that were deemed probable of not complying with the RHC Program rules. The Company also identified certain contracts where additional loss was reasonably possible and such loss could range from zero to $44.0 million. An accrual was not made for the amount of the reasonably possible loss in accordance with the applicable accounting guidance. GCI Holdings could also be assessed fines and penalties but such amounts could not be reasonably estimated.

Revision of Support Calculations. On August 20, 2019, the FCC released an order changing the manner in which support issued under the RHC Program will be calculated and approved. Some of these changes will become effective beginning with the funding year ending June 30, 2021, while others will apply beginning with the funding year ending June 30, 2022. On October 21, 2019, GCI Holdings appealed the order to the United States Court of Appeals for the District of Columbia Circuit. On December 6, 2019, that appeal was held in abeyance due to pending Petitions for Reconsideration filed by other parties at the FCC and on March 9, 2021 the period of abeyance was extended through September 8, 2021. At the direction of the FCC, USAC has released a database that purports to determine a median rate which will cap the amount of support available for each service sold under the program, starting in the funding year ending June 30, 2022. GCI Holdings has sought FCC review of various aspects of the database implementation. On September 30, 2020, USAC released a refreshed version of the database incorporating limited changes submitted by interested parties. On January 19, 2021, the Wireline Competition Bureau of the FCC issued an Order that waives the requirement to use the database for health care providers in Alaska for the two funding years ending June 30, 2022 and June 30, 2023. The Order requires GCI Holdings to determine its rural rates based on previously approved rates or under reinstitution of the rules currently in effect through the funding year ending on June 30, 2021.

USAC Funding Denials. On November 30, 2018, GCI Holdings received multiple funding denial notices from USAC, denying requested funding from the RHC Program operated by a rural health customer (the "Customer") for the funding year that ended on June 30, 2018. In November 2017, USAC requested information from the Customer related to bidding process documentation for two separate service contracts GCI Holdings has with the Customer. Although the Customer timely responded, USAC found that bids previously received were not submitted with the original funding request and/or that bidding information submitted was related to the wrong bidding year. The Customer appealed this decision in early 2019 and on May 6, 2019, USAC denied the Customer's appeal. The Customer then appealed USAC's decision to the Bureau on July 5, 2019. As of March 31, 2019, GCI Holdings had accounts receivable of approximately $21.3 million outstanding associated with these two service contracts, which is dependent upon receipt of funding from USAC. Given that USAC denied the Customer's appeal as specifically outlined in the May 6, 2019 letter received by the Customer, the Company determined at the time it was probable that GCI Holdings incurred a loss and an accounts receivable reserve was recorded in the amount of $21.3 million and an associated bad debt expense was recorded during the first quarter of 2019 and included within Selling, general, and administrative expense in the consolidated statements of operations. Additionally, because of the uncertainty of the Customer's future appeals process and uncertainty relating to our ability to recover payment directly from the Customer, the Company no longer believed revenue associated with the two service contracts should be recognized. Historical annual revenue associated with the two service contracts was approximately $12.0 million in total and was expected to be the same in future periods.

On February 19, 2020, the Bureau issued an FCC order that granted the Customer's appeal for the two service contracts that were originally denied funding by USAC. In the order, the FCC has directed USAC to reverse its previous funding denials. Because the FCC order provided the Company with additional information subsequent to December 31, 2019 about the resolution of a contingency that existed as of year-end, the Company recognized the impact of the FCC order in 2019. Such impact resulted in the reversal of the previously recorded $21.3 million accounts receivable reserve and associated bad debt expense included within Selling, general, and administrative expense in the consolidated statements of operations for the year ended December 31, 2019.

The Company considered whether it should recognize revenue in 2019 related to the two service contracts for the period where it previously had not recognized revenue because of the uncertainty around its ability to collect consideration from the Customer. Because the Company was unable to conclude at any time prior to December 31, 2019 that collection of consideration under the two service contracts was probable, the Company concluded that revenue should not be recognized for any period subsequent to the first quarter of 2019 in accordance with the applicable revenue recognition criteria. Although the Company did not recognize revenue beyond the first quarter of 2019 related to the Customer's two service contracts, the Company continued to provide service to the Customer.

In light of the FCC order, we evaluated the applicable revenue recognition criteria in the first quarter of 2020 and concluded that we met the applicable revenue recognition criteria and could recognize revenue for the services provided subsequent to the first quarter of 2019. The result of meeting the applicable revenue recognition criteria in the first quarter of 2020 was to record revenue of approximately $9 million related to the services provided during 2019 for which revenue had not been previously recognized and to begin recording revenue in the first quarter of 2020 for services provided to the rural healthcare customer.

Results of Operations - Consolidated

General. We provide information regarding our consolidated operating results and other income and expenses, as well as information regarding the contribution to those items from our operating segments in the tables below. The "Corporate and other" category consists of those assets or businesses which do not qualify as a significant operating segment. For a more detailed discussion and analysis of the financial results of GCI Holdings, see "Results of Operations-GCI Holdings" below.

Operating Results

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Revenue		
GCI Holdings	$ 949,114	869,662
Corporate and other	9,103	25,071
Consolidated	$ 958,217	894,733
Operating Income (Loss)		
GCI Holdings	$ 86,608	(182,841)
Corporate and other	(46,843)	(32,621)
Consolidated	$ 39,765	(215,462)
Adjusted OIBDA		
GCI Holdings	$ 345,364	256,878
Corporate and other	(38,637)	(19,806)
Consolidated	$ 306,727	237,072

Revenue. Consolidated revenue increased $63.5 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase is primarily due to an increase of $79.5 million at GCI Holdings in 2020, as compared to the prior periods. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings. Corporate and other revenue decreased $16.0 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily driven by decreased events and traffic revenue from COVID-19 restrictions on gatherings and the sale of Evite in September 2020.

Operating Income (Loss). Consolidated operating income increased $255.2 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in operating income was primarily due to a $269.4 million increase in operating income for GCI Holdings in 2020. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings.

Operating losses for corporate and other increased $14.2 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in 2020 was due to increased professional service fees at the corporate level related to debt activity, as well as increased operating losses at Evite through the date of sale in September 2020.

Stock-based compensation. Stock based compensation includes compensation related to restricted shares of GCI Liberty's common stock and preferred stock, restricted stock units with respect to GCI Liberty's common stock, and options to purchase shares of GCI Liberty's common stock granted to certain of the Company's directors, employees, and employees of its subsidiaries. We recorded $16.1 million and $24.9 million of stock compensation expense for the years ended December 31, 2020 and 2019, respectively. The decrease in 2020 is primarily due to decreases in stock compensation at GCI Holdings of $5.3 million and an additional decrease in expense at the corporate level due to grants that fully vested on December 31, 2019. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings. As of December 31, 2020, the total unrecognized compensation cost related to unvested options and restricted stock was approximately $16.3 million and $11.7 million, respectively. Such amounts will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.2 years and 2.0 years, respectively.

Adjusted OIBDA. To provide investors with additional information regarding our financial results, the Company also discloses Adjusted OIBDA, which is a non-GAAP financial measure. The Company defines Adjusted OIBDA as operating income (loss) plus depreciation and amortization, stock-based compensation, transaction costs, separately reported litigation settlements, insurance proceeds, restructuring and impairment charges. The Company's chief operating decision maker and management team use this measure of performance in conjunction with other measures to evaluate our businesses and make decisions about allocating resources among our businesses. The Company believes this is an important indicator of the operational strength and performance of its businesses by identifying those items that are not directly a reflection of each business' performance or indicative of ongoing business trends. In addition, this measure allows management to view operating results, perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. Accordingly, Adjusted OIBDA should be considered in addition to, but not as a substitute for, operating income, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with U.S. generally accepted accounting principles. The following table provides a reconciliation of operating income (loss) to Adjusted OIBDA:

	Years ended December 31, 2020	Years ended December 31, 2019
	amounts in thousands	
Operating income (loss)	$ 39,765	(215,462)
Depreciation and amortization	250,838	266,333
Stock-based compensation	16,124	24,897
Impairment of intangibles and long-lived assets	—	167,062
Insurance proceeds and restructuring, net	—	(5,758)
Adjusted OIBDA	$ 306,727	237,072

Consolidated Adjusted OIBDA increased $69.7 million during the year ended December 31, 2020, as compared to the corresponding prior year period, due to the items discussed above. See "Results of Operations-GCI Holdings, LLC" below for a more complete discussion of the results of operations of GCI Holdings.

Other Income and Expense

Components of Other income (expense) are presented in the table below.

	Years ended December 31, 2020	Years ended December 31, 2019
	amounts in thousands	
Interest expense		
GCI Holdings	$ (69,578)	(90,112)
Corporate and other	(44,414)	(47,506)
Consolidated	$ (113,992)	(137,618)
Share of earnings (losses) of affiliates, net		
GCI Holdings	$ (132)	(134)
Corporate and other	(15,176)	(2,495)
Consolidated	$ (15,308)	(2,629)
Realized and unrealized gains (losses) on financial instruments, net		
GCI Holdings	$ —	1,669
Corporate and other	953,060	1,022,102
Consolidated	$ 953,060	1,023,771
Gain (loss) on early extinguishment of debt		
GCI Holdings	$ (24,908)	—
Corporate and other	—	—
Consolidated	$ (24,908)	—
Other, net		
GCI Holdings	$ 23,480	11,061
Corporate and other	(24,612)	(4,666)
Consolidated	$ (1,132)	6,395

Interest Expense. Consolidated interest expense decreased $23.6 million during the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to lower amounts outstanding on the Senior Credit Facility (as defined in note 9 of the accompanying consolidated financial statements), as well as lower interest rates. See Schedule I for a reconciliation of the net assets and net earnings of GCI, LLC excluding the Liberty Subsidiaries under and as defined in the Senior Credit Facility and Indenture for the 4.750% Senior Notes Due 2028.

Share of earnings (losses) of affiliates, net. Share of earnings (losses) of affiliates, net decreased $12.7 million during the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was due to an increase in losses by our affiliates, primarily related to the investment in LendingTree.

Realized and unrealized gains (losses) on financial instruments, net. Realized and unrealized gains (losses) on financial instruments, net are comprised of changes in the fair value of the following:

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Equity securities	$ 945,792	1,074,736
Derivative instruments	7,268	(50,965)
	$ 953,060	1,023,771

The changes in these accounts are primarily due to market factors and changes in the fair value of the underlying stocks or financial instruments to which they are related. The decrease in 2020 was primarily driven by a decrease in the unrealized gains related to changes in the fair value of our investment in Charter. Subsequent to year-end, the Charter investment was distributed to parent through a restructuring and therefore the gains (losses) from changes in Charter's fair value will no longer be recorded at this level subsequent to the distribution.

Income taxes. Earnings (losses) before income taxes and income tax (expense) benefit are as follows:

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Earnings (loss) before income taxes	$ 837,485	674,457
Income tax (expense) benefit	(242,513)	(165,911)
Effective income tax rate	29%	25%

For the years ended December 31, 2020 and 2019, the income tax expense in excess of expected federal tax expense was primarily due to state income tax expense.

Earnings (loss) from discontinued operations, net of taxes. The Company's investment in Liberty Broadband was distributed to parent on December 21, 2020. Accordingly, the consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations. The impact to earnings (loss) from discontinued operations, net of taxes relates to the unrealized gains (losses) recorded on the Company's investment in Liberty Broadband, net of the impacts of income taxes. See note 4 to the accompanying consolidated financial statements for more information.

Net earnings (loss). The Company had net earnings of $1,596.1 million and $2,185.7 million for the years ended December 31, 2020 and 2019, respectively. The change in net earnings was the result of the above-described fluctuations in our revenue, expenses, and other income and expenses.

Results of Operations - GCI Holdings, LLC

GCI Holdings provides a full range of wireless, data, video, voice, and managed services to residential, businesses, governmental entities, and educational and medical institutions primarily in Alaska. The following table highlights selected key performance indicators used in evaluating GCI Holdings.

	December 31,	
	2020	2019
Consumer		
Wireless:		
Revenue generating wireless lines in service[1]	176,900	176,200
Non-revenue generating wireless lines in service[2]	2,200	6,100
Wireless lines in service	179,100	182,300
Data:		
Cable modem subscribers[3]	140,600	127,000
Video:		
Basic subscribers[4]	74,300	81,200
Homes passed[5]	253,400	253,400
Voice:		
Total local access lines in service[6]	36,600	39,900
Business		
Wireless:		
Revenue generating wireless lines in service[1]	25,200	20,500
Data:		
Cable modem subscribers[3]	13,800	8,800
Voice:		
Total local access lines in service[6]	33,100	34,500

[1] A revenue generating wireless line in service is defined as a wireless device with a monthly fee for services.

