



TTPC Consolidated Financial Statements  
December 31, 2021 and 2020

## TPC, Inc. and Subsidiary

Independent Auditor’s Report.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets .....	4
Consolidated Statements of Income.....	6
Consolidated Statements of Stockholders’ Equity.....	7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	10
Supplementary Information	
Consolidating Balance Sheets .....	29
Consolidating Statements of Income.....	33
Consolidating Statements of Cash Flows.....	35



## Independent Auditor's Report

The Board of Directors  
TPC, Inc. and Subsidiary  
Devils Lake, North Dakota

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of TPC, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TPC, Inc. and Subsidiary as of December 31, 2021 and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TPC, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TPC, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Eide Bailly LLP*

Sioux Falls, South Dakota  
April 11, 2022

TPC, Inc. and Subsidiary  
Consolidated Balance Sheets  
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,676,742	\$ 20,525,552
Accounts receivable		
Telecommunications, net	170,369	163,885
Other	1,352,159	1,493,369
Materials and supplies	616,959	538,211
Investments in debt securities	54,093	68,681
Prepayments	801,432	540,000
Total current assets	25,671,754	23,329,698
Noncurrent Assets		
Investments in debt securities	1,912,284	808,402
Investments in equity securities	527,729	114,362
Investments in limited liability companies	6,985,189	6,644,493
Other investments	944,014	949,127
Prepayments	1,029,562	156,814
Total noncurrent assets	11,398,778	8,673,198
Telecommunications Plant		
In service	149,367,717	147,372,986
Nonregulated plant	4,908,236	5,292,448
Under construction	241,266	432,702
	154,517,219	153,098,136
Less accumulated depreciation	104,468,820	102,393,493
Net telecommunications plant	50,048,399	50,704,643
Total assets	\$ 87,118,931	\$ 82,707,539

TPC, Inc. and Subsidiary  
Consolidated Balance Sheets  
December 31, 2021 and 2020

	2021	2020
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,802,352	\$ 1,630,389
Current maturities of long-term debt	2,199,053	2,400,000
Advance billing and customer deposits	115,728	71,845
Accrued income taxes	10,547	513,203
Accrued taxes - other	96,263	105,917
Other current liabilities	183,937	193,804
Total current liabilities	4,407,880	4,915,158
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	-	2,167,988
Deferred Income Taxes	8,238,111	9,214,769
Stockholders' Equity		
Common stock, par value \$1,000, authorized 10,000 shares, issued and outstanding 9,200 shares	9,200,000	9,200,000
Retained earnings	65,272,940	57,209,624
Total stockholders' equity	74,472,940	66,409,624
Total liabilities and stockholders' equity	\$ 87,118,931	\$ 82,707,539

TPC, Inc. and Subsidiary  
Consolidated Statements of Income  
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Local network access	\$ 3,819,588	\$ 4,185,227
Network access services	17,505,514	17,614,823
Miscellaneous revenue	512,419	416,118
Leasing, sales, and installation	810,916	607,556
Internet revenue	4,945,717	4,598,502
Video revenue	4,008,283	3,591,945
Wireless revenue	24,585	25,024
Uncollectible revenue	(36,437)	(14,963)
	<u>31,590,585</u>	<u>31,024,232</u>
Operating Expenses		
Plant specific operations	4,936,196	4,411,728
Plant nonspecific operations	1,628,745	1,545,772
Cable television programming	2,913,780	2,758,349
Depreciation	7,276,353	6,685,186
Customer operations	1,596,390	1,597,699
Corporate operations	2,012,658	1,870,896
Operating taxes - other	101,286	109,529
Cost of sales and installations	1,036,025	719,673
Internet expenses	400,458	427,817
Video expenses	554,284	580,851
Wireless expenses	23,247	23,903
	<u>22,479,422</u>	<u>20,731,403</u>
Net Operating Income	<u>9,111,163</u>	<u>10,292,829</u>
Other Income (Expense)		
Investment income	60,096	49,345
Allowance for funds used during construction	69,212	9,796
Other expenses	(54,953)	(60,189)
Interest expense	(88,205)	(150,775)
Paycheck Protection Program loan forgiveness	1,250,000	-
Earnings from investments in limited liability companies	1,116,688	1,135,560
	<u>2,352,838</u>	<u>983,737</u>
Net Income Before Income Taxes	<u>11,464,001</u>	<u>11,276,566</u>
Income Tax Expense	<u>2,400,685</u>	<u>2,373,899</u>
Net Income	<u>\$ 9,063,316</u>	<u>\$ 8,902,667</u>

TPC, Inc. and Subsidiary  
Consolidated Statements of Stockholders' Equity  
Years Ended December 31, 2021 and 2020

---

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2020	\$ 9,200,000	\$ 50,306,957	\$ 59,506,957
Dividends paid	-	(2,000,000)	(2,000,000)
Net income	-	8,902,667	8,902,667
Balance, December 31, 2020	9,200,000	57,209,624	66,409,624
Dividends paid	-	(1,000,000)	(1,000,000)
Net income	-	9,063,316	9,063,316
Balance, December 31, 2021	<u>\$ 9,200,000</u>	<u>\$ 65,272,940</u>	<u>\$ 74,472,940</u>

TPC, Inc. and Subsidiary  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Net income	\$ 9,063,316	\$ 8,902,667
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		
Telecommunications plant	6,929,306	6,343,872
Nonregulated plant	347,047	341,314
Interest expense attributable to amortization and write-off of debt issuance costs	31,065	15,863
Earnings from investments in limited liability companies	(1,116,688)	(1,135,560)
Distributions from investments in limited liability companies	775,992	677,597
Noncash patronage capital credit allocations	(62,794)	(81,813)
Cash retirements from patronage investments	67,907	110,342
Unrealized gains on equity securities	(28,533)	(16,182)
Paycheck Protection Program loan forgiveness	(1,250,000)	-
Deferred income taxes	(976,658)	(324,570)
Change in current assets and liabilities		
Accounts receivable	134,726	133,047
Materials and supplies	(78,748)	(10,315)
Prepayments	(1,134,180)	(143,660)
Accounts payable	(189,196)	658,810
Advance billing and customer deposits	43,883	20,086
Accrued income taxes	(502,656)	434,557
Accrued taxes - other	(9,654)	(2,112)
Other current liabilities	(9,867)	(39,265)
Net Cash from Operating Activities	12,034,268	15,884,678
Investing Activities		
Net plant additions and replacements	(6,258,950)	(2,795,022)
Proceeds from the sale of securities	6,387	787
Purchases of equity securities	(372,007)	(100,066)
Proceeds from the sale of debt securities	573,510	125,134
Purchases of debt securities	(1,682,018)	(1,001,119)
Purchase of other investments	-	(14,705)
Net Cash used for Investing Activities	(7,733,078)	(3,784,991)
Financing Activities		
Principal payments on long-term debt	(2,400,000)	(2,400,000)
Proceeds from Paycheck Protection Program loan	1,250,000	-
Dividends paid	(1,000,000)	(2,000,000)
Net Cash used for Financing Activities	(2,150,000)	(4,400,000)

TPC, Inc. and Subsidiary  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

---

	<u>2021</u>	<u>2020</u>
Net Change in Cash and Cash Equivalents	\$ 2,151,190	\$ 7,699,687
Cash and Cash Equivalents, Beginning of Year	<u>20,525,552</u>	<u>12,825,865</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,676,742</u>	<u>\$ 20,525,552</u>
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	\$ 106,133	\$ 214,576
Cash payments for income taxes, net	3,880,000	2,698,775
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant additions funded with accounts payable at year-end	\$ 533,025	\$ 171,866

## **Note 1 - Summary of Significant Accounting Policies**

### **Nature of Operations**

North Dakota Telephone Company (the Company) is a wholly-owned subsidiary of TPC, Inc. TPC, Inc. is a holding company created to hold the investment in North Dakota Telephone Company. The Company's primary line of business is to provide local telephone, internet, IPTV, and access to long-distance telephone services throughout its local exchange network. The principal market for these telecommunications services are local, residential and business customers residing in each of the exchanges the Company serves.