[2] A non-revenue generating wireless line in service is defined as a data-only line with no monthly fee for services.

[3] A cable modem subscriber is defined by the purchase of cable modem service regardless of the level of service purchased. If one entity purchases multiple cable modem service access points, each access point is counted as a subscriber.

[4] A basic subscriber is defined by the purchase of basic video service.

[5] A home passed is defined as a dwelling unit that can be connected to GCI Holdings' network without the need of otherwise extending its network.

[6] A local access line in service is defined as a revenue generating circuit or channel connecting a customer to the public switched telephone network.

GCI Holdings' operating results for the years ended December 31, 2020 and 2019 are as follows:

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Revenue	$ 949,114	869,662
Operating expenses (excluding stock-based compensation included below):		
Operating expense	(271,044)	(266,565)
Selling, general and administrative expenses	(332,706)	(346,219)
Adjusted OIBDA	345,364	256,878
Stock-based compensation	(9,586)	(14,907)
Impairment of intangibles and long-lived assets	—	(167,062)
Insurance proceeds and restructuring, net	—	5,758
Depreciation and amortization	(249,170)	(263,508)
Operating income (loss)	$ 86,608	(182,841)

Revenue

The components of revenue are as follows:

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Consumer		
Wireless	$ 171,090	168,086
Data	188,151	169,332
Video	91,336	83,946
Voice	15,128	17,111
Business		
Wireless	88,461	92,603
Data	339,290	277,519
Video	11,675	16,170
Voice	43,983	44,895
Total revenue	$ 949,114	869,662

Consumer wireless revenue increased $3.0 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in revenue in 2020 was primarily due to increased plan service fee revenue of $5.3 million, driven by subscribers' selection of plans with higher recurring monthly charges that offer higher usage limits. The increase was partially offset by a $1.8 million decrease in equipment sales revenue due to a decrease in the number of handsets sold in 2020.

Consumer data revenue increased $18.8 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in 2020 was driven by an increase in the number of subscribers and the subscribers' selection of plans with higher recurring monthly charges that offer higher speeds and higher usage limits.

Consumer video revenue increased $7.4 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in 2020 was due to a $10.9 million increase in advertising revenue driven by a reorganization effective August 1, 2020. The Company transitioned its advertising sales to Consumer video following the sale of the Company's broadcast television station. The increase was partially offset by a decrease in plan fee revenue driven by a decrease in the number of subscribers.

Consumer voice revenue decreased $2.0 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to a reduction in the number of customers.

Business wireless revenue decreased $4.1 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to wholesale customers removing backhaul circuits from our network and a decrease in grant revenue partially offset by increases in roaming revenue driven by the renegotiation of a roaming contract.

Business data revenue increased $61.8 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in 2020 was due to a $73.4 million increase in data and transport revenue driven by increased sales to school and medical customers for service upgrades. The increase also included $9 million associated with prior periods for an RHC customer whose funding was initially denied but subsequently approved in the first quarter of 2020. The increases were partially offset by a $11.7 million decrease in professional services revenue driven by a reduction in time and materials project work.

Business video revenue decreased $4.5 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to the sale of the Company's broadcast television station.

Business voice revenue decreased $0.9 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was driven by a decrease in local service lines partially offset by an increase in long distance and conferencing services.

Operating expenses increased $4.5 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The increase in 2020 was primarily due to a $18.1 million increase in costs to operate our network driven by the increase in demand from school and medical customers. The increase is partially offset by decreases of $7.5 million in professional services costs driven by a reduction in time and materials project work and $4.2 million in video costs paid to content producers driven by a decrease in video subscribers.

Selling, general and administrative expenses decreased $13.5 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to the absence of a $17.0 million reserve recorded in the fourth quarter of 2019 for contracts that were deemed probable of not complying with RHC Program rules, and the Company’s cost cutting efforts. The decrease was partially offset by a $4.9 million increase in legal and compliance costs.

Stock based compensation decreased $5.3 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to the reversal of expense for performance-based awards that did not vest due to a shortfall in certain financial metrics and qualitative criteria; employees who left the company prior to the vesting of their awards; and a decrease in the number of awards granted.

Depreciation and amortization decreased $14.3 million for the year ended December 31, 2020, as compared to the corresponding prior year period. The decrease in 2020 was primarily due to assets which became fully depreciated prior to 2020, a decrease in assets placed in service since January 1, 2019, and lower amortization expense because of an accelerated recognition pattern for amortizing intangibles.

Disclosure Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and its principal accounting and financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2020 due to a material weakness in its internal control over financial reporting that is described below in "Management's Report on Internal Control Over Financial Reporting."

However, giving full consideration to the material weakness, the Company's management has concluded that the consolidated financial statements included herein present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. generally accepted accounting principles ("GAAP"). The Company's independent registered accounting firm, KPMG LLP, has issued its report dated March 12, 2021, which expressed an unqualified opinion on those consolidated financial statements.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of December 31, 2020, using the criteria in *Internal Control-Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as of December 31, 2020, the Company's internal control over financial reporting is not effective due to the material weakness described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness in internal control over financial reporting exists related to revenue at GCI Holdings, a wholly-owned subsidiary, as of December 31, 2020, due to:

- Insufficient staffing and training of certain control operators;
- Inadequate assessment of financial reporting risks, which in turn contributed to reliance on business process controls that were not designed and operating effectively to adequately mitigate existing risks;
- Breakdowns in communication of expectations and prioritization of control execution to certain control operators; and
- Lack of accountability for effective control operation.

The control deficiencies did not result in any identified misstatements.

The consolidated financial statements of GCI, LLC do not include an audit report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's assessment of internal control over financial reporting was not subject to audit by the Company's independent registered public accounting firm.

Changes in Internal Control Over Financial Reporting

During the year ended December 31, 2020, the Company continued to review the design of its controls, make adjustment and continued to implement new controls to alleviate the noted control deficiencies. Other than these items, there has been no change in the Company's internal control over financial reporting that occurred during the year ended

December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Remediation Plan for Material Weakness in Internal Control Over Financial Reporting

In response to the material weakness identified, the Company developed a plan to remediate the material weakness at GCI Holdings. Remediation activities include:

- Continue to hire, train and retain individuals with appropriate skills and experience related to designing, operating and documenting internal control over financial reporting.
- Enhance the comprehensive and continuous risk assessment process to identify and assess financial statement risks and ensure that the financial reporting process and related internal controls are in place to respond to those risks.
- Enhance the design of and implement additional process-level control activities and ensure they are properly evidenced and operating effectively.
- Communicate expectations, monitor for compliance with expectations, and hold individuals accountable for their roles related to internal control over financial reporting.

The Company believes the foregoing efforts will effectively remediate the material weakness described above. Because the reliability of the internal control process requires repeatable execution, the successful on-going remediation of the material weakness will require on-going review and evidence of effectiveness prior to concluding that the controls are effective. The Company's remediation efforts are underway; however, there is no assurance that the remediation efforts will be effective in the future or that additional material weaknesses will not develop or be identified.

KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Member of GCI, LLC:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of GCI, LLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, cash flows, and equity for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Change in accounting principle resulting from the adoption of a new accounting pronouncement.

As discussed in Note 10 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of Accounting Standard Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

KPMG LLP

Denver, Colorado
March 12, 2021

GCI, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
	amounts in thousands	
Assets		
Current assets:		
Cash and cash equivalents	$ 45,382	88,292
Trade and other receivables, net of allowance for doubtful accounts of $6,974 and $7,516, respectively	348,425	114,435
Other current assets	53,249	43,860
Total current assets	447,056	246,587
Investments in equity securities (note 6)	3,550,135	2,605,293
Investments in affiliates, accounted for using the equity method (note 7)	746	167,643
Property and equipment, net	1,033,867	1,090,901
Intangible assets not subject to amortization (note 8)		
Goodwill	818,613	844,182
Cable certificates	305,000	305,000
Other	37,500	41,500
	1,161,113	1,190,682
Intangible assets subject to amortization, net (note 8)	347,932	391,979
Other assets, net	160,086	295,693
Noncurrent assets of discontinued operations (note 4)	—	5,367,242
Total assets	$ 6,700,935	11,356,020

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2020 and 2019

		December 31, 2020	December 31, 2019
		amounts in thousands	
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$	93,798	92,747
Deferred revenue		25,843	27,886
Current portion of debt (note 9)		4,676	3,008
Other current liabilities		64,262	66,016
Total current liabilities		188,579	189,657
Long-term debt, net (note 9)		1,293,956	2,604,371
Loans from GCI Liberty		—	117,462
Obligations under finance leases and tower obligations, excluding current portion		86,344	97,507
Long-term deferred revenue		46,521	57,986
Deferred income tax liabilities (note 11)		1,047,888	777,488
Derivative instrument (note 5)		—	71,305
Other liabilities		132,373	133,020
Noncurrent liabilities of discontinued operations (note 4)		—	801,155
Total liabilities		2,795,661	4,849,951
Equity			
Member's equity:			
Member's investment		—	3,311,400
Retained earnings		3,892,621	3,185,869
Total member's equity		3,892,621	6,497,269
Non-controlling interests		12,653	8,800
Total equity		3,905,274	6,506,069
Commitments and contingencies (note 14)			
Total liabilities and equity	$	6,700,935	11,356,020

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2020 and 2019

		Year ended December 31,	
		2020	2019
		amounts in thousands	
Revenue	$	958,217	894,733
Operating costs and expenses:			
Operating expense (exclusive of depreciation and amortization shown separately below)		282,233	285,331
Selling, general and administrative, including stock-based compensation		385,381	397,227
Depreciation and amortization expense		250,838	266,333
Impairment of intangibles and long-lived assets		—	167,062
Insurance proceeds and restructuring, net		—	(5,758)
		918,452	1,110,195
Operating income (loss)		39,765	(215,462)
Other income (expense):			
Interest expense (including amortization of deferred loan fees)		(113,992)	(137,618)
Share of earnings (losses) of affiliates, net (note 7)		(15,308)	(2,629)
Realized and unrealized gains (losses) on financial instruments, net (note 5)		953,060	1,023,771
Gain (loss) on early extinguishment of debt		(24,908)	—
Other, net		(1,132)	6,395
		797,720	889,919
Earnings (loss) from continuing operations before income taxes		837,485	674,457
Income tax (expense) benefit (note 11)		(242,513)	(165,911)
Earnings (loss) from continuing operations		594,972	508,546
Earnings (loss) from discontinued operations, net of taxes (note 4)		1,001,099	1,677,166
Net earnings (loss)		1,596,071	2,185,712
Less net earnings (loss) attributable to the non-controlling interests		(102)	(456)
Net earnings (loss) attributable to member	$	1,596,173	2,186,168

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

	Year ended December 31,	
	2020	2019
	amounts in thousands (See note 3)	
Cash flows from operating activities:		
Net earnings (loss)	$ 1,596,071	2,185,712
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
(Earnings) loss from discontinued operations	(1,001,099)	(1,677,166)
Depreciation and amortization	250,838	266,333
Stock-based compensation expense	16,124	24,897
Share of (earnings) losses of affiliates, net	15,308	2,629
Realized and unrealized (gains) losses on financial instruments, net	(953,060)	(1,023,771)
(Gain) loss on extinguishment of debt	24,908	—
Deferred income tax expense (benefit)	242,595	165,858
Impairment of intangibles and long-lived assets	—	167,062
Other, net	7,042	4,777
Change in operating assets and liabilities:		
Current and other assets	(85,785)	(13,294)
Payables and other liabilities	(48,203)	(42,008)
Net cash provided (used) by operating activities	64,739	61,029
Cash flows from investing activities:		
Capital expended for property and equipment	(137,884)	(148,481)
Proceeds from derivative instrument	—	105,866
Settlement of derivative instrument	—	(105,866)
Other investing activities, net	29,611	17,799
Net cash provided (used) by investing activities	(108,273)	(130,682)
Cash flows from financing activities:		
Borrowings of debt	794,178	877,308
Borrowings from GCI Liberty	30,130	5,000
Repayment of debt, finance leases and tower obligations	(2,122,908)	(688,901)
Contributions from (distributions to) member	1,327,460	(180,166)
Distribution to non-controlling interests	—	29
Other financing activities, net	(19,376)	(20,211)
Net cash provided (used) by financing activities	9,484	(6,941)
Net increase (decrease) in cash, cash equivalents and restricted cash	(34,050)	(76,594)
Cash, cash equivalents and restricted cash at beginning of period	94,922	171,516
Cash, cash equivalents and restricted cash at end of period	$ 60,872	94,922

See accompanying notes to consolidated financial statements.

GCI, LLC AND SUBSIDIARIES

Consolidated Statement of Equity

Years ended December 31, 2020 and 2019

	Member's investment	Retained earnings	Non-controlling interest in equity of subsidiaries	Total equity
	amounts in thousands			
Balances at January 1, 2019	$ 3,478,744	999,706	9,567	4,488,017
Net earnings (loss)	—	2,186,168	(456)	2,185,712
Stock-based compensation	26,019	—	—	26,019
Contributions from (distributions to) member, net	(179,257)	—	—	(179,257)
Withholding taxes on net share settlements of stock-based compensation	(11,088)	—	—	(11,088)
Other	(3,018)	(5)	(311)	(3,334)
Balances at December 31, 2019	3,311,400	3,185,869	8,800	6,506,069
Net earnings (loss)	—	1,596,173	(102)	1,596,071
Stock-based compensation	16,077	—	—	16,077
Contributions from (distributions to) member, net	(4,208,345)	—	—	(4,208,345)
Reclass negative member's investment	886,440	(886,440)	—	—
Other	(5,572)	(2,981)	3,955	(4,598)
Balances at December 31, 2020	$ —	3,892,621	12,653	3,905,274

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

GCI, LLC is comprised of two operating entities, GCI Holdings, LLC ("GCI Holdings") and Evite, Inc. ("Evite") (until Evite was sold on September 14, 2020), as well as equity interests in Liberty Broadband Corporation ("Liberty Broadband") (until Liberty Broadband was distributed to parent on December 21, 2020), Charter Communications, Inc. ("Charter") (until Charter was distributed to parent on February 16, 2021), and LendingTree, Inc. ("LendingTree") (until LendingTree was distributed to parent on November 16, 2020) and other assets and liabilities.

GCI, LLC is an indirect wholly-owned subsidiary of Liberty Broadband as of December 31, 2020 as a result of the merger between GCI, LLC's parent, GCI Liberty, Inc. ("GCI Liberty"), and Liberty Broadband that was completed on December 18, 2020. Pursuant to the Agreement and Plan of Merger, dated as of August 6, 2020, entered into by GCI Liberty, Liberty Broadband, Grizzly Merger Sub 1, LLC, a wholly owned subsidiary of Liberty Broadband ("Merger LLC"), and Grizzly Merger Sub 2, Inc., a wholly owned subsidiary of Merger LLC ("Merger Sub"), Merger Sub merged with and into GCI Liberty (the "First Merger"), with GCI Liberty surviving the First Merger as an indirect wholly owned subsidiary of Liberty Broadband (the "Surviving Corporation"), and immediately following the First Merger, GCI Liberty (as the Surviving Corporation in the First Merger) merged with and into Merger LLC (the "Upstream Merger", and together with the First Merger, the "Combination"), with Merger LLC surviving the Upstream Merger as a wholly owned subsidiary of Liberty Broadband.

Although GCI, LLC's parent company was acquired on December 18, 2020, GCI, LLC has not elected to apply pushdown accounting in these consolidated financial statements but it may elect to do so in the future. Accordingly, these consolidated financial statements reflect the historical net assets, operations, and cash flows of GCI, LLC without regard to the acquisition of its parent company by Liberty Broadband.

In December 2019, Chinese officials reported a novel coronavirus outbreak ("COVID-19"). COVID-19 has since spread through China and internationally. On March 11, 2020, the World Health Organization assessed COVID-19 as a global pandemic, causing many countries throughout the world to take aggressive actions, including imposing travel restrictions and stay-at-home orders, closing public attractions and restaurants, and mandating social distancing practices, which has caused a significant disruption to most sectors of the economy.

We are not presently aware of any events or circumstances arising from the COVID-19 pandemic that would require us to update our estimates or judgments or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained, and any such changes will be recognized in the consolidated financial statements. Actual results could differ from estimates, and any such differences may be material to our financial statements.

The accompanying consolidated financial statements refer to the combination of GCI Holdings, an indirect wholly-owned subsidiary of GCI, LLC, non-controlling interests in Liberty Broadband (until Liberty Broadband was distributed to parent on December 21, 2020), Charter (until Charter was distributed to parent on February 16, 2021) and LendingTree (until its stake in LendingTree was distributed to parent on November 16, 2020), a controlling interest in Evite (until Evite was sold on September 14, 2020), and certain other assets and liabilities as the "Company", "us", "we" and "our." The sale of Evite did not have a material impact to the Company's financial results. As discussed in note 4, the consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Company, through its ownership of interests in subsidiaries and other companies, is primarily engaged in providing a full range of wireless, data, video, voice, and managed services to residential customers, businesses, governmental entities, and educational and medical institutions primarily in Alaska.

Loans from GCI Liberty

Broadband Holdco, LLC ("Broadband Holdco"), a wholly-owned subsidiary of GCI, LLC, entered into a Master Revolving Subordinated Promissory Note with GCI Liberty where it can borrow up to $500.0 million on a revolving basis (the "Subordinated Revolving Note"). The outstanding balance of $133.6 million was forgiven on December 18, 2020 as a result of the Combination, although the note was not cancelled and there remains $500.0 million undrawn as of December 31, 2020. The interest rate on the Subordinated Revolving Note was the applicable interest rate on the Margin Loan (as defined in note 9). The Subordinated Revolving Note had an outstanding balance of zero and $105.4 million as of December 31, 2020 and 2019, respectively.

Evite had entered into a master promissory note with GCI Liberty where it could borrow up to $17.5 million on a revolving basis. The outstanding balance of $17.5 million was forgiven when Evite was sold. The master promissory note had a fixed interest rate of 3.0% and an outstanding balance of $12.1 million as of December 31, 2019.

Agreements

In connection with a prior period split-off (the "Transactions"), Qurate Retail, Inc. ("Qurate Retail"), Liberty Media Corporation ("Liberty Media") (or its subsidiary) and GCI Liberty entered into certain agreements in order to govern certain of the ongoing relationships among the companies to provide for an orderly transition. These agreements included an indemnification agreement, a reorganization agreement, a services agreement, a facilities sharing agreement and a tax sharing agreement and were in effect until the Combination was completed on December 18, 2020.

The reorganization agreement provided for, among other things, the principal corporate transactions (including the internal restructuring) required to effect the Transactions and certain conditions to and provisions governing the relationship between GCI Liberty and Qurate Retail (for accounting purposes a related party of GCI, LLC) with respect to and resulting from the Transactions. The tax sharing agreement provided for the allocation and indemnification of tax liabilities and benefits between Qurate Retail and GCI Liberty and other agreements related to tax matters. Pursuant to the tax sharing agreement, GCI Liberty had agreed to indemnify Qurate Retail for taxes and tax-related losses resulting from a prior period split-off to the extent such taxes or tax-related losses (i) result primarily from, individually or in the aggregate, the breach of certain restrictive covenants made by GCI Liberty (applicable to actions or failures to act by GCI Liberty and its subsidiaries following the completion of the split-off), or (ii) result from Section 355(e) of the Internal Revenue Code applying to the split-off as a result of the split-off being part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, a 50-percent or greater interest (measured by vote or value) in the stock of GCI Liberty (or any successor corporation). Pursuant to the services agreement, Liberty Media provided GCI Liberty with general and administrative services including legal, tax, accounting, treasury and investor relations support. See below for a description of an amendment to the services agreement entered into in December 2019.

Under the facilities sharing agreement, GCI Liberty shared office space with Liberty Media and related amenities at its corporate headquarters. GCI Liberty reimburses Liberty Media for direct, out-of-pocket expenses incurred by Liberty Media in providing these services and for costs negotiated semi-annually.

Liberty Media was a related party of GCI Liberty for accounting purposes as a result of the services agreement. Under these agreements, amounts reimbursable to Liberty Media were approximately $7.4 million and $9.7 million for the years ended December 31, 2020 and 2019, respectively.

In December 2019, GCI Liberty entered into an amendment to the services agreement with Liberty Media in connection with Liberty Media's entry into a new employment arrangement with Gregory B. Maffei, GCI Liberty's President and Chief Executive Officer. Under the amended services agreement, components of his compensation will either be paid directly to him by each of GCI Liberty, Liberty TripAdvisor Holdings, Inc., Liberty Broadband, and Qurate Retail (collectively, the "Service Companies") or reimbursed to Liberty Media, in each case, based on allocations among Liberty Media and the Service Companies set forth in the amended services agreement, currently set at 14% for GCI Liberty but subject to adjustment on an annual basis upon the occurrence of certain events. The amended services agreement between Liberty Media and Mr. Maffei provides for a five year employment term which began on January 1, 2020 and ends December 31, 2024, with an aggregate annual base salary of $3 million (with no contracted increase), an aggregate one-time cash commitment bonus of $5 million (paid in December 2019), an aggregate annual target cash performance bonus of $17 million, aggregate annual equity awards of $17.5 million and aggregate equity awards granted in connection with his entry into his new agreement of $90 million (the "upfront awards"). A portion of the grants made to Mr. Maffei in the year ended December 31, 2020 related to our company's allocable portion of these upfront awards.

Following the Combination, GCI Liberty's services agreement with Liberty Media was terminated.

Subsequent Events

The Company has evaluated subsequent events through March 12, 2021 and has discussed subsequent events throughout the notes to the consolidated financial statements in the note in which the subsequent event is expected to have an impact.

(2) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash consists of cash deposits held in global financial institutions. Cash equivalents consist of highly liquid investments with original maturities of three months or less at the time of acquisition. Cash that has restrictions upon its usage has been excluded from cash and cash equivalents. Financial instruments, which potentially subject the Company to concentration of credit risk, consist primarily of cash and cash equivalents and corporate debt securities. The Company maintains some cash and cash equivalents balances with financial institutions that are in excess of Federal Deposit Insurance Corporation insurance limits.

Accounts Receivable and Allowance for Doubtful Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is the Company’s best estimate of the amount of probable credit losses in its existing accounts receivable. The Company bases its estimates on the aging of its accounts receivable balances, financial health of specific customers, regional economic data, changes in its collections process, regulatory requirements and its customers’ compliance with Universal Service Administrative Company rules. The Company reviews its allowance for doubtful receivables methodology at least annually.

Depending upon the type of account receivable the Company’s allowance is calculated using a pooled basis with an allowance for all accounts greater than 120 days past due, a pooled basis using a percentage of related accounts, or a specific identification method. When a specific identification method is used, potentially uncollectible accounts due to bankruptcy or other issues are reviewed individually for collectability. Account balances are charged off against the allowance when it determines that it is probable the receivable will not be recovered. The Company does not have any off-balance-sheet credit exposure related to its customers.

Changes in the allowance for doubtful receivables during the years ended December 31, 2020 and 2019 are summarized below (amounts in thousands):

		Additions		Deductions	
Description	**Balance at beginning of year**	**Charged to costs and expenses**	**Effect of Accounting Change**	**Write-offs net of recoveries**	**Balance at end of year**
2020	$ 13,172	1,646	4,083	2,057	16,844
2019	$ 7,555	10,139	—	4,522	13,172

As of December 31, 2020, $7.0 million and $9.8 million of the allowance for doubtful receivables is recorded in Trade and other receivables, net and Other assets, net, respectively, in the consolidated balance sheets.

Investments

All marketable equity and debt securities held by the Company are carried at fair value, generally based on quoted market prices and changes in the fair value of such securities are reported in realized and unrealized gain (losses) on financial instruments in the accompanying consolidated statements of operations. The Company elected the measurement alternative (defined as the cost of the security, adjusted for changes in fair value when there are observable prices, less impairments) for its equity securities without readily determinable fair values.

For those investments in affiliates in which the Company has the ability to exercise significant influence, the equity method of accounting is used. Under this method, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the affiliate as they occur rather than as dividends or other distributions are received. Losses are limited to the extent of the Company's investment in, advances to and commitments for the investee. In the event the Company is unable to obtain accurate financial information from an equity affiliate in a timely manner, the Company records its share of earnings or losses of such affiliate on a lag.

Changes in the Company's proportionate share of the underlying equity of an equity method investee, which result from the issuance of additional equity securities by such equity investee, are recognized in the statements of operations through the Other, net line item. To the extent there is a difference between the Company's ownership percentage in the underlying equity of an equity method investee and the Company's carrying value, such difference is accounted for as if the equity method investee were a consolidated subsidiary.

The Company continually reviews its equity method investments to determine whether a decline in fair value below the carrying value is other than temporary. The primary factors the Company considers in its determination are the length of time that the fair value of the investment is below the Company's carrying value; the severity of the decline; and the financial condition, operating performance and near term prospects of the investee. In addition, the Company considers the reason for the decline in fair value, be it general market conditions, industry specific or investee specific; analysts' ratings and estimates of 12-month share price targets for the investee; changes in stock price or valuation subsequent to the balance sheet date; and the Company's intent and ability to hold the investment for a period of time sufficient to allow for a recovery in fair value. If the decline in fair value is deemed to be other than temporary, the carrying value of the equity method investment is written down to fair value. In situations where the fair value of an investment is not evident due to a lack of a public market price or other factors, the Company uses its best estimates and assumptions to arrive at the estimated fair value of such investment. The Company's assessment of the foregoing factors involves a high degree of judgment and accordingly, actual results may differ materially from the Company's estimates and judgments. Writedowns for equity method investments are included in share of earnings (losses) of affiliates.