### **General**

The Company follows the Federal Communication Commission's (FCC) Uniform System of Accounts, Part 32 of the FCC Rules and Regulations.

The Company's local service rates are subject to rate of return regulation by the North Dakota Public Service Commission. Toll charges to customers and access fees charged to long distance carriers are subject to state and federal regulation. The Company participates in the National Exchange Carrier Association (NECA) pooling process under the Alternative Connect America Cost Model II (ACAM II).

### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of TPC, Inc. (a North Dakota corporation) and its wholly-owned subsidiary, North Dakota Telephone Company (a North Dakota Corporation) located in Devils Lake, North Dakota. All significant intercompany accounts and transactions have been eliminated.

### **Accounting Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

### **Accounts Receivable**

The Company's revenue contracts provide it with the unconditional right to consideration upon delivery of services to its customers; therefore, a receivable is recognized in the period the Company provides various services to its customers. The unconditional right to consideration is represented by contract receivables which are presented on the consolidated balance sheets as accounts receivable.

Accounts receivable are uncollateralized customer obligations due under terms established by the Board of Directors. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Past due balances are subject to disconnection of service. The carrying amount of accounts receivable is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Management individually reviews all notes receivable and accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The allowance for doubtful accounts was approximately \$30,000 and \$20,000 as of December 31, 2021 and 2020, respectively.

The beginning and ending balances for customer accounts receivable and unbilled revenues, net of allowances for doubtful accounts and any contract liabilities were as follows for the years ended December 31, 2021 and 2020:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Customer accounts receivable			
Billed	\$ 493,234	\$ 672,283	\$ 646,025
Unbilled	<u>49,444</u>	<u>69,539</u>	<u>73,459</u>
Total customer accounts receivable	<u>\$ 542,678</u>	<u>\$ 741,822</u>	<u>\$ 719,484</u>
Contract liabilities			
Advance billing and customer deposits	\$ 115,728	\$ 71,845	\$ 51,759

### Materials and Supplies

Materials and supplies are stated at the lower of average cost or market except for inventory held for resale, which is stated at the lower of average cost or net realizable value.

### Investments in Debt Securities

The Company classifies its debt securities into held-to-maturity, trading or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are recorded as either short-term or long-term on the consolidated balance sheet based on contractual maturity date and are stated at amortized cost. Securities not classified as held-to-maturity or as trading are classified as available-for-sale and are carried at fair market value, with unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported as a component of equities.

### **Investments in Equity Securities**

Investments in equity securities with readily determinable fair values are measured at fair value in the consolidated balance sheet. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in income. Investments in equity securities without readily determinable fair values are measured at cost minus impairment (if any) and adjusted for any observable price changes in orderly transactions of identical securities or similar securities of the same issuer. Investments in equity securities without readily determinable fair values are considered annually for indicators of impairment. There were no impairment indicators for the years ended December 31, 2021 and 2020.

### **Investments**

Investments in limited liability companies are accounted for using the equity method of accounting. Under the equity method, the Company records its proportionate share of earnings and losses of this entity. Distributions from these investments reduce their carrying value.

The Company has investments in affiliated companies and other investments which the Company has accounted for as equity securities, and are accounted for as indicated above.

### **Wireless Licenses**

Wireless licenses are included in other investments and are recorded at cost. Although FCC licenses are generally issued with stated terms, the renewal is generally a routine matter without substantial cost and the Company has determined that no legal, regulatory, contractual, competitive, economic, or other factors currently exist that limit the useful life of the licenses. Indefinite-lived intangible assets such as wireless licenses, based on generally accepted accounting principles, should be tested as indefinite-lived intangible assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value of our indefinite-lived intangible assets might be impaired. The impairment test consists of a comparison of the estimated fair value with the carrying value. An impairment loss would be recorded as a reduction in the carrying value of the related indefinite-lived intangible assets and charged to results of operations. Management assesses potential impairments to their indefinite-lived intangible assets, including wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist.

Estimates of the fair value of the Company's wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions, pricing trends among historical wireless license transactions, our spectrum holdings within a given market relative to other carriers' holdings and qualitative demographic and economic information concerning the areas that comprise our markets. No impairment losses have been identified in the financial statements.

### **Fair Value Measurements**

The Company has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted 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 are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

### **Telecommunications Plant**

Telecommunications plant assets are stated at cost. The cost of additions to telecommunications plant are recorded at cost, which includes contracted work, direct labor and materials, and allocable overheads. Contributions in aid to construction are credited to the applicable plant accounts. When units of property are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Maintenance and repair costs and the replacement and renewal of items determined to be less than units of property are charged to expense.

### **Depreciation**

The Company utilizes composite depreciation methods for each telecommunications plant account. Depreciation is computed by applying composite rates to the monthly balance for all classes of telecommunications plant. Depreciation rates for each account are determined based on management's estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates.

### **Recoverability of Long-Lived Assets**

The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. If a review indicates that the carrying value of such asset is not recoverable as determined based on projected undiscounted cash flows related to the asset over its remaining life, the Company would determine whether an impairment loss should be recognized. No impairment losses have been identified in the consolidated financial statements for the years ended December 31, 2021 and 2020.

### **Debt Issuance Costs**

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method which approximates the effective interest method. Debt issuance costs are included within long-term debt on the consolidated balance sheet. Amortization of debt issuance costs is recorded in interest expense in the accompanying consolidated statements of income.

### **Estimated Self-Insurance**

The Company self-insures the health care benefits of its employees. To provide for the self-insured benefits, the Company has set up an estimated liability for any claims incurred prior to the year-end. In addition, the Company has entered into a stop-loss agreement whereby their costs for these self-insurance plans are subject to a ceiling, after which the costs will be covered by an insurance contract. Any differences between the estimated liability and the actual benefits will be reflected in the subsequent year's consolidated statement of income.

### **Income Taxes**

Deferred income taxes are established for all temporary differences resulting from the use of different accounting methods reported for financial accounting and income tax purposes. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2021 and 2020, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

### **Sales Taxes**

The Company has customers in North Dakota and its municipalities in which those governmental units impose a sales tax on certain sales. The Company collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from operating revenues and operating expenses.