As the Company does not control the decision making process or business management practices of our affiliates accounted for using the equity method, the Company relies on management of these affiliates to provide it with accurate financial information prepared in accordance with GAAP that the Company uses in the application of the equity method. In addition, the Company relies on audit reports that are provided by the affiliates' independent auditors on the financial statements of such affiliates. The Company is not aware, however, of any errors in or possible misstatements of the financial information provided by its equity affiliates that would have a material effect on its consolidated financial statements.

The Company performs a qualitative assessment each reporting period for its equity securities without readily determinable fair values to identify whether an equity security could be impaired. When the Company's qualitative assessment indicates that an impairment could exist, it estimates the fair value of the investment and to the extent the fair value is less than the carrying value, it records the difference as an impairment in the consolidated statements of operations.

Derivative Instruments

The Company's derivative is recorded on the balance sheet at fair value. The Company's derivative is not designated as a hedge, and changes in the fair value of the derivative are recognized in earnings.

The fair value of the Company's derivative instrument is estimated using the Black-Scholes-Merton model. The Black-Scholes-Merton model incorporates a number of variables in determining such fair values, including expected volatility of the underlying security and an appropriate discount rate. The Company obtains volatility rates from pricing services based on the expected volatility of the underlying security over the remaining term of the derivative instrument. A discount rate is obtained at the inception of the derivative instrument and updated each reporting period, based on the Company's estimate of the discount rate at which it could currently settle the derivative instrument. The Company considered its own credit risk as well as the credit risk of its counterparties in estimating the discount rate. Management judgment is required in estimating the Black-Scholes-Merton model variables. The Company had no outstanding derivative instruments at December 31, 2020.

Property and Equipment

Property and equipment is stated at depreciated cost less impairments, if any. Construction costs of facilities are capitalized. Construction in progress represents transmission equipment and support equipment and systems not placed in service on December 31, 2020, that management intends to place in service when assets are ready for their intended use. Depreciation is computed using the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term, if applicable.

Net property and equipment consists of the following:

	December 31,	
	2020	**2019**
	amounts in thousands	
Land and buildings (25 years)	$ 133,690	118,973
Telephony transmission equipment and distribution facilities (5-20 years)	945,657	837,966
Cable transmission equipment and distribution facilities (5-30 years)	130,384	120,642
Support equipment and systems (3-20 years)	136,730	132,854
Customer premise equipment (2-20 years)	45,651	34,202
Fiber optic cable systems (15-25 years)	54,688	53,646
Other (5-15 years)	15,226	21,478
Property and equipment under finance leases	17,695	17,695
Construction in progress	64,663	95,386
	1,544,384	1,432,842
Less accumulated depreciation	502,521	336,691
Less accumulated depreciation on property and equipment under finance leases	7,996	5,250
Property and equipment, net	$ 1,033,867	1,090,901

Depreciation of property and equipment under finance leases is included in depreciation and amortization expense in the consolidated statements of operations. Depreciation expense for the years ended December 31, 2020 and 2019 was $194.8 million and $204.2 million, respectively.

Repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized. Accumulated depreciation is removed and gains or losses are recognized at the time of sales or other dispositions of property and equipment.

Material interest costs incurred during the construction period of non-software capital projects are capitalized. Interest is capitalized in the period commencing with the first expenditure for a qualifying capital project and ending when the capital project is substantially complete and ready for its intended use. Capitalized interest costs were $2.2 million and $4.2 million for the years ended December 31, 2020 and 2019, respectively.

Impairment of Long-lived Assets

The Company periodically reviews the carrying amounts of its property and equipment and its intangible assets (other than goodwill and indefinite-lived intangible assets) to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. If the carrying amount of the asset group is greater than the expected undiscounted cash flows to be generated by such asset group, including its ultimate disposition, an impairment adjustment is to be recognized. Such adjustment is measured by the amount that the carrying value of such asset groups exceeds their fair value. The Company generally measures fair value by considering sale prices for similar asset groups or by discounting estimated future cash flows using an appropriate discount rate. Considerable management judgment is necessary to estimate the fair value of asset groups. Accordingly, actual results could vary significantly from such estimates. Asset groups to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

Asset Retirement Obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred in Other liabilities in the consolidated balance sheet. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. In periods subsequent to initial measurement, changes in the liability for an asset retirement obligation resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

The majority of the Company's asset retirement obligations are the estimated cost to remove telephony transmission equipment and support equipment from leased property. The asset retirement obligation is in Other liabilities in the consolidated balance sheets. Following is a reconciliation of the beginning and ending aggregate carrying amounts of the liability for asset retirement obligations (amounts in thousands):

Balance at January 1, 2019	$	40,461
Liability incurred		217
Accretion expense		1,596
Liability settled		(74)
Balance at December 31, 2019		42,200
Liability incurred		21,829
Accretion expense		1,022
Liability settled		(87)
Balance at December 31, 2020	$	64,964

Certain of the Company's network facilities are on property that requires it to have a permit and the permit contains provisions requiring the Company to remove its network facilities in the event the permit is not renewed. The Company expects to continually renew its permits and therefore cannot estimate any liabilities associated with such agreements. A remote possibility exists that the Company would not be able to successfully renew a permit, which could result in it incurring significant expense in complying with restoration or removal provisions.

Intangible Assets

Internally used software, whether developed or purchased and installed as is, is capitalized and amortized using the straight-line method over an estimated useful life of three to five years. The Company capitalizes certain costs associated with internally developed software such as payroll costs of employees devoting time to the projects, external direct costs for materials and services, and interest costs incurred. Costs associated with internally developed software to be used internally are expensed until the point the project has reached the development stage. Subsequent additions, modifications or upgrades to internal-use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. The capitalization of software requires judgment in determining when a project has reached the development stage.

The Company has Software as a Service ("SaaS") arrangements which are accounted for as service agreements, and are not capitalized. Internal and other third party costs for SaaS arrangements are expensed as incurred. Data migration costs for such arrangements are expensed consistent with the same type of costs for internally developed and modified software. Additionally, configuration costs paid to the vendor are recorded as a prepaid expense and expensed over the term of the SaaS arrangement.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment upon certain triggering events. Intangible assets with estimable useful lives are being amortized over 1 to 20 year periods with a weighted-average life of 13.6 years.

Goodwill, cable certificates (certificates of convenience and public necessity) and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Cable certificates represent certain perpetual operating rights to provide cable services. Goodwill represents the excess of cost over fair value of net assets acquired in connection with a business acquisition. The Company's annual impairment assessment of its indefinite-lived intangible assets is performed during the fourth quarter of each year.

The accounting guidance allows entities the option to perform a qualitative impairment test for goodwill. The entity may resume performing the quantitative assessment in any subsequent period. In evaluating goodwill on a qualitative basis, the Company reviews the business performance of each reporting unit and evaluates other relevant factors as identified in the relevant accounting guidance to determine whether it was more likely than not that an indicated impairment exists for any of its reporting units. The Company considers whether there are any negative macroeconomic conditions, industry specific conditions, market changes, increased competition, increased costs in doing business, management challenges, the legal environments and how these factors might impact company specific performance in future periods. As part of the analysis the Company also considers fair value determinations for certain reporting units that have been made at various points throughout the current year and prior year for other purposes. If based on the qualitative analysis it is more likely than not that an impairment exists, the Company performs the quantitative impairment test.

The quantitative goodwill impairment test compares the estimated fair value of a reporting unit to its carrying value and to the extent the carrying value is greater than the fair value, the difference is recorded as an impairment in the consolidated statements of operations. Developing estimates of fair value requires significant judgments, including making assumptions about appropriate discount rates, perpetual growth rates, relevant comparable market multiples, public trading prices and the amount and timing of expected future cash flows. The cash flows employed in the Company's valuation analyses are based on management's best estimates considering current marketplace factors and risks as well as assumptions of growth rates in future years. There is no assurance that actual results in the future will approximate these forecasts.

The accounting guidance also permits entities to first perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset, other than goodwill, is impaired. The accounting guidance also allows entities the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to the quantitative impairment test. The entity may resume performing the qualitative assessment in any subsequent period. If the qualitative assessment supports that it is more likely than not that the carrying value of the Company's indefinite-lived intangible assets, other than goodwill, exceeds its fair value, then a quantitative assessment is performed. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

See note 8 for information on impairments recorded during the year ended December 31, 2019.

Revenue Recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer. Substantially all of the Company's revenue is earned from services transferred over time. If, at contract inception, the Company determines the time period between when it transfers a promised good or service to a customer and when the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Certain of the Company's customers have guaranteed levels of service. If an interruption in service occurs, the Company does not recognize revenue for any portion of the monthly service fee that will be refunded to the customer or not billed to the customer due to these service level agreements.

Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue-producing transaction that are collected by the Company from a customer, are excluded from revenue from contracts with customers.

Nature of Services and Products

Wireless

Wireless revenue is generated by providing access to, and usage of the Company's network by consumer, business, and wholesale carrier customers. Additionally, the Company generates revenue by selling wireless equipment such as handsets and tablets. In general, access revenue is billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer. Equipment sales revenue associated with the sale of wireless devices and accessories is generally recognized when the products are delivered to and control transfers to the customer. Consideration received from the customer is allocated to the service and products based on stand-alone selling prices when purchased together.

New and existing wireless customers have the option to participate in Upgrade Now, a program that provides eligible customers with the ability to purchase certain wireless devices in installments over a period of up to 24 months. Participating customers have the right to trade-in the original equipment for a new device after making the equivalent of 12 monthly installment payments, provided their handset is in good working condition. Upon upgrade, the outstanding balance of the wireless equipment installment plan is exchanged for the used handset. The Company accounts for this upgrade option as a right of return with a reduction of Revenue and Operating expense for handsets expected to be upgraded based on historical data.

Data

Data revenue is generated by providing data network access, high-speed internet services, and product sales. Monthly service revenue for data network access and high-speed internet services is billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer. Internet service excess usage revenue is recognized when the services are provided. The Company recognizes revenue for product sales when a customer takes possession of the equipment. The Company provides telecommunications engineering services on a time and materials basis. Revenue is recognized for these services as-invoiced.

Video

Video revenue is generated primarily from residential and business customers that subscribe to the Company's cable video plans. Video revenue is billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer.

Voice

Voice revenue is for fixed monthly fees for voice plans as well as usage based fees for long-distance service usage. Voice plan fees are billed in advance, recorded as deferred revenue on the balance sheet, and recognized as the associated services are provided to the customer. Usage based fees are recognized as services are provided.

Arrangements with Multiple Performance Obligations

Contracts with customers may include multiple performance obligations as customers purchase multiple services and products within those contracts. For such arrangements, revenue is allocated to each performance obligation based on the relative standalone selling price for each service or product within the contract. Standalone selling prices are generally determined based on the prices charged to customers.

Significant Judgments

Some contracts with customers include variable consideration, and may require significant judgment to determine the total transaction price, which impacts the amount and timing of revenue recognized. The Company uses historical customer data to estimate the amount of variable consideration included in the total transaction price and reassess its estimate at each reporting period. Any change in the total transaction price due to a change in the estimated variable consideration is allocated to the performance obligations on the same basis as at contract inception. Any portion of a change in transaction price that is allocated to a satisfied or partially satisfied performance obligation is recognized as revenue (or a reduction in revenue) in the period of the transaction price change. Variable consideration has been constrained to reduce the likelihood of a significant revenue reversal.

Often contracts with customers include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the standalone selling price for each distinct performance obligation. Services and products are generally sold separately, and help establish standalone selling price for services and products the Company provides.

Remaining Performance Obligations

The Company expects to recognize revenue in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2020 of $251.0 million in 2021, $155.8 million in 2022, $62.4 million in 2023, $23.8 million in 2024 and $51.2 million in 2025 and thereafter.

The Company applies certain practical expedients as permitted and does not disclose information about remaining performance obligations that have original expected durations of one year or less, information about revenue remaining from usage based performance obligations that are recognized over time as-invoiced, or variable consideration allocated to wholly unsatisfied performance obligations.

Contract Balances

The Company had receivables of $366.3 million and $246.9 million at December 31, 2020 and 2019, respectively, the long-term portion of which are included in Other assets, net. The Company had deferred revenue of $42.2 million and $41.0 million at December 31, 2020 and 2019, respectively, the long-term portion of which are included in Other liabilities. The receivables and deferred revenue are only from contracts with customers. The Company’s customers generally pay for services in advance of the performance obligation and therefore these prepayments are recorded as deferred revenue. The deferred revenue is recognized as revenue in the accompanying consolidated statements of operations as the services are provided. Changes in the contract liability balance for the Company during 2020 was not materially impacted by other factors.