### **Revenue Recognition**

The Company accounts for customer revenues under Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. The Company earns revenues from multiple sources. The Company's contracts with customers do not include a significant financing component.

The following summarizes the revenue generated from contracts with customers and revenues outside the scope of ASC 606 for the years ended December 31, 2021 and 2020:

	2021	2020
End user revenues	\$ 12,861,157	\$ 12,494,534
Carrier access and special access billing	7,389,401	7,024,285
Facilities contract revenues	1,501,088	1,609,661
Other contracted revenues	993,513	681,295
Revenue from contracts with customers	22,745,159	21,809,775
Other revenues		
Lease revenues (outside scope of ASC 606)	329,822	342,379
Federal support revenues (outside scope of ASC 606)	8,515,604	8,872,078
Total revenues	\$ 31,590,585	\$ 31,024,232

#### End User Revenues

End user revenues include revenues from residential and business customers for local telephone, internet, and television services. End user revenues also includes subscriber line charges billed to customers. The Company's performance obligation for these services is the promise to provide goods and services to customers. The Company bills customers in advance and recognizes revenues over the period of time in which the customer simultaneously receives and consumes the services. The Company bills on the 1st of each month for that month's services; therefore, there are no unbilled or deferred revenues. End user goods and services are considered to be distinct as the customer can benefit from the goods and services either on their own or together with other resources that are readily available to the customer. The Company's promise to provide a good or service to the customer is separately identifiable from other promises in the contract. End user services are billed to customers based on the published rates and are often bundled together at a discounted rate. If goods and services are bundled together, the transaction price is allocated to the respective goods and services based on the rates at which each good or service is sold under standalone service rates. Discounts are not allocated to revenues established by federal or state tariffed rates.

Long-distance revenues are billed in arrears as they are based on usage during the month. The customer simultaneously receives and consumes the benefits of service during the month, thus revenue is recognized over time. As such, each month the Company estimates usage and recognizes the related revenue for any usage during the month which has not been billed.

#### Carrier Access and Special Access Billing Revenues

Carrier access billing revenues are received from charges established to compensate the Company for the origination, transport and termination of calls of long distance, wireless and other interexchange carriers. Carrier access revenues are billed at tariffed access rates for both interstate and intrastate calls and are recognized into revenue monthly based on the period the access was provided.

Special access billing relates to billings for dedicated voice and data service connections to customers. Special access revenues are billed to customers in advance of the month of service and are recognized over the period of time in which the customer simultaneously receives and consumes the services.

Facilities Contract Revenues

Facilities contract revenues result from the Company sharing facilities for use in a fiber ring in the State of North Dakota. The Company's performance obligation under the contracts is to provide access to its fiber network which is connected to the fiber ring. The Company recognizes revenue monthly, as the ring users simultaneously receive and consume the benefits of the fiber ring network. The Company also receives revenue from a related party for use of their networks through an agreed upon revenue sharing model.

Other Contracted Revenue

Other contracted revenue includes directory and other miscellaneous revenues contracted monthly or annually and recognized over the term of the individual contracts.

Lease Revenues

Lease revenues from providing access to the Company's fiber and other assets. Lease revenues are not included within the scope of ASC 606 and accounted for under the accounting standards applicable to them. Generally, lease revenues are recognized on a month-to-month basis.

Federal Support Revenues

The Company's network access revenues include settlements based on its participation in federal revenue pooling arrangements which are designed to promote widely available, quality telephone service at affordable prices in rural areas. Federal pooling revenues are not included within the scope of ASC 606. The revenue pools are administered by the National Exchange Carriers Association (NECA).

In 2011, the FCC approved an Order on Intercarrier Compensation and Universal Service Fund (USF) reform and announced the issuance of a Further Notice of Proposed Rulemaking on long-term USF reform and transition toward a National Broadband Plan. In March 2016, the FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) that reforms the High Cost USF Program supporting rate-of-return carriers. The following changes have been implemented to modernize the program: 1) Annual Rate of Return Reduction from 11.25% to 9.75% (25 basis point reduction per year) beginning July 1, 2016; 2) Provides support for stand-alone broadband; 3) Requires broadband deployment based on the number of locations lacking service and the cost of providing service; 4) Requires allowances for capital investments and limits on operational expenses; and 5) Phases out support for areas served by a qualifying competitor.

The 2016 order focused on the rate-of-return carriers and included specific changes to existing funding mechanisms as well as a new funding mechanism and provided rural communications providers with greater certainty about future support. The order included specific changes to existing funding mechanisms as well as a new funding mechanism and provided rural communications providers with greater certainty about future support. One of the major changes introduced by the 2016 Order is the creation of the A-CAM, a new CAF support mechanism for rate-of-return carriers. Rate-of-return carriers had the option to select the A-CAM option or continue relying on the legacy support mechanism as modified and renamed CAF-BLS. The Company did not select the initial A-CAM model and continued to receive support payments through modified legacy rate-of-return support mechanisms for USF, High Cost Loop and Interstate Common Line Support.

During 2019, an alternative A-CAM II support option was offered to companies receiving legacy rate-of-return support. The Company accepted the FCC offer to begin receiving A-CAM support in place of the legacy rate-of-return support, effective retroactively to January 1, 2019. The Company will receive equal annual payments over 10 years as a replacement of the legacy-based support. The Company is required to meet certain broadband deployment targets and will incur penalties and repayment of support if the required commitments are not met.

#### **Pension Costs**

The policy is to fund pension costs accrued.

#### **Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses during the years ended December 31, 2021 and 2020 were \$177,993 and \$171,355, respectively.

#### **Subsequent Events**

The Company has evaluated subsequent events through April 11, 2022, the date which the consolidated financial statements were available to be issued.

#### **Note 2 - Concentrations of Business and Credit Risk**

The Company provides telephone, internet, and IPTV television service on account to its customers located in north central North Dakota. The Company also provides access service on account to various long-distance companies, which provide toll service to the Company's customers.

The Company receives a significant portion of revenues from pools administered by the National Exchange Carriers Association (NECA). Revenues from Alternative Connect America Cost Model funding and other support received through the NECA amounted to approximately 27% and 29% of the Company's total revenues for the year ended December 31, 2021 and 2020, respectively.

The Company maintains its cash accounts in several commercial banks located in North Dakota. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the years ended December 31, 2021 and 2020, the bank balances exceeded this limit.

**Note 3 - Investments and Investment Income**

Equity securities measured at fair value include the following at December 31, 2021 and 2020:

	2021	2020
Common stock and mutual funds	\$ 527,729	\$ 114,362

Investments in debt securities classified as held-to-maturity are recorded at amortized cost and consist of the following at December 31, 2021 and 2020:

	2021			Estimated Fair Value
	Amortized Cost	Unrecognized Holding Gains	Unrecognized Holding Losses	
Corporate bonds	\$ 687,984	\$ -	\$ (12,930)	\$ 675,054
Government bonds	1,081,379	-	(19,507)	1,061,872
Government securities	197,014	-	(3,728)	193,286
Total debt securities	\$ 1,966,377	\$ -	\$ (36,165)	\$ 1,930,212
	2020			Estimated Fair Value
	Amortized Cost	Unrecognized Holding Gains	Unrecognized Holding Losses	
Corporate bonds	\$ 350,642	\$ 228	\$ -	\$ 350,870
Government bonds	406,267	-	(129)	406,138
Government securities	88,627	393	-	89,020
Corporate securities	31,234	-	(179)	31,055
Total debt securities	\$ 876,770	\$ 621	\$ (308)	\$ 877,083

Maturities of held-to-maturity debt securities at December 31, 2021 and 2020 are as follows:

	2021	2020
Due within one year	\$ 54,093	\$ 68,681
Due after one year through five years	1,310,237	526,984
Due after five years through ten years	405,141	192,398
Due after ten years	196,907	89,020
Total debt securities	\$ 1,966,377	\$ 877,083

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Investment income and gains consists of the following the years ended December 31, 2021 and 2020:

	2021	2020
Interest income	\$ 27,077	\$ 32,032
Dividend income	4,486	1,131
Unrealized gain on investments	28,533	16,182
Total investment income	\$ 60,096	\$ 49,345

#### **Note 4 - Fair Value Measurements**

There are three general valuation techniques that may be used to measure fair value, as described below:

1. Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
2. Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
3. Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option- pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets and liabilities itemized below were measured at fair value using the market and income approaches. The market approach was used for Level 2 assets and liabilities. The income approach was used for Level 3 assets and liabilities.



The following represents the capital contributions, capital distributions, earnings, and losses on the investments recorded under the equity method for the years ending December 31, 2021 and 2020:

	2020	Capital Contributions (Distributions)	Current Earnings (Loss)	2021
North Dakota Long Distance	\$ 85,268	\$ (50,000)	\$ 49,704	\$ 84,972
Dakota Carrier Network	5,763,654	(725,992)	949,033	5,986,695
North Plains Utility Contracting	695,412	-	115,919	811,331
Dakota Video Network	100,159	-	2,032	102,191
	<u>\$ 6,644,493</u>	<u>\$ (775,992)</u>	<u>\$ 1,116,688</u>	<u>\$ 6,985,189</u>
	2019	Capital Contributions (Distributions)	Current Earnings (Loss)	2020
North Dakota Long Distance	\$ 71,785	\$ (50,000)	\$ 63,483	\$ 85,268
Dakota Carrier Network	5,392,154	(589,533)	961,033	5,763,654
North Plains Utility Contracting	585,060	-	110,352	695,412
Dakota Video Network	99,467	-	692	100,159
BDCIH Wireless	38,064	(38,064)	-	-
	<u>\$ 6,186,530</u>	<u>\$ (677,597)</u>	<u>\$ 1,135,560</u>	<u>\$ 6,644,493</u>

The Company provides North Dakota Long Distance LLC certain management, customer service, billing and collection, and other services on a contractual basis. Payments under these contracts for the years ended December 31, 2021 and 2020, were approximately \$47,500 and \$47,400, respectively.

The Company agrees to provide certain bay and fiber optic cable facilities to Dakota Carrier Network, LLC. Under this agreement, the Company received revenues of approximately \$90,000 for the years ended December 31, 2021 and 2020. The Company also agrees to lease circuit equipment on a short-term basis to and from Dakota Carrier Network, LLC. Under this agreement, the Company received approximately \$1,501,000 and \$1,610,000 for the years ended December 31, 2021 and 2020, respectively, and paid approximately \$364,000 and \$422,000 for the years ended December 31, 2021 and 2020, respectively.

The Company purchases licenses and television programming services from Dakota Video Network LLC. These purchases are considered to be priced at fair market value. No intercompany profits have been eliminated in recording the equity earnings of Dakota Video Network LLC. The Company made payments of approximately \$9,000 to Dakota Video Network LLC for the years ended December 31, 2021 and 2020.

The Company purchases utility construction services from North Plains Utility Contracting LLC. These services are considered to be priced at fair market value. No intercompany profits have been eliminated in recording the equity earnings of North Plains Utility Contracting LLC. The Company made payments of approximately \$448,000 and \$531,000 to North Plains Utility Contracting LLC for the years ended December 31, 2021 and 2020, respectively. The Company also rents storage space to North Plains Utility Contracting LLC. Rents received from North Plains Utility Contracting LLC amounted to \$26,000 for the years ended December 31, 2021 and 2020.

The Company has accounts receivable balances arising from the various affiliated transactions at December 31, 2021 and 2020, totaling approximately \$1,200 and \$600, respectively. The Company has accounts payable balances arising from the various affiliated transactions at December 31, 2021 and 2020, totaling approximately \$9,300 and \$6,000, respectively.

Summary financial information for the Company's equity investees for the year ended December 31, 2021, is as follows:

	North Dakota Long Distance LLC (Unaudited)	Dakota Carrier Network LLC (Audited)	North Plains Utility Contracting LLC (Unaudited)	Dakota Video Network LLC (Unaudited)
Revenues	\$ 3,196,084	\$ 57,996,945	\$ 2,560,307	\$ 76,875
Expenses	2,699,071	45,239,499	2,096,631	70,781
Net income	497,013	12,757,446	463,676	6,094
Assets	\$ 1,764,938	\$ 91,414,276	\$ 3,324,316	\$ 310,479
Liabilities	227,753	11,811,085	46,220	3,900
Equity	1,537,185	79,603,191	3,278,096	306,579

Summary financial information for the Company's equity investees for the year ended December 31, 2020, is as follows:

	North Dakota Long Distance LLC (Unaudited)	Dakota Carrier Network LLC (Audited)	North Plains Utility Contracting LLC (Unaudited)	Dakota Video Network LLC (Unaudited)
Revenues	\$ 3,735,971	\$ 57,032,531	\$ 2,594,068	\$ 76,878
Expenses	3,100,761	44,161,250	2,152,620	74,797
Net income	635,210	12,871,281	441,448	2,081
Assets	\$ 1,827,691	\$ 88,452,435	\$ 2,849,692	\$ 304,385
Liabilities	287,520	11,953,229	35,271	3,900
Equity	1,540,171	76,499,206	2,814,421	300,485

**Note 6 - Other Investments**

	2021	2020
CoBank		
Subordinated capital stock	\$ 339,539	\$ 338,350
Patronage capital allocations	34,250	58,565
	373,789	396,915
Patronage capital credit investments		
National Information Solutions Cooperative (NISC)	330,591	314,388
National Rural Telecommunications Cooperative (NRTC)	182,713	181,227
Other patronage capital credit investments	42,216	41,892
	555,520	537,507
Wireless license	14,705	14,705
Total other investments	\$ 944,014	\$ 949,127

In connection with the loans from CoBank, the Company is required to purchase subordinated capital certificates. The certificates are non-interest bearing and are refunded to the Company as the debt is paid down. The patronage allocations reflect the Company's allocable share of net margins of CoBank. Patronage allocations from CoBank are netted against the interest expense in the consolidated statements of income.