Assets Recognized from the Costs to Obtain a Contract with a Customer

Management expects that incremental commission fees paid to intermediaries as a result of obtaining customer contracts are recoverable and therefore the Company capitalizes them as contract costs.

Capitalized commission fees are amortized based on the transfer of goods or services to which the assets relate which typically range from two to five years, and are included in Selling, general, and administrative expenses.

The Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that otherwise would have been recognized is one year or less. These costs are included in Selling, general, and administrative expenses.

Revenue from contracts with customers, classified by customer type and significant service offerings follows:

	Years ended December 31,	
	2020	2019
	amounts in thousands	
GCI Holdings		
Consumer Revenue		
Wireless	$ 121,424	118,425
Data	188,151	169,332
Video	80,376	83,928
Voice	14,517	16,479
Business Revenue		
Wireless	80,903	76,795
Data	335,956	273,847
Video	22,618	16,170
Voice	26,436	25,740
Evite	9,103	25,071
Lease, grant, and revenue from subsidies	78,733	88,946
Total	958,217	894,733
Corporate and other	—	—
Total	$ 958,217	894,733

Stock-Based Compensation

As more fully described in note 12, the Company has granted to certain directors, employees and employees of its subsidiaries, restricted shares ("RSAs"), restricted stock units ("RSUs") and options to purchase shares of parent company common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options, RSAs and RSUs) based on the grant-date fair value of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and remeasures the fair value of the Award at each reporting date. The Company recognizes forfeitures as they occur.

Stock compensation expense was $16.1 million and $24.9 million for the years ended December 31, 2020 and 2019, respectively, included in Selling, general and administrative expense in the accompanying consolidated statements of operations.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax bases of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards. The deferred tax assets and liabilities are calculated using enacted tax rates in effect for each taxing jurisdiction in which the Company operates for the year in which those temporary differences are expected to be recovered or settled. Net deferred tax assets are then reduced by a valuation allowance if the Company believes it more likely than not that such net deferred tax assets will not be realized. We consider all relevant factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience by jurisdiction, expectations of future taxable income, and the carryforward periods available to us for tax reporting purposes, as well as assessing available tax planning strategies. The effect on deferred tax assets and liabilities of an enacted change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date. Due to inherent complexities arising from the nature of our businesses, future changes in income tax law, tax sharing agreements or variances between our actual and anticipated operating results, we make certain judgments and estimates. Therefore, actual income taxes could materially vary from these estimates.

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Such interest expense is included in interest expense in the accompanying consolidated statements of operations. Any accrual of penalties related to underpayment of income taxes on uncertain tax positions is included in other income (expense) in the accompanying consolidated statements of operations.

We recognize in our consolidated financial statements the impact of a tax position, if that position is more likely than not to be sustained upon an examination, based on the technical merits of the position.

Certain Risks and Concentrations

GCI Holdings offers wireless and wireline telecommunication services, data services, video services, and managed services to customers primarily throughout Alaska. Because of this geographic concentration, growth of GCI Holdings' business and operations depends upon economic conditions in Alaska.

GCI Holdings receives support from each of the various Universal Service Fund ("USF") programs: rural health care, schools and libraries, high-cost, and lifeline. The programs are subject to change by regulatory actions taken by the Federal Communications Commission ("FCC") or legislative actions, therefore, changes to the programs could result in a material decrease in revenue that the Company has recorded. Historical revenue recognized from the programs was 29% and 24% of GCI Holdings' revenue for the year ended December 31, 2020 and 2019, respectively. The Company had USF net receivables of $280.5 million and $151.2 million at December 31, 2020 and 2019, respectively. See note 14 for more information regarding the rural health care receivables.

Contingent Liabilities

Periodically, we review the status of all significant outstanding matters to assess any potential financial exposure. When (i) a liability has been incurred and (ii) the amount of the loss can be reasonably estimated, we record the estimated loss in our consolidated statements of operations. We provide disclosure in the notes to the consolidated financial statements for loss contingencies that do not meet both these conditions if there is a reasonable possibility that a loss may have been incurred that would be material to the financial statements. Significant judgment is required to determine the probability that a liability has been incurred and whether such liability is reasonably estimable. We base accruals made on the best information available at the time which can be highly subjective. The final outcome of these matters could vary significantly from the amounts included in the accompanying consolidated financial statements.

Reclassifications

Reclassifications have been made to the prior years' consolidated financial statements to conform to classifications used in the current year.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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. The Company considers (i) non-recurring fair value measurements of non-financial instruments and (ii) accounting for income taxes to be its most significant estimates.

(3) Supplemental Disclosures to Consolidated Statements of Cash Flows

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Cash paid for interest, net of amounts capitalized	$ 107,899	134,998
Non-cash additions for purchases of property and equipment	$ 17,836	1,571

The following table reconciles cash and cash equivalents and restricted cash reported in the Company's consolidated balance sheets to the total amount presented in its consolidated statements of cash flows:

	Years ended December 31,	
	2020	2019
	amounts in thousands	
Cash and cash equivalents	$ 45,382	88,292
Restricted cash included in other current assets	15,490	6,630
Total cash and cash equivalents and restricted cash at end of period	$ 60,872	94,922

Restricted cash primarily relates to cash restricted for use on GCI Holdings' various arrangements under the New Markets Tax Credits program to help fund various projects that extended terrestrial broadband service for the first time to rural Northwestern Alaska communities via a high capacity hybrid fiber optic and microwave network.

(4) Discontinued Operations

Investment in Liberty Broadband

On May 18, 2016, Qurate Retail completed a $2.4 billion investment in Liberty Broadband Series C non-voting shares (for accounting purposes a related party of the Company) in connection with the merger of Charter and Time Warner Cable Inc. ("TWC"). The proceeds of this investment were used by Liberty Broadband to fund, in part, its acquisition of $5.0 billion of stock in the new public parent company, Charter, of the combined enterprises. Qurate Retail, along with third party investors, all of whom invested on the same terms as Qurate Retail, purchased newly issued shares of Liberty Broadband Series C common stock at a per share price of $56.23, which was determined based upon the fair value of Liberty Broadband's net assets on a sum-of-the parts basis at the time the investment agreements were executed in May 2015. Qurate Retail, as part of the merger described above, exchanged, in a tax-free transaction, its shares of TWC common stock for shares of Charter Class A common stock, on a one-for-one basis, and Qurate Retail granted to Liberty Broadband a proxy and a right of first refusal with respect to the shares of Charter Class A common stock held by Qurate Retail following the exchange, which proxy and right of first refusal was assigned to GCI Liberty in connection with the completion of the Transactions. Due to overlapping boards of directors and management between Liberty Broadband and GCI Liberty, the Company was deemed to have significant influence over Liberty Broadband for accounting purposes, even though the Company did not have any voting rights. Prior to the Combination, the Company had elected to apply the fair value option for its investment in Liberty Broadband (Level 1) as it is believed that investors value this investment based on the trading price of Liberty Broadband. The Company recognized changes in the fair value of its investment in Liberty Broadband in realized and unrealized gains (losses) on financial instruments, net in the consolidated statements of operations. The Company's investment in Liberty Broadband was distributed to parent on December 21, 2020. Accordingly, the consolidated financial statements of GCI, LLC have been prepared to reflect the investment in Liberty Broadband as discontinued operations.

Certain financial information for the Company's investment in Liberty Broadband, which is included in the discontinued operations line items of the consolidated balance sheets as of December 31, 2020, is as follows (amounts in thousands):

	December 31, 2019
Investment in Liberty Broadband measured at fair value	$ 5,367,242
Deferred income tax liabilities	$ 801,155

Certain financial information for the Company's investment in Liberty Broadband, which is included in earnings (loss) from discontinued operations, is as follows (amounts in thousands):

	Years ended December 31,	
	2020	2019
Earnings (loss) before income taxes	$ 1,371,368	2,292,869
Income tax (expense) benefit	$ (370,269)	(615,703)

There were no cash impacts from presenting the Company's investment in Liberty Broadband as a discontinued operation due to the nature of the investment.

Prior to the Combination, the Company accounted for its investment in Liberty Broadband at its fair value. Accordingly, Liberty Broadband's assets, liabilities and results of operations were not included in GCI LLC's financial statements. Summary financial information for Liberty Broadband for the periods prior to the Combination is as follows:

	December 31, 2019
	amounts in thousands
Current assets	$ 52,133
Total assets	$ 12,256,342
Current liabilities	$ 12,139
Total liabilities	$ 1,588,396
Equity	$ 10,667,946

	Year ended December 31, 2019
	amounts in thousands
Operating income (loss)	$ (29,277)
Share of earnings (losses) of affiliates	$ 286,401
Gain (loss) on dilution of investment in affiliate	$ (79,329)
Income tax benefit (expense)	$ (37,942)
Net earnings (loss)	$ 117,216

(5) Assets and Liabilities Measured at Fair Value

For assets and liabilities required to be reported at fair value, GAAP provides a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs, other than quoted market prices included within Level 1, are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level 3.

The Company's assets and liabilities measured at fair value are as follows:

Description	December 31, 2020 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	December 31, 2019 Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
	amounts in thousands					
Cash equivalents	$ 11,790	11,790	—	54,552	54,552	—
Equity securities	$ 3,544,850	3,544,850	—	2,600,008	2,600,008	—
Derivative instrument liability	$ —	—	—	71,305	—	71,305

On April 29, 2019, the Company entered into a new 3-year variable forward with respect to 642,850 LendingTree shares. The variable forward was executed at the LendingTree closing price on April 29, 2019 of $376.35 per share and has a floor price of zero and has a cap price of $254.00 per share. The fair value of the variable forward was derived from a Black-Scholes-Merton model using observable market data as the significant inputs. In connection with the distribution of the Company's stake in LendingTree to parent, this forward sale contract was also distributed on November 16, 2020.

Realized and Unrealized Gains (Losses) on Financial Instruments, net

Realized and unrealized gains (losses) on financial instruments, net are comprised of changes in the fair value of the following:

	Years ended December 31, 2020	2019
	amounts in thousands	
Equity securities	$ 945,792	1,074,736
Derivative instruments	7,268	(50,965)
	$ 953,060	1,023,771

(6) Investments in Equity Securities

Investments in equity securities, the majority of which are carried at fair value, are summarized as follows:

	December 31, 2020	2019
	amounts in thousands	
Charter (a)	$ 3,544,850	2,599,253
Other investments (b)	5,285	6,040
	$ 3,550,135	2,605,293

(a) A portion of the Charter equity securities are considered covered shares and subject to certain contractual restrictions in accordance with the indemnification agreement initially entered into by GCI Liberty and assumed by Liberty Broadband in connection with the Combination. Pursuant to the indemnification agreement, Liberty Broadband has agreed to indemnify LI LLC for certain payments made to a holder of LI LLC 1.75% exchangeable debentures due 2046. Subsequent to December 31, 2020, the Company completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband.

(b) The Company has elected the measurement alternative for a portion of these securities.

(7) Investments in Affiliates Accounted for Using the Equity Method

Investment in LendingTree

The Company has various investments accounted for using the equity method. On November 16, 2020, the Company distributed its investment in LendingTree to parent.

The following table includes the Company's carrying amount and percentage ownership of the more significant investments in affiliates at December 31, 2020 and the carrying amount at December 31, 2019:

	December 31, 2020			December 31, 2019
	Percentage ownership	Market value	Carrying amount	Carrying amount
		dollars in thousands		
LendingTree (a)	— %	$ —	$ —	166,465
Other	various	NA	746	1,178
			$ 746	167,643

(a) Both the Company's ownership interest in LendingTree and the Company's share of LendingTree's earnings (losses) were reported on a three month lag prior to the distribution of the Company's investment to parent.

The Company's share of LendingTree's losses were losses of $15.0 million and $1.6 million for the years ended December 31, 2020 and 2019, respectively.

(8) Goodwill and Intangible Assets

Goodwill and Indefinite Lived Assets

The sale of Evite, as discussed in note 1 of the accompanying consolidated financial statements, resulted in a reduction to Goodwill of $25.6 million and a reduction in Other intangible assets not subject to amortization related to tradenames of $4.0 million.

Changes in the carrying amount of goodwill are as follows:

	GCI Holdings	Corporate and other	Total
		amounts in thousands	
Balance at January 1,2019	$ 818,613	25,569	844,182
Impairment	—	—	—
Balance at December 31, 2019	$ 818,613	25,569	844,182
Disposition (a)		(25,569)	(25,569)
Balance at December 31, 2020	$ 818,613	—	818,613

As presented in the accompanying consolidated balance sheets, cable certificates are the other significant indefinite lived intangible assets.