**Note 7 - Nonregulated Plant**

The investments in nonregulated plant at December 31, 2021 and 2020 are as follows:

	2021	2020
Leased telecommunications equipment (5 - 7 year estimated life)	\$ 478,779	\$ 442,618
Internet equipment (5 year estimated life)	607,873	818,676
Video equipment (7 year estimated life)	3,798,409	4,004,480
Under construction	23,175	26,674
Nonregulated plant	4,908,236	5,292,448
Less accumulated depreciation	4,071,166	4,444,345
Nonregulated plant, net	\$ 837,070	\$ 848,103

The revenues and expenses associated with nonregulated telecommunications equipment are as follows:

	2021	2020
<b>Revenues</b>		
Revenue - leasing, sales, and installation	\$ 810,916	\$ 607,556
Internet revenue	4,945,717	4,598,502
Video revenue	4,008,283	3,591,945
Wireless revenue	24,585	25,024
	9,789,501	8,823,027
<b>Expenses</b>		
Cost of sales, installations, and repairs	1,036,025	719,673
Internet expenses	400,458	427,817
Video expenses	3,468,064	3,339,200
Wireless expenses	23,247	23,903
Depreciation	347,047	341,314
	5,274,841	4,851,907
Nonregulated net income	\$ 4,514,660	\$ 3,971,120

**Note 8 - Telecommunications Plant**

	2021		2020	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Land and support assets	\$ 13,037,202	2.71 - 20.96%	\$ 12,910,153	2.71 - 20.96%
Central office switching equipment	47,079,956	5.00 - 14.29%	43,948,402	5.00 - 20.00%
Information origination and termination	37,371	14.32%	37,371	14.32%
Cable and wire facilities	89,213,188	2.51 - 5.3%	90,477,060	2.51 - 5.3%
Total in service	149,367,717		147,372,986	
Nonregulated plant	4,908,236		5,292,448	
Under construction	241,266		432,702	
Total telecommunications plant	\$ 154,517,219		\$ 153,098,136	

**Note 9 - Long-Term Debt**

	2021	2020
CoBank term loan with variable interest rate, 2.86% at December 31, 2021 (effective interest rate of 4.42%), due in monthly installments through December 2022	\$ 2,230,118	\$ 4,630,118
Unamortized debt issuance costs	(31,065)	(62,130)
Long-term debt, net of unamortized debt issuance costs	2,199,053	4,567,988
Less current maturities	(2,199,053)	(2,400,000)
 Total long-term debt, net of current maturities	 \$ -	 \$ 2,167,988

Substantially all assets of the Company are pledged as collateral on the note executed with CoBank.

The mortgage covenants require the Company to meet certain financial ratios, minimum net worth levels and minimum cash flow requirements. Management believes that the Company was in compliance with all mortgage covenants at December 31, 2021 and 2020.

The Company has no unadvanced loan funds from CoBank at December 31, 2021.

It is estimated that principal repayments on the above debt will be as follows:

Years Ended December 31,	
2022	\$ 2,230,118
Unamortized debt issuance costs	(31,065)
	\$ 2,199,053

**Note 10 - Income Tax Expense/Deferred Income Taxes**

TPC, Inc. and North Dakota Telephone Company are C-Corporations required to pay federal and state income taxes. The operations of the subsidiary are included in the consolidated federal and state income tax returns filed by the parent company and the affiliate owned by the parent company. Current taxes are allocated based on taxable income (loss) and deferred taxes are allocated on a stand-alone basis.

Any net operating losses incurred and not utilized on a consolidated basis are either carried back to offset prior taxable income or carried forward to offset future taxable income, depending on the taxing jurisdiction. Federal net operating losses incurred through 2019 may be carried forward indefinitely to offset future taxable income. The state of North Dakota provides for net operating losses to be carried forward for a period not exceeding five years. At December 31, 2021 and 2020, the consolidated companies have a \$-0- federal net operating loss carryover.

The companies follow the asset and liability method for accounting for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary difference between the financial reporting basis and the tax basis of the companies' assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. Deferred income taxes result from transactions which enter into the determination of taxable income in different periods than recorded for financial reporting purposes. The companies' principal sources of deferred federal and state income taxes are due to differences in depreciation on assets for tax purposes and differences in the basis of partnership investments resulting from accelerated depreciation deducted by the partnership for tax purposes.

The components of the deferred income tax assets (liabilities) recognized in the consolidated balance sheets consist of the following:

	<u>2021</u>	<u>2020</u>
Accelerated depreciation and amortization	\$ 7,904,287	\$ 8,901,715
Timing differences from equity investments	379,540	365,774
Other	<u>(45,716)</u>	<u>(52,720)</u>
Total deferred income tax liability	<u>\$ 8,238,111</u>	<u>\$ 9,214,769</u>

The income tax expense is reflected in the consolidated statements of income as follows:

	<u>2021</u>	<u>2020</u>
Operating taxes - federal income	\$ 1,721,067	\$ 1,689,875
Operating taxes - state income	<u>375,128</u>	<u>435,749</u>
Total operating	<u>2,096,195</u>	<u>2,125,624</u>
Nonoperating taxes - federal income	250,653	197,261
Nonoperating taxes - state income	<u>53,837</u>	<u>51,014</u>
Total nonoperating	<u>304,490</u>	<u>248,275</u>
Total income tax expense	<u>\$ 2,400,685</u>	<u>\$ 2,373,899</u>

Income tax expense consists of the following:

	<u>2021</u>	<u>2020</u>
Federal income tax computed at statutory rates	\$ 825,590	\$ 1,500,313
State income tax computed at statutory rates	598,437	549,016
Deferred income tax credits - accelerated depreciation	997,428	282,134
Deferred income tax credits - other	<u>(20,770)</u>	<u>42,436</u>
Total income tax expense	<u>\$ 2,400,685</u>	<u>\$ 2,373,899</u>

## **Note 11 - Pension and Retirement Plans**

### **Pension Plan**

The Company has a contributory defined benefit pension plan covering substantially all employees. The National Telephone Cooperative Association (NTCA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 52-0741336 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Company's contributions to the RS Plan in 2021 and 2020 represented less than 5 percent of the total contributions made to the plan by all participating employers. During 2021 and 2020, the Company made contributions to the plan based on 10.60% of eligible employee compensation plus a contribution surcharge of between 6.07%-6.38% for 2021 and 2020 of eligible employee compensation. The current contribution surcharge is effective through December 31, 2021. The Company's total contributions to the plan for the years ended December 31, 2021 and 2020 were approximately \$787,000 and \$745,000, respectively. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. The Program meets ERISA minimum funding requirements. In total, the RS Plan was over 80 percent funded on January 1, 2021 and 2020 based on the PPA funding target and PPA actuarial value of assets on those dates.

### **Defined Contribution Plan**

Employees of the Company are also eligible for a 401(k) savings plan. The plan is offered through Alerus Financial. The Company made a contribution of up to 4% of employees' base wages for the years ended December 31, 2021 and 2020. The Company made annual contributions of approximately \$185,000 and \$177,000 in 2021 and 2020, respectively.

**Note 12 - Common Stock**

	2021	2020
Issued 3,726 shares of common stock to United Telephone Mutual Aid Corporation	\$ 3,726,000	\$ 3,726,000
Issued 3,726 shares of common stock to Polar Communications Mutual Aid Corporation	3,726,000	3,726,000
Issued 1,748 shares of common stock to Dakota Central Telecommunications Cooperative	1,748,000	1,748,000
Total common stock	\$ 9,200,000	\$ 9,200,000

**Note 13 - Contingencies**

The telecommunications industry is subject to voluminous and complex laws and regulations. Compliance with such laws and regulations can be subject to future review and interpretation as well as regulatory actions unknown or unasserted at this time.

In addition, during the normal course of business, the Company may become involved in litigation. Management assesses the probable outcome of unresolved litigation and investigations and determines the appropriate accounting recognition or disclosure based on their assessment. At December 31, 2021 and 2020, the Company had no loss contingencies accrued.

The Company is a defendant in legal proceedings arising in the normal course of its operations. While the outcome of these matters cannot be predicted with certainty, management believes the disposition of these proceedings will not have a significant impact on the consolidated financial position of the Company.

**Note 14 - Paycheck Protection Program Note Payable**

The Company was granted a \$1,250,000 loan under the PPP administered by a Small Business Administration (SBA) approved partner during the year ended December 31, 2021. The loan was uncollateralized and was fully guaranteed by the Federal government. The Company was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Company initially recorded a note payable. During the year ended December 31, 2021, the Company received notification of full forgiveness of this note. Accordingly, the Company has recognized loan forgiveness income in the amount of \$1,250,000, the full amount of the loan.



Supplementary Information  
December 31, 2021 and 2020  
**TPC, Inc. and Subsidiary**

TPC, Inc. and Subsidiary  
Consolidating Balance Sheets  
December 31, 2021

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 483,600	\$ 22,193,142	\$ -	\$ 22,676,742
Accounts receivable				
Telecommunications, net	-	170,369	-	170,369
Other	3,958,206	1,352,347	(3,958,394)	1,352,159
Materials and supplies	-	616,959	-	616,959
Investments in debt securities	-	54,093	-	54,093
Prepayments	-	801,432	-	801,432
	<u>4,441,806</u>	<u>25,188,342</u>	<u>(3,958,394)</u>	<u>25,671,754</u>
<b>Total current assets</b>				
	<u>4,441,806</u>	<u>25,188,342</u>	<u>(3,958,394)</u>	<u>25,671,754</u>
<b>Noncurrent Assets</b>				
Investment in subsidiary	70,031,322	-	(70,031,322)	-
Investments in debt securities	-	1,912,284	-	1,912,284
Investments in equity securities	-	527,729	-	527,729
In liability companies	-	6,985,189	-	6,985,189
Other investments	-	944,014	-	944,014
Prepayments	-	1,029,562	-	1,029,562
	<u>70,031,322</u>	<u>11,398,778</u>	<u>(70,031,322)</u>	<u>11,398,778</u>
<b>Total noncurrent assets</b>				
	<u>70,031,322</u>	<u>11,398,778</u>	<u>(70,031,322)</u>	<u>11,398,778</u>
<b>Telecommunications Plant</b>				
In service	-	149,367,717	-	149,367,717
Nonregulated plant	-	4,908,236	-	4,908,236
Under construction	-	241,266	-	241,266
	<u>-</u>	<u>154,517,219</u>	<u>-</u>	<u>154,517,219</u>
Total investment in plant				
	<u>-</u>	<u>154,517,219</u>	<u>-</u>	<u>154,517,219</u>
Less accumulated depreciation	-	104,468,820	-	104,468,820
	<u>-</u>	<u>104,468,820</u>	<u>-</u>	<u>104,468,820</u>
<b>Net telecommunications plant</b>				
	<u>-</u>	<u>50,048,399</u>	<u>-</u>	<u>50,048,399</u>
<b>Total assets</b>				
	<u>\$ 74,473,128</u>	<u>\$ 86,635,519</u>	<u>\$ (73,989,716)</u>	<u>\$ 87,118,931</u>

TPC, Inc. and Subsidiary  
Consolidating Balance Sheets  
December 31, 2021

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 188	\$ 5,760,558	\$ (3,958,394)	\$ 1,802,352
Current maturities of long-term debt	-	2,199,053	-	2,199,053
Advance billing and customer deposits	-	115,728	-	115,728
Accrued income taxes	-	10,547	-	10,547
Accrued taxes - other	-	96,263	-	96,263
Other current liabilities	-	183,937	-	183,937
Total current liabilities	<u>188</u>	<u>8,366,086</u>	<u>(3,958,394)</u>	<u>4,407,880</u>
Deferred Income Taxes	-	8,238,111	-	8,238,111
Stockholders' Equity				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	<u>65,272,940</u>	<u>36,635,713</u>	<u>(36,635,713)</u>	<u>65,272,940</u>
Total stockholders' equity	<u>74,472,940</u>	<u>70,031,322</u>	<u>(70,031,322)</u>	<u>74,472,940</u>
Total liabilities and stockholders' equity	<u>\$ 74,473,128</u>	<u>\$ 86,635,519</u>	<u>\$ (73,989,716)</u>	<u>\$ 87,118,931</u>

TPC, Inc. and Subsidiary  
Consolidating Balance Sheets  
December 31, 2020

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 473,257	\$ 20,052,295	\$ -	\$ 20,525,552
Accounts receivable:				
Telecommunications, net	-	163,885	-	163,885
Other	3,957,670	1,493,522	(3,957,823)	1,493,369
Materials and supplies	-	538,211	-	538,211
Investments in debt securities	-	68,681	-	68,681
Prepayments	-	540,000	-	540,000
	<u>4,430,927</u>	<u>22,856,594</u>	<u>(3,957,823)</u>	<u>23,329,698</u>
<b>Total current assets</b>				
	<u>4,430,927</u>	<u>22,856,594</u>	<u>(3,957,823)</u>	<u>23,329,698</u>
<b>Noncurrent Assets</b>				
Investment in subsidiary	61,966,133	-	(61,966,133)	-
Investments in debt securities	-	808,402	-	808,402
Investments in equity securities	-	114,362	-	114,362
Investments in limited liability companies	-	6,644,493	-	6,644,493
Other investments	12,717	936,410	-	949,127
Prepayments	-	156,814	-	156,814
	<u>61,978,850</u>	<u>8,660,481</u>	<u>(61,966,133)</u>	<u>8,673,198</u>
<b>Total noncurrent assets</b>				
	<u>61,978,850</u>	<u>8,660,481</u>	<u>(61,966,133)</u>	<u>8,673,198</u>
<b>Telecommunications Plant</b>				
In service	-	147,372,986	-	147,372,986
Nonregulated plant	-	5,292,448	-	5,292,448
Under construction	-	432,702	-	432,702
Total investment in plant	<u>-</u>	<u>153,098,136</u>	<u>-</u>	<u>153,098,136</u>
Less accumulated depreciation	<u>-</u>	<u>102,393,493</u>	<u>-</u>	<u>102,393,493</u>
	<u>-</u>	<u>50,704,643</u>	<u>-</u>	<u>50,704,643</u>
<b>Net telecommunications plant</b>				
	<u>-</u>	<u>50,704,643</u>	<u>-</u>	<u>50,704,643</u>
<b>Total assets</b>	<u>\$ 66,409,777</u>	<u>\$ 82,221,718</u>	<u>\$ (65,923,956)</u>	<u>\$ 82,707,539</u>