Intangible Assets Subject to Amortization

	December 31, 2020			December 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	amounts in thousands					
Customer relationships	$ 385,000	(105,950)	279,050	408,267	(95,167)	313,100
Other amortizable intangibles	125,215	(56,333)	68,882	139,721	(60,842)	78,879
Total	$ 510,215	(162,283)	347,932	547,988	(156,009)	391,979

Amortization expense for intangible assets with finite useful lives was $56.1 million and $62.1 million for the years ended December 31, 2020 and 2019, respectively. Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

Years ending December 31,	
2021	$ 47,489
2022	$ 42,276
2023	$ 37,698
2024	$ 32,920
2025	$ 27,591

Impairments

During the year ended December 31, 2019, the Company recorded an impairment loss of $157.0 million related to its wireless licenses due to increased uncertainty around long-term wireless revenue. The fair value of the wireless licenses was determined using an income approach (level 3).

As of December 31, 2020, the GCI Holdings and Corporate and Other segments have accumulated goodwill impairment losses of $147.4 million and $55.7 million, respectively.

(9) Debt

Debt is summarized as follows:

	Outstanding principal	Carrying value	
	December 31, 2020	December 31, 2020	December 31, 2019
	amounts in thousands		
Margin Loan Facility	$ —	—	1,300,000
Senior notes	600,000	600,000	796,138
Senior credit facility	704,000	704,000	512,666
Wells Fargo note payable	6,442	6,442	7,066
Deferred financing costs	—	(11,810)	(8,491)
Total debt	$ 1,310,442	1,298,632	2,607,379
Debt classified as current		(4,676)	(3,008)
Total long-term debt		$ 1,293,956	2,604,371

Margin Loan

On December 29, 2017, Broadband Holdco, a wholly owned subsidiary of, at such time, Qurate Retail, and now the Company, entered into a margin loan agreement with various lender parties consisting of a term loan in an aggregate principal amount of $1.0 billion (the “Margin Loan”). 42,681,842 shares of Liberty Broadband Series C common stock were previously pledged by Broadband Holdco as collateral for the loan. The Margin Loan had a term of two years with an interest rate of LIBOR plus 1.85% and an undrawn commitment fee of up to 1.0% per annum. Deferred financing costs incurred on the Margin Loan are reflected in Long-term debt, net in the consolidated balance sheet. In connection with the completion of the Transactions, Broadband Holdco borrowed the full principal amount of the Margin Loan. A portion of the proceeds of the Margin Loan were used to make a distribution to Qurate Retail of $1.1 billion to be used within one year for the repurchase of QVC Group stock (now the Qurate Retail common stock) or to pay down certain debt at Qurate Retail, and for the payment of fees and other costs and expenses, in each case, pursuant to the terms of the reorganization agreement. The distributed loan proceeds constituted a portion of the cash reattributed to the QVC Group.

On October 5, 2018 (the “Closing Date”), Broadband Holdco entered into Amendment No. 1 (the “Amendment”) to the Margin Loan. Pursuant to the Amendment, lenders under the Margin Loan have agreed to, among other things, provide commitments (the “Revolving Commitments”) for a new revolving credit facility in an aggregate principal amount of up to $200.0 million (the “Revolving Credit Facility” and, the loans thereunder, the “Revolving Loans”). The Revolving Credit Facility established under the Amendment is in addition to the existing term loan credit facility under the Margin Loan (the “Term Loan Facility”). On the Closing Date, Broadband Holdco drew down on the full amount of the commitments under the Revolving Credit Facility and applied all of the proceeds to prepay, on the Closing Date, a portion of the loans outstanding under the Term Loan Facility (the “Term Loan Prepayment”). After giving effect to the initial borrowing of Revolving Loans and Term Loan Prepayment on the Closing Date, $800.0 million of loans under the Term Loan Facility were outstanding and $200.0 million of Revolving Loans were outstanding. Subsequent to the Closing Date, the Company repaid $100.0 million of the Revolving Credit Facility. The Amendment also amended certain covenants in the Margin Loan to permit, among other things, Broadband Holdco to enter into a subordinated revolving note with GCI Liberty and certain additional investments.

On November 25, 2019 (the "Amendment No. 2 Closing Date"), Broadband Holdco entered into Amendment No. 2 to the Margin Loan Agreement ("Amendment No. 2" and, together with the Margin Loan and the Amendment, the "Existing Margin Loan Agreement"). Pursuant to Amendment No. 2, lenders under the Margin Loan have agreed to, among other things, extend the maturity date of the Margin Loan to December 29, 2021 and provide commitments for a new delayed draw term loan facility in an aggregate principal amount of $300.0 million ("Delayed Draw Term Loan Facility" and, together with the Revolving Credit Facility and the Term Loan Facility, the "Margin Loan Facility" and the loans thereunder, the "Loans"). The Delayed Draw Term Loan Facility is in addition to the existing Term Loan Facility and Revolving Credit Facility. After giving effect to Amendment No. 2 and the Interest True Up (as defined below), on the Amendment No. 2 Closing Date, $800.0 million of Loans under the Term Loan Facility were outstanding and $100.0 million of Loans under the Revolving Credit Facility were outstanding. No borrowings under the Delayed Draw Term Loan Facility were made at the closing of Amendment No. 2. On the Amendment No. 2 Closing Date, Broadband Holdco paid (i) all accrued and unpaid interest on the Loans outstanding under the Term Loan Facility and Revolving Credit Facility and (ii) all accrued and unpaid fees with respect to the Existing Margin Loan Agreement (the “Interest True Up”).

On August 12, 2020, Broadband Holdco entered into Amendment No. 3 to the Margin Loan Agreement, which amends the original margin loan agreement, dated December 29, 2017 (as amended by that certain Amendment No. 1 to Margin Loan Agreement, dated as of October 5, 2018, and as further amended by that certain Amendment No. 2 to Margin Loan Agreement and Amendment No. 1 to Collateral Account Control Agreement, dated as of November 25, 2019, the Existing Margin Loan Agreement, and the Existing Margin Loan Agreement as amended by the Third Amendment, the “Margin Loan Agreement”). Pursuant to Amendment No. 3, lenders had agreed to, among other things, extend the maturity date of the Margin Loan Agreement to August 24, 2022. This facility provided a delayed draw term loan facility of $300.0 million (“Delayed Draw Term Loan Facility”), a revolving credit facility in an aggregate principal amount of up to $200.0 million (the “Revolving Credit Facility”) and a separate term loan facility in an aggregate amount of $800.0 million (the “Initial Term Loan Facility”; the Delayed Draw Term Loan Facility, the Revolving Credit Facility and the Initial Term Loan Facility, collectively, the “Margin Loan Facilities” and the loans extended thereunder, the “Loans”). As a result of the Combination (as defined in note 1) on December 18, 2020, the outstanding balance of $1.3 billion was repaid and the Margin Loan Agreement was terminated.

The Loans accrued interest at a rate equal to the 3-month LIBOR rate plus a per annum spread of 1.85%, subject to certain conditions and exceptions.

On December 27, 2019, Broadband Holdco borrowed $100.0 million under the Revolving Credit Facility and $300.0 million under the Delayed Draw Term Loan Facility. As of December 31, 2020, the Loans were fully repaid.

Senior Notes

On June 6, 2019, GCI, LLC, a wholly-owned subsidiary of the Company, issued $325.0 million of 6.625% Senior Notes due 2024 at par ("2024 Notes"). Interest on the 2024 Notes and GCI, LLC's 6.875% Senior Notes due 2025 (collectively, the "Senior Notes"), was payable semi-annually in arrears. The 2024 Notes were unsecured and the net proceeds were used to fund the redemption of $325.0 million aggregate outstanding principal amount of GCI, LLC's 6.75% Senior Notes due 2021.

On October 7, 2020, GCI, LLC issued $600.0 million of 4.750% senior notes due 2028 (the "2028 Notes"). The 2028 Notes are unsecured and the net proceeds of the offering, together with cash on hand and net proceeds from incremental borrowings under the Senior Credit Facility (as defined below), were used to fund the redemption of all $450.0 million aggregate outstanding principal amount of the 2025 Notes and the redemption of all $325 million aggregate outstanding principal amount of the 2024 Notes on October 14, 2020 and October 23, 2020, respectively. Additionally, GCI, LLC paid debt call premiums of $23.2 million and $15.5 million on the 2024 Notes and 2025 Notes, respectively.

Interest on the 2028 Notes is payable semi-annually in arrears. The 2028 Notes are redeemable at the Company's option, in whole or in part, at a redemption price defined in the indenture, and accrued and unpaid interest (if any) to the date of redemption.

Senior Credit Facility

On October 15, 2020, GCI, LLC entered into a Seventh Amended and Restated Credit Agreement (the "Senior Credit Facility"), which amended the existing facility to, among other things, extend the maturity dates of the borrowings and commitments under the revolving credit facility and the Term Loan B and increase the aggregate principal amount of the Term Loan B to $400.0 million. The Senior Credit Facility includes a $550.0 million revolving credit facility, with a $25 million sub-limit for standby letters of credit, and a $400.0 million Term Loan B.

The borrowings under the Senior Credit Facility bear interest at either the alternate base rate or LIBOR (based on an interest period selected by GCI, LLC of one month, two months, three months or six months) at the election of GCI, LLC in each case plus a margin. The revolving credit facility borrowings that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin that varies between 0.50% and 1.75% depending on GCI, LLC's total leverage ratio. The revolving credit facility borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin that varies between 1.50% and 2.75% depending on GCI, LLC's total leverage ratio. Term Loan B borrowings that are alternate base rate loans bear interest at a per annum rate equal to the alternate base rate plus a margin of 1.75%. Term Loan B borrowings that are LIBOR loans bear interest at a per annum rate equal to the applicable LIBOR plus a margin of 2.75% with a LIBOR floor of 0.75%.

The borrowings under the revolving credit facility and the Term Loan B under the Amended Credit Facilities are scheduled to mature on October 15, 2025; provided that, if the Term Loan B is not refinanced or repaid in full prior to April 15, 2025, then the borrowings under the revolving credit facility will mature on April 15, 2025. Principal payments are due quarterly on the Term Loan B equal to 0.25% of the original principal amount. The loans are subject to customary mandatory prepayment provisions. Each loan may be prepaid at any time and from time to time without penalty other than customary breakage costs and, in the case of the Term Loan B, subject to a customary six month "soft call." Any amounts prepaid on the revolving credit facility may be reborrowed.

Incremental borrowings under the revolving credit facility and the Term Loan B were used, along with cash on hand, to redeem all $325 million aggregate outstanding principal amount of the 2024 Notes on October 23, 2020.

GCI, LLC's Senior Credit Facility Total Leverage Ratio (as defined in the Senior Credit Facility) may not exceed 6.50 to 1.00, the Secured Leverage Ratio may not exceed 4.50 to 1.00 and the First Lien Leverage Ratio (as defined in the Senior Credit Facility) may not exceed 4.00 to 1.00.

The terms of the Senior Credit Facility include customary representations and warranties, customary affirmative and negative covenants and customary events of default. At any time after the occurrence of an event of default under the Senior Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Senior Credit

Facility immediately due and payable and terminate any commitment to make further loans under the Senior Credit Facility. The obligations under the Senior Credit Facility are secured by a security interest on substantially all of the assets of GCI Holdings and the subsidiary guarantors, as defined in the Senior Credit Facility, and on the stock of GCI Holdings.

As of December 31, 2020, there was $399.0 million outstanding under the Term Loan B, $305.0 million outstanding under the revolving portion of the Senior Credit Facility and $4.0 million in letters of credit under the Senior Credit Facility, leaving $241.0 million available for borrowing.

Subsequent to December 31, 2020, GCI, LLC repaid $180 million on its revolving credit facility and completed an internal restructuring whereby GCI, LLC transferred the subsidiary that holds the Charter shares to Liberty Broadband parent.

Wells Fargo Note Payable

GCI Holdings issued a note to Wells Fargo that matures on July 15, 2029 and is payable in monthly installments of principal and interest (the "Wells Fargo Note Payable"). The interest rate is variable at one month LIBOR plus 2.25%.

The note is subject to similar affirmative and negative covenants as the Senior Credit Facility. The obligations under the note are secured by a security interest and lien on the building purchased with the note.

Debt Covenants

GCI, LLC is subject to covenants and restrictions under its Senior Notes and Senior Credit Facility. GCI, LLC is in compliance with all debt maintenance covenants as of December 31, 2020.

Five Year Maturities

The annual principal maturities of debt, based on stated maturity dates, for each of the next five years is as follows (amounts in thousands):

2021	$	4,676
2022		4,693
2023		4,710
2024		4,727
2025		688,745
2026 and thereafter		602,892
Total debt	$	1,310,442

Fair Value of Debt

The fair value of the Senior Notes was $642.2 million at December 31, 2020.

Due to the variable rate nature of the Margin Loan, Senior Credit Facility and Wells Fargo Note Payable, the Company believes that the carrying amount approximates fair value at December 31, 2020.

(10) Leases

In February 2016 and subsequently, the FASB issued new guidance which revises the accounting for leases ("ASC 842"). Under the new guidance, entities that lease assets are required to recognize assets and liabilities on the balance sheet related to the rights and obligations created by those leases regardless of whether they are classified as finance or operating leases. In addition, new disclosures are required to meet the objective of enabling users of the financial statements to better understand the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted this guidance on January 1, 2019 and elected the optional transition method that allowed for a cumulative-effect adjustment in the period of adoption.

In 2016 and 2017, GCI Holdings sold certain tower sites and entered into a master lease agreement in which it leased back space on those tower sites. At the time, GCI Holdings determined that it was precluded from applying sales-leaseback accounting. Upon adoption of ASC 842, GCI Holdings considered whether this transaction would have resulted in a completed sale-leaseback transaction and concluded that the transaction did not meet the criteria and should continue to be accounted for in the same manner as previously determined.

The Company has entered into finance lease agreements with satellite providers for transponder capacity to transmit voice and data traffic in rural Alaska. The Company is also party to finance lease agreements for an office building and certain retail store locations. The Company also leases office space, land for towers and communication facilities, satellite transponders, fiber capacity, and equipment. These leases are classified as operating leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments using our incremental borrowing rate at the commencement date of the lease. During the twelve months ended December 31, 2019, the Company amended its lease agreement with a satellite provider that resulted in a $22.5 million reduction to the finance lease liability and a $16.0 million reduction to fixed assets, resulting in a gain of $6.5 million that is included in Other, net on the consolidated statements of operations in 2019.

The Company has leases with remaining lease terms that range from less than one year up to 30 years. Certain of the Company's leases may include an option to extend the term of the lease with such options to extend ranging from 2 years up to 38 years. The Company also has the option to terminate certain of its leases early with such options to terminate ranging from as early as 30 days up to 17 years from December 31, 2020.

The components of lease cost during the years ended December 31, 2020 and 2019 were as follows:

	Year ended December 31,	
	2020	**2019**
Operating lease cost (1)	$ 54,804	48,481
Finance lease cost		
Depreciation of leased assets	$ 2,747	4,997
Interest on lease liabilities	501	1,196
Total finance lease cost	$ 3,248	6,193

(1) Included within operating lease costs were short-term lease costs and variable lease costs, which were not material to the financial statements.

The remaining weighted-average lease term and the weighted average discount rate were as follows:

	Year ended December 31, 2020
Weighted-average remaining lease term (years):	
Finance leases	3.1
Operating leases	4.7
Weighted-average discount rate:	
Finance leases	5.2 %
Operating leases	5.1 %

Supplemental balance sheet information related to leases was as follows:

		December 31, 2020	2019
		amounts in thousands	
Operating leases:			
Operating lease ROU assets, net (1)	$	101,379	123,831
Current operating lease liabilities (2)	$	39,958	39,756
Operating lease liabilities (3)		58,577	80,811
Total operating lease liabilities	$	98,535	120,567
Finance Leases:			
Property and equipment, at cost	$	17,695	17,695
Accumulated depreciation		(7,997)	(5,250)
Property and equipment, net	$	9,698	12,445
Current obligations under finance leases (4)	$	3,667	4,640
Obligations under finance leases		3,649	7,281
Total finance lease liabilities	$	7,316	11,921

(1) Operating lease ROU assets, net are included within the Other assets, net line item in the accompanying consolidated balance sheets.
(2) Current operating lease liabilities are included within the Other current liabilities line item in the accompanying consolidated balance sheets.
(3) Operating lease liabilities are included within the Other liabilities line item in the accompanying consolidated balance sheets.
(4) Current obligations under finance leases are included within the Other current liabilities line item in the accompanying consolidated balance sheets.

Supplemental cash flow information related to leases was as follows:

		Year ended December 31, 2020	2019
		amounts in thousands	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	51,768	46,192
Operating cash flows from finance leases	$	521	1,141
Financing cash flows from finance leases	$	4,585	7,717
ROU assets obtained in exchange for lease obligations			
Operating leases	$	9,408	39,515
Finance leases	$	—	—

Future lease payments under finance leases, operating leases and tower obligations with initial terms of one year or more at December 31, 2020 consisted of the following:

	Finance Leases	Operating Leases	Tower Obligations
		amounts in thousands	
2021	$ 3,642	39,850	7,402
2022	1,973	26,126	7,550
2023	678	17,277	7,701
2024	688	8,090	7,855
2025	697	4,005	8,012
Thereafter	349	17,410	117,149
Total lease payments	8,027	112,758	155,669
Less: imputed interest	(711)	(14,223)	(71,661)
Total lease liabilities	$ 7,316	98,535	84,008

(11) Income Taxes

Income tax benefit (expense) consists of:

	Years ended December 31, 2020	2019
	amounts in thousands	
Current:		
Federal	$ 111	(30)
State and local	(29)	(23)
	82	(53)
Deferred:		
Federal	(170,887)	(133,549)
State and local	(71,708)	(32,309)
	(242,595)	(165,858)
Income tax benefit (expense)	$ (242,513)	(165,911)

Income tax benefit (expense) differs from the amounts computed by applying the U.S. federal income tax rate of 21% for the years ended December 31, 2020 and 2019 as a result of the following:

	Years ended December 31, 2020	2019
	amounts in thousands	
Computed expected tax benefit (expense)	$ (175,872)	(141,828)
State and local income taxes, net of federal income taxes	(57,294)	(32,159)
Executive compensation	(4,467)	(2,437)
Change in state tax rate	—	6,657
Deductible stock compensation	1,736	3,394
Change in valuation allowance affecting tax expense	621	(40)
Sale of consolidated subsidiary	(6,343)	—
Other, net	(894)	502
Income tax benefit (expense)	$ (242,513)	(165,911)

For the years ended December 31, 2020 and 2019, income tax expense in excess of expected federal tax expense is primarily due to state income tax expense.

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities are presented below:

	December 31, 2020	December 31, 2019
	amounts in thousands	
Deferred tax assets:		
Loss and capital carryforwards	$ 171,050	168,450
Deferred revenue	16,484	20,026
Accrued stock compensation	3,381	3,889
Debt	—	6,448
Operating lease liability	27,590	33,656
Other accrued liabilities	12,647	9,578
Other future deductible amounts	36,833	35,489
Deferred tax assets	267,985	277,536
Valuation allowance	(745)	(1,366)
Net deferred tax assets	267,240	276,170
Deferred tax liabilities		
Investments	922,990	637,985
Fixed assets	193,889	209,094
Intangible assets	169,721	171,950
Operating lease ROU assets	28,386	34,629
Debt	142	—
Deferred tax liabilities	1,315,128	1,053,658
Net deferred tax liabilities	$ 1,047,888	777,488

During the year ended December 31, 2020, there was a decrease in the valuation allowance of $621,000, all of which affected tax expense.

At December 31, 2020, the Company had federal and state net operating losses and interest expense carryforwards for income tax purposes aggregating approximately $171.0 million (on a tax effected basis). Of the $171.0 million, $85.8 million are carryforwards with no expiration. The future use of the remaining carryforwards of $85.2 million are subject to limitation and expire at certain future dates. Based on current projections, $0.7 million of these carryforwards may expire unused and accordingly are subject to a valuation allowance. The carryforwards that are expected to be utilized will begin to expire in 2028.

As of December 31, 2020, the Company had not recorded tax reserves related to unrecognized tax benefits for uncertain tax positions.

GCI, LLC was part of the GCI Liberty consolidated federal tax group until the date of the Combination, and is part of the Liberty Broadband consolidated federal tax group subsequent to the Combination. As of December 31, 2020, there are no GCI Liberty tax years under IRS examination. Prior to its split-off from Qurate Retail, the Company was part of the Qurate Retail consolidated federal tax group. The IRS has completed its examinations of Qurate Retail's 2017 and 2018 tax years.

(12) Stock-Based Compensation

Incentive Plan

Pursuant to the GCI Liberty, Inc. 2018 Omnibus Incentive Plan, GCI Liberty granted to certain directors, employees and employees of its subsidiaries, restricted stock ("RSAs"), restricted stock units ("RSUs") and options to purchase shares of GCI Liberty's common stock (collectively, "Awards"). The Company measures the cost of employee services received in exchange for an equity classified Award (such as stock options, RSAs and RSUs) based on the grant-date fair value ("GDFV") of the Award, and recognizes that cost over the period during which the employee is required to provide service (usually the vesting period of the Award). The Company measures the cost of employee services received in exchange for a liability classified Award based on the current fair value of the Award, and re-measures the fair value of the Award at each reporting date. Awards generally vest over 1-5 years and have a term of 7-10 years. GCI Liberty issued new shares upon exercise of equity awards. Subsequent to the Combination (as defined in note 1), Liberty Broadband will issue new shares upon exercise of equity awards.

Grants of Stock Options

During the year ended December 31, 2020, and in connection with a new employment agreement for GCI Liberty's CEO, the Company granted to its CEO 359 thousand and 303 thousand options to purchase shares of Series A GCI Liberty common stock ("GLIBA") as part of its CEO's upfront term award detailed in his employment agreement. Such options had a GDFV of $16.60 per share and $24.16 per share, respectively, and vest on December 31, 2023 and December 31, 2024, respectively. Also during the year ended December 31, 2020, the Company granted to its CEO 148 thousand options to purchase shares of GLIBA in conjunction with its CEO's annual awards as detailed in his employment agreement. Such options had a GDFV of $13.21 per share and vested on December 31, 2020. During the year ended December 31, 2019, the Company granted 22 thousand options to purchase shares of Series B GCI Liberty common stock ("GLIBB") to the Company's CEO. Such options had a GDFV of $18.27 per share and cliff vested immediately upon grant.

Also during the year ended December 31, 2020, the Company granted 3 thousand time-based RSUs of GLIBA to its CEO. The RSUs had a GDFV of $59.80 per share and cliff vested on December 10, 2020. This RSU grant was issued in lieu of its CEO receiving 50% of his remaining base salary for the last three quarters of calendar year 2020, and he waived his right to receive the other 50%, in each case, in light of the ongoing financial impact of COVID-19.

During the years ended December 31, 2020 and 2019, the Company granted to its employees and non-employee directors, as applicable, 168 thousand and 57 thousand options, respectively, to purchase shares of GLIBA. Such options had a weighted average GDFV of $23.59 and $18.71 per share, respectively, and vest between one and five years.

During the fourth quarter of 2020 and in connection with the Combination at the close of business on December 18, 2020:

i. Each outstanding stock option to purchase shares of GLIBA or GLIBB (together, "GLIBA/B") was converted to 0.580 of a corresponding stock option to purchase Series C Liberty Broadband common stock ("LBRDK") or Series B Liberty Broadband common stock ("LBRDB" and, together with LBRDK, "LBRDK/B"), rounded down to the nearest whole share. Additionally, the exercise price of the GLIBA/B stock option was divided by 0.580, with the resulting LBRDK/B exercise price rounded up to the nearest cent. Except as described above, all other terms and restrictions of the LBRDK/B stock options are the same as the corresponding original GLIBA/B stock options.

ii. Each outstanding GLIBA RSU was converted to 0.580 of a corresponding LBRDK RSU, rounded down to the nearest whole LBRDK RSU. No cash was paid in lieu of fractional LBRDK RSUs. All terms of the LBRDK RSUs are subject to the same terms and restrictions as those applicable to the corresponding original GLIBA RSUs.

iii. Each outstanding GLIBA RSA was converted to 0.580 of a corresponding LBRDK RSA, rounded down to the nearest whole LBRDK RSA. Cash was issued in lieu of fractional LBRDK RSAs. All terms of the LBRDK RSAs are subject to the same terms and restrictions as those applicable to the corresponding original GLIBA RSAs.

iv. Each outstanding GCI Liberty Series A Cumulative Redeemable Preferred Stock ("GLIBP") RSA was converted into one Liberty Broadband Series A Cumulative Redeemable Preferred Stock ("LBRDP") RSA. All terms of the LBRDP RSAs are subject to the same terms and restrictions as those applicable to the corresponding original GLIBP RSAs.

Awards granted prior to the Combination on December 18, 2020 were issued in GCI Liberty common stock. Subsequent to the Combination and conversion of GCI Liberty Awards into Liberty Broadband Awards, Awards are now referred to as Liberty Broadband Awards.