TPC, Inc. and Subsidiary  
Consolidating Balance Sheets  
December 31, 2020

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Liabilities and Stockholders' Equity</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 153	\$ 5,588,059	\$ (3,957,823)	\$ 1,630,389
Current maturities of long-term debt	-	2,400,000	-	2,400,000
Advance billing and customer deposits	-	71,845	-	71,845
Accrued income taxes	-	513,203	-	513,203
Accrued taxes - other	-	105,917	-	105,917
Other current liabilities	-	193,804	-	193,804
<b>Total current liabilities</b>	<b>153</b>	<b>8,872,828</b>	<b>(3,957,823)</b>	<b>4,915,158</b>
<b>Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs</b>	<b>-</b>	<b>2,167,988</b>	<b>-</b>	<b>2,167,988</b>
<b>Deferred Income Taxes</b>	<b>-</b>	<b>9,214,769</b>	<b>-</b>	<b>9,214,769</b>
<b>Stockholders' Equity</b>				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	57,209,624	28,570,524	(28,570,524)	57,209,624
<b>Total stockholders' equity</b>	<b>66,409,624</b>	<b>61,966,133</b>	<b>(61,966,133)</b>	<b>66,409,624</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 66,409,777</b>	<b>\$ 82,221,718</b>	<b>\$ (65,923,956)</b>	<b>\$ 82,707,539</b>

TPC, Inc. and Subsidiary  
Consolidating Statements of Income  
Year Ended December 31, 2021

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Operating Revenues</b>				
Local network access	\$ -	\$ 3,819,588	\$ -	\$ 3,819,588
Network access services	-	17,505,514	-	17,505,514
Miscellaneous revenue	-	512,419	-	512,419
Leasing, sales, and installation	-	810,916	-	810,916
Internet revenue	-	4,945,717	-	4,945,717
Video revenue	-	4,008,283	-	4,008,283
Wireless revenue	-	24,585	-	24,585
Uncollectible revenue	-	(36,437)	-	(36,437)
<b>Total operating revenues</b>	<b>-</b>	<b>31,590,585</b>	<b>-</b>	<b>31,590,585</b>
<b>Operating Expenses</b>				
Plant specific operations	-	4,936,196	-	4,936,196
Plant nonspecific operations	-	1,628,745	-	1,628,745
Cable television programming	-	2,913,780	-	2,913,780
Depreciation	-	7,276,353	-	7,276,353
Customer operations	-	1,596,390	-	1,596,390
Corporate operations	2,409	2,010,249	-	2,012,658
Operating taxes - other	-	101,286	-	101,286
Cost of sales and installations	-	1,036,025	-	1,036,025
Other internet expenses	-	400,458	-	400,458
Other video expenses	-	554,284	-	554,284
Other wireless expenses	-	23,247	-	23,247
<b>Total operating expenses</b>	<b>2,409</b>	<b>22,477,013</b>	<b>-</b>	<b>22,479,422</b>
<b>Net Operating (Loss) Income</b>	<b>(2,409)</b>	<b>9,113,572</b>	<b>-</b>	<b>9,111,163</b>
<b>Other Income (Expense)</b>				
Investment income	-	60,096	-	60,096
Allowance for funds used during construction	-	69,212	-	69,212
Subsidiary earnings	9,065,189	-	(9,065,189)	-
Other expenses	-	(54,953)	-	(54,953)
Interest expense	-	(88,205)	-	(88,205)
Loan forgiveness	-	1,250,000	-	1,250,000
Earnings from investments in limited liability companies	-	1,116,688	-	1,116,688
<b>Other income (expense), net</b>	<b>9,065,189</b>	<b>2,352,838</b>	<b>(9,065,189)</b>	<b>2,352,838</b>
<b>Net Income Before Income Taxes</b>	<b>9,062,780</b>	<b>11,466,410</b>	<b>(9,065,189)</b>	<b>11,464,001</b>
<b>Income Tax (Benefit) Expense</b>	<b>(536)</b>	<b>2,401,221</b>	<b>-</b>	<b>2,400,685</b>
<b>Net Income</b>	<b>\$ 9,063,316</b>	<b>\$ 9,065,189</b>	<b>\$ (9,065,189)</b>	<b>\$ 9,063,316</b>

TPC, Inc. and Subsidiary  
Consolidating Statements of Income  
Year Ended December 31, 2020

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Operating Revenues</b>				
Local network access	\$ -	\$ 4,185,227	\$ -	\$ 4,185,227
Network access services	-	17,614,823	-	17,614,823
Miscellaneous revenue	-	416,118	-	416,118
Leasing, sales, and installation	-	607,556	-	607,556
Internet revenue	-	4,598,502	-	4,598,502
Video revenue	-	3,591,945	-	3,591,945
Wireless revenue	-	25,024	-	25,024
Uncollectible revenue	-	(14,963)	-	(14,963)
<b>Total operating revenues</b>	<b>-</b>	<b>31,024,232</b>	<b>-</b>	<b>31,024,232</b>
<b>Operating Expenses</b>				
Plant specific operations	-	4,411,728	-	4,411,728
Plant nonspecific operations	-	1,545,772	-	1,545,772
Cable television programming	-	2,758,349	-	2,758,349
Depreciation	-	6,685,186	-	6,685,186
Customer operations	-	1,597,699	-	1,597,699
Corporate operations	2,547	1,868,349	-	1,870,896
Operating taxes - other	-	109,529	-	109,529
Cost of sales and installations	-	719,673	-	719,673
Other internet expenses	-	427,817	-	427,817
Other video expenses	-	580,851	-	580,851
Other wireless expenses	-	23,903	-	23,903
<b>Total operating expenses</b>	<b>2,547</b>	<b>20,728,856</b>	<b>-</b>	<b>20,731,403</b>
<b>Net Operating (Loss) Income</b>	<b>(2,547)</b>	<b>10,295,376</b>	<b>-</b>	<b>10,292,829</b>
<b>Other Income (Expense)</b>				
Investment income	-	49,345	-	49,345
Allowance for funds used during construction	-	9,796	-	9,796
Subsidiary earnings	8,904,637	-	(8,904,637)	-
Other expenses	-	(60,189)	-	(60,189)
Interest expense	-	(150,775)	-	(150,775)
Earnings from investments in limited liability companies	-	1,135,560	-	1,135,560
<b>Other income (expense), net</b>	<b>8,904,637</b>	<b>983,737</b>	<b>(8,904,637)</b>	<b>983,737</b>
<b>Net Income Before Income Taxes</b>	<b>8,902,090</b>	<b>11,279,113</b>	<b>(8,904,637)</b>	<b>11,276,566</b>
<b>Income Tax (Benefit) Expense</b>	<b>(577)</b>	<b>2,374,476</b>	<b>-</b>	<b>2,373,899</b>
<b>Net Income</b>	<b>\$ 8,902,667</b>	<b>\$ 8,904,637</b>	<b>\$ (8,904,637)</b>	<b>\$ 8,902,667</b>