The Company has calculated the GDFV for all of its equity classified Awards and any subsequent remeasurement of its liability classified Awards using the Black-Scholes-Merton Model. The Company estimates the expected term of the Awards based on historical exercise and forfeiture data. For grants made in 2020 and 2019, the range of expected terms was 4.8 to 6.3 years. The volatility used in the calculation for Awards is based on the historical volatility of GCI Liberty's stock and the implied volatility of publicly traded GCI Liberty options, since all Awards granted in 2020 were issued prior to the Combination on December 18, 2020. For grants made in 2020 and 2019 the range of volatilities was 24.8% to 31.6%. The Company uses a zero dividend rate and the risk-free rate for Treasury Bonds with a term similar to that of the subject options.

Outstanding Awards

The following table presents the number and weighted average exercise price ("WAEP") of Awards to purchase common stock granted to certain officers, employees and directors of GCI Liberty, as well as the weighted average remaining life and aggregate intrinsic value of the Awards.

	GLIBA/LBRDK			
	Awards (000's)	WAEP	Weighted average remaining life	Aggregate intrinsic value (millions)
Outstanding at January 1, 2020 - GLIBA	604	$ 48.67		
Granted - GLIBA	979	$ 80.41		
Exercised - GLIBA	(120)	$ 43.23		
Forfeited/Cancelled - GLIBA	—	$ —		
Outstanding at December 18, 2020 - GLIBA	1,463	$ 70.64		
Award Conversion	(614)			
Granted, Exercised, Forfeited	—			
Outstanding at December 31, 2020 - LBRDK	849	$ 121.80	5.5 years	$ 33
Exercisable at December 31, 2020 - LBRDK	329	$ 87.38	3.9 years	$ 23

Other than the conversion of 1.2 million GLIBB options to 722 thousand LBRDB options with a WAEP of $56.14 per share and $96.79 per share, respectively, there were no changes to outstanding Series B options during the year ended December 31, 2020.

As of December 31, 2020, the total unrecognized compensation cost related to unvested options and RSA/RSUs was approximately $16.3 million and $11.7 million, respectively. Such amounts will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 2.2 years and 2.0 years, respectively.

As of December 31, 2020, Liberty Broadband reserved for issuance upon exercise of outstanding stock options approximately 849 thousand shares of LBRDK and 722 thousand shares of LBRDB.

Option Exercises

The aggregate intrinsic value of all options exercised during the years ended December 31, 2020 and 2019 was $4.2 million and $20.9 million, respectively.

Restricted Stock and Restricted Stock Units

As of December 31, 2020, Liberty Broadband had approximately 329 thousand and 58 thousand unvested RSAs and RSUs of LBRDK and LBRDP, respectively, held by certain directors, officers and employees. These LBRDK and LBRDP unvested RSAs, along with the LBRDK unvested RSUs, had a weighted average GDFV of $138.54 per share.

The aggregate fair value of all restricted shares of common and preferred stock that vested during the years ended December 31, 2020 and 2019 was $17.7 million and $17.2 million, respectively.

(13) Employee Benefit Plans

Subsidiaries of the Company sponsor 401(k) plans, which provide their employees an opportunity to make contributions to a trust for investment in GCI Liberty common stock, as well as other mutual funds. The Company's subsidiaries make matching contributions to their plans based on a percentage of the amount contributed by employees. Employer cash contributions to all plans aggregated $10.3 million and $10.6 million for the years ended December 31, 2020 and 2019, respectively.

(14) Commitments and Contingencies

Guaranteed Service Levels

Certain customers have guaranteed levels of service with varying terms. In the event the Company is unable to provide the minimum service levels, it may incur penalties or issue credits to customers.

Litigation, Disputes, and Regulatory Matters

The Company is involved in various lawsuits, billing disputes, legal proceedings, and regulatory matters that have arisen from time to time in the normal course of business. Management believes there are no proceedings from asserted and unasserted claims which if determined adversely would have a material adverse effect on the Company's financial position, results of operations or liquidity other than as discussed below.

Rural Health Care ("RHC") Program

GCI Holdings receives support from various USF programs including the RHC Program. The USF programs are subject to change by regulatory actions taken by the FCC, interpretations of or compliance with USF program rules, or legislative actions. Changes to any of the USF programs that GCI Holdings participates in could result in a material decrease in revenue and accounts receivable, which could have an adverse effect on GCI Holdings' business and the Company's financial position, results of operations or liquidity. The following paragraphs describe certain separate matters related to the RHC Program that impact or could impact the revenue earned and receivables recognized by the Company. As of December 31, 2020, the Company had net accounts receivable from the RHC Program in the amount of $237 million, which is included within Trade and other receivables in the consolidated balance sheets.

FCC Rate Reduction. In November 2017, the Universal Service Administrative Company ("USAC") requested further information in support of the rural rates charged to a number of GCI Holdings' RHC customers in connection with the funding requests for the year that runs July 1, 2017 through June 30, 2018. On October 10, 2018, GCI Holdings received a letter from the FCC's Wireline Competition Bureau ("Bureau") notifying it of the Bureau's decision to reduce the rural rates charged to RHC customers for the funding year that ended on June 30, 2018 by approximately 26% resulting in a reduction of total support payments of $27.8 million. The FCC also informed GCI Holdings that the same cost methodology used for the funding year that ended on June 30, 2018 would be applied to rates charged to RHC customers in subsequent funding years. In response to the Bureau's letter, GCI Holdings filed an Application for Review with the FCC.

On October 20, 2020, the Wireline Competition Bureau of the FCC issued two separate letters approving the cost-based rural rates GCI Holdings historically applied when recognizing revenue for services provided to its RHC customers for the funding years that ended on June 30, 2019 and June 30, 2020. GCI Holdings collected $174 million in accounts receivable relating to these two funding years subsequent to December 31, 2020.

On June 25, 2020, GCI Holdings submitted cost studies with respect to a number of its rates for services provided to its RHC customers for the funding year ending June 30, 2021, which require approval by the Bureau. GCI Holdings further updated those studies on November 12, 2020, to reflect the completion of the bidding season for that funding year. Those studies remain pending before the Bureau, and we cannot predict when the Bureau will act upon them.

RHC Program Funding Cap. The RHC program has a funding cap for each individual funding year that is annually adjusted for inflation, and which the FCC can increase by carrying forward unused funds from prior funding years. In recent years, including the current year, this funding cap has not limited the amount of funding received by participants; however, management continues to monitor the funding cap and its potential impact on funding in future years.

Enforcement Bureau and Related Inquiries. On March 23, 2018, GCI Holdings received a letter of inquiry and request for information from the Enforcement Bureau of the FCC relating to the period beginning January 1, 2015 and including all future periods, to which it is in the process of responding. This includes inquiry into the rates charged by GCI Holdings, and presently it is unable to assess the ultimate outcome of this rate inquiry. Other aspects related to the Enforcement Bureau's review of GCI Holdings' compliance with program rules are discussed separately below. The ongoing uncertainty in program funding, as well as the uncertainty associated with the rate review, could have an adverse effect on its business, financial position, results of operations or liquidity.

In the fourth quarter of 2019, GCI Holdings became aware of potential RHC Program compliance issues related to certain of GCI Holdings' currently active and expired contracts with certain of its RHC customers. The Company and its external experts performed significant and extensive procedures to determine whether GCI Holdings' currently active and expired contracts with its RHC customers would be deemed to be in compliance with the RHC Program rules. GCI Holdings notified the FCC of our potential compliance issues in the fourth quarter of 2019.

On May 28, 2020, GCI Holdings received a second letter of inquiry from the Enforcement Bureau in the same matter noted above. This second letter, which was in response to a voluntary disclosure made by GCI Holdings to the FCC, extended the scope of the original inquiry to also include various questions regarding compliance with the records retention requirements related to the (i) original inquiry and (ii) RHC Program.

On December 17, 2020, GCI Holdings received a Subpoena Duces Tecum from the FCC's Office of the Inspector General requiring production of documents from January 1, 2009 to the present related to a single RHC customer and related contracts, information regarding GCI Holdings' determination of rural rates, and to provide information regarding persons with knowledge of pricing practices.

GCI continues to work with the FCC to resolve all enforcement inquires discussed above. With respect to the ongoing inquiries from the FCC's Enforcement Bureau and the FCC's Office of the Inspector General, GCI Holdings recognized a liability of approximately $17.0 million during the fourth quarter of 2019 for contracts that were deemed probable of not complying with the RHC Program rules. The Company also identified certain contracts where additional loss was reasonably possible and such loss could range from zero to $44.0 million. An accrual was not made for the amount of the reasonably possible loss in accordance with the applicable accounting guidance. GCI Holdings could also be assessed fines and penalties but such amounts could not be reasonably estimated.

USAC Funding Denials. On November 30, 2018, GCI Holdings received multiple funding denial notices from USAC, denying requested funding from the RHC Program operated by a rural health customer (the "Customer") for the funding year that ended on June 30, 2018. In November 2017, USAC requested information from the Customer related to bidding process documentation for two separate service contracts GCI Holdings has with the Customer. Although the Customer timely responded, USAC found that bids previously received were not submitted with the original funding request and/or that bidding information submitted was related to the wrong bidding year. The Customer appealed this decision in early 2019 and on May 6, 2019, USAC denied the Customer's appeal. The Customer then appealed USAC's decision to the Bureau on July 5, 2019. As of March 31, 2019, GCI Holdings had accounts receivable of approximately $21.3 million outstanding associated with these two service contracts, which is dependent upon receipt of funding from USAC. Given that USAC denied the Customer's appeal as specifically outlined in the May 6, 2019 letter received by the Customer, the Company determined at the time it was probable that GCI Holdings incurred a loss and an accounts receivable reserve was recorded in the amount of $21.3 million and an associated bad debt expense was recorded during the first quarter of 2019 and included within Selling, general, and administrative expense in the consolidated statements of operations. Additionally, because of the uncertainty of the Customer's future appeals process and uncertainty relating to our ability to recover payment directly from the Customer, the Company no longer believed revenue associated with the two service contracts should be recognized. Historical annual revenue associated with the two service contracts was approximately $12.0 million in total and was expected to be the same in future periods.

On February 19, 2020, the Bureau issued an FCC order that granted the Customer's appeal for the two service contracts that were originally denied funding by USAC. In the order, the FCC has directed USAC to reverse its previous funding denials. Because the FCC order provided the Company with additional information subsequent to December 31, 2019 about the resolution of a contingency that existed as of year-end, the Company recognized the impact of the FCC order in 2019. Such impact resulted in the reversal of the previously recorded $21.3 million accounts receivable reserve and associated bad debt expense included within Selling, general, and administrative expense in the consolidated statements of operations for the year ended December 31, 2019.

The Company considered whether it should recognize revenue in 2019 related to the two service contracts for the period where it previously had not recognized revenue because of the uncertainty around its ability to collect consideration from the Customer. Because the Company was unable to conclude at any time prior to December 31, 2019 that collection of consideration under the two service contracts was probable, the Company concluded that revenue should not be recognized for any period subsequent to the first quarter of 2019 in accordance with the applicable revenue recognition criteria. Although the Company did not recognize revenue beyond the first quarter of 2019 related to the Customer's two service contracts, the Company continued to provide service to the Customer.

In light of the FCC order, we evaluated the applicable revenue recognition criteria in the first quarter of 2020 and concluded that we met the applicable revenue recognition criteria and could recognize revenue for the services provided subsequent to the first quarter of 2019. The result of meeting the applicable revenue recognition criteria in the first quarter of 2020 was to record revenue of approximately $9 million related to the services provided during 2019 for which revenue had not been previously recognized and to begin recording revenue in the first quarter of 2020 for services provided to the rural healthcare customer.

GCI, LLC
Reconciliation of GCI, LLC and its Subsidiaries Net Assets and Net Earnings (Loss) to GCI LLC, Excluding the Liberty Subsidiaries

December 31, 2020

(unaudited)

amounts in thousands

GCI, LLC and its Subsidiaries net assets	$	3,905,274
Reconciling items:		
Liberty Subsidiaries net assets (a)		(2,783,832)
GCI, LLC net assets, excluding the Liberty Subsidiaries	$	1,121,442
GCI, LLC and its Subsidiaries net earnings (loss)	$	1,596,173
Reconciling items:		
Liberty Subsidiaries net (earnings) loss (a) (b)		(1,584,785)
GCI, LLC net earnings (loss), excluding the Liberty Subsidiaries	$	11,388

(a) Liberty Subsidiaries is a defined term in the Credit Agreement and Indenture for the 4.750% Senior Notes due 2028.
(b) Included in Liberty Subsidiaries net (earnings) loss is a net loss of $7.8 million related to Evite, Inc.