TPC, Inc. and Subsidiary  
Consolidating Statements of Cash Flows  
Year Ended December 31, 2021

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Operating Activities</b>				
Net income	\$ 9,063,316	\$ 9,065,189	\$ (9,065,189)	\$ 9,063,316
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(9,065,189)	-	9,065,189	-
Depreciation				
Telecommunications plant	-	6,929,306	-	6,929,306
Nonregulated plant	-	347,047	-	347,047
Interest expense attributable to amortization of debt issuance costs	-	31,065	-	31,065
Earnings from equity investments	-	(1,116,688)	-	(1,116,688)
Distributions from equity investments	-	775,992	-	775,992
Unrealized gains on equity securities	-	(28,533)	-	(28,533)
Noncash patronage capital credit allocations	-	(62,794)	-	(62,794)
Cash retirements from patronage investments	12,717	55,190	-	67,907
Paycheck Protection Program loan forgiveness	-	(1,250,000)	-	(1,250,000)
Deferred income taxes	-	(976,658)	-	(976,658)
Change in current assets and liabilities				
Accounts receivable	(536)	134,691	571	134,726
Materials and supplies	-	(78,748)	-	(78,748)
Prepayments	-	(1,134,180)	-	(1,134,180)
Accounts payable	35	(188,660)	(571)	(189,196)
Advance billing and customer deposits	-	43,883	-	43,883
Accrued income taxes	-	(502,656)	-	(502,656)
Accrued taxes - other	-	(9,654)	-	(9,654)
Other current liabilities	-	(9,867)	-	(9,867)
<b>Net Cash from Operating Activities</b>	<b>10,343</b>	<b>12,023,925</b>	<b>-</b>	<b>12,034,268</b>
<b>Investing Activities</b>				
Net plant additions and replacements	-	(6,258,950)	-	(6,258,950)
Proceeds from the sale of equity securities	-	6,387	-	6,387
Purchases of equity securities	-	(372,007)	-	(372,007)
Proceeds from the sale of debt securities	-	573,510	-	573,510
Purchases of debt securities	-	(1,682,018)	-	(1,682,018)
<b>Net Cash used for Investing Activities</b>	<b>-</b>	<b>(7,733,078)</b>	<b>-</b>	<b>(7,733,078)</b>

TPC, Inc. and Subsidiary  
Consolidating Statements of Cash Flows  
Year Ended December 31, 2021

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Financing Activities</b>				
Principal payments on long-term debt	\$ -	\$ (2,400,000)	\$ -	\$ (2,400,000)
Proceeds from Paycheck Protection Program	-	1,250,000	-	1,250,000
Dividends received	1,000,000	-	(1,000,000)	-
Dividends paid	(1,000,000)	(1,000,000)	1,000,000	(1,000,000)
Net Cash used for Financing Activities	-	(2,150,000)	-	(2,150,000)
Net Change in Cash and Cash Equivalents	\$ 10,343	\$ 2,140,847	\$ -	\$ 2,151,190
<b>Cash and Cash Equivalents</b>				
Beginning of year	473,257	20,052,295	-	20,525,552
End of year	\$ 483,600	\$ 22,193,142	\$ -	\$ 22,676,742
<b>Supplementary Disclosures of Cash Flow Information</b>				
Cash payments for interest	\$ -	\$ 106,133	\$ -	\$ 106,133
Cash payments for income taxes	-	3,880,000	-	3,880,000
<b>Noncash Investing and Financing Activities</b>				
Plant additions funded with accounts payable at year end	\$ -	\$ 533,025	\$ -	\$ 533,025

TPC, Inc. and Subsidiary  
Consolidating Statements of Cash Flows  
Year Ended December 31, 2020

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
<b>Operating Activities</b>				
Net income	\$ 8,902,667	\$ 8,904,637	\$ (8,904,637)	\$ 8,902,667
Adjustments to reconcile net income to net cash from operating activities				
Subsidiary earnings	(8,904,637)	-	8,904,637	-
Depreciation				
Telecommunications plant	-	6,343,872	-	6,343,872
Nonregulated plant	-	341,314	-	341,314
Interest expense attributable to amortization of debt issuance costs				
	-	15,863	-	15,863
Earnings from equity investments	-	(1,135,560)	-	(1,135,560)
Distributions from equity investees	-	677,597	-	677,597
Unrealized gains on equity securities	-	(16,182)	-	(16,182)
Noncash patronage capital credit allocations				
	-	(81,813)	-	(81,813)
Cash retirements from patronage investments				
	23,518	86,824	-	110,342
Deferred income taxes	-	(324,570)	-	(324,570)
Change in current assets and liabilities				
Accounts receivable	(577)	133,183	441	133,047
Materials and supplies	-	(10,315)	-	(10,315)
Prepayments	-	(143,660)	-	(143,660)
Accounts payable	(136)	659,387	(441)	658,810
Advance billing and customer deposits	-	20,086	-	20,086
Accrued income taxes	-	434,557	-	434,557
Accrued taxes - other	-	(2,112)	-	(2,112)
Other current liabilities	-	(39,265)	-	(39,265)
<b>Net Cash from Operating Activities</b>	<b>20,835</b>	<b>15,863,843</b>	<b>-</b>	<b>15,884,678</b>
<b>Investing Activities</b>				
Net plant additions and replacements	-	(2,795,022)	-	(2,795,022)
Proceeds from the sale of equity securities	-	787	-	787
Purchases of equity securities	-	(100,066)	-	(100,066)
Proceeds from the sale of debt securities				
	-	125,134	-	125,134
Purchases of debt securities	-	(1,001,119)	-	(1,001,119)
Purchase of other investments	-	(14,705)	-	(14,705)
<b>Net Cash used for Financing Activities</b>	<b>-</b>	<b>(3,784,991)</b>	<b>-</b>	<b>(3,784,991)</b>
<b>Financing Activities</b>				
Principal payments on long-term debt	-	(2,400,000)	-	(2,400,000)
Dividends received	2,000,000	-	(2,000,000)	-
Dividends paid	(2,000,000)	(2,000,000)	2,000,000	(2,000,000)
<b>Net Cash used for Financing Activities</b>	<b>-</b>	<b>(4,400,000)</b>	<b>-</b>	<b>(4,400,000)</b>

TPC, Inc. and Subsidiary  
Consolidating Statements of Cash Flows  
Year Ended December 31, 2020

	<u>TPC, Inc.</u>	<u>North Dakota Telephone Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net Change in Cash and Cash Equivalents	\$ 20,835	\$ 7,678,852	\$ -	\$ 7,699,687
Cash and Cash Equivalents				
Beginning of year	<u>452,422</u>	<u>12,373,443</u>	<u>-</u>	<u>12,825,865</u>
End of year	<u>\$ 473,257</u>	<u>\$ 20,052,295</u>	<u>\$ -</u>	<u>\$ 20,525,552</u>
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	\$ -	\$ 214,576	\$ -	\$ 214,576
Cash payments for income taxes	-	2,698,775	-	2,698,775
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year end	\$ -	\$ 171,866	\$ -	\$ 171,866