



Consolidated Financial Statements
December 31, 2023 and 2022
TPC, Inc. and Subsidiary

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Subsidiary Audited Financial Statements 2023
North Dakota Telephone Company
Shawna Senger, CFO

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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, 2023 and 2022, 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 accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of TPC, Inc. and Subsidiary as of December 31, 2023 and 2022, 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 Consolidated 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 consolidated 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 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 GAAS. 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 16, 2024

TPC, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 29,824,184	\$ 27,856,686
Accounts receivable		
Telecommunications, less allowance for credit losses (2023 - \$25,000 ; 2022 - \$30,000)	174,641	176,835
Other	1,442,680	1,634,545
Materials and supplies	950,254	967,712
Investments in debt securities	767,350	222,996
Prepayments	567,490	768,105
Total current assets	33,726,599	31,626,879
Noncurrent Assets		
Investments in debt securities	7,688,134	1,708,862
Investments in equity securities	1,568,603	467,177
Investments in limited liability companies	7,515,949	7,190,180
Other investments	933,020	948,087
Operating lease right-of-use asset	47,850	62,153
Prepayments	312,475	562,295
Total noncurrent assets	18,066,031	10,938,754
Telecommunications Plant		
In service	152,703,204	153,787,969
Under construction	352,588	441,466
	153,055,792	154,229,435
Less accumulated depreciation	111,870,061	108,555,743
Net telecommunications plant	41,185,731	45,673,692
Total assets	\$ 92,978,361	\$ 88,239,325

TPC, Inc. and Subsidiary
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 570,654	\$ 696,134
Current maturities of operating lease liability	14,511	14,303
Advance billing and customer deposits	104,555	117,637
Accrued income taxes	110,584	273,405
Accrued taxes - other	90,158	94,899
Other current liabilities	278,222	177,019
	1,168,684	1,373,397
Noncurrent Liabilities		
Operating lease liability, less current maturities	33,339	47,850
Deferred income taxes	6,395,875	7,371,499
	6,429,214	7,419,349
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	76,180,463	70,246,579
	85,380,463	79,446,579
	\$ 92,978,361	\$ 88,239,325

TPC, Inc. and Subsidiary
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Local network access	\$ 3,573,256	\$ 3,772,622
Network access services	17,483,353	17,598,307
Miscellaneous revenue	385,141	395,752
Leasing, sales, and installation	1,050,781	855,008
Internet revenue	5,594,831	5,313,467
Video revenue	4,257,095	4,133,758
Wireless revenue	21,551	23,240
Uncollectible revenue	(38,779)	(30,686)
	<u>32,327,229</u>	<u>32,061,468</u>
Operating Expenses		
Plant specific operations	5,351,443	5,501,582
Plant nonspecific operations	1,773,808	1,757,360
Video programming	3,105,504	2,924,715
Depreciation	7,548,920	7,684,218
Customer operations	1,625,764	1,644,408
Corporate operations	2,310,078	2,095,052
Operating taxes - other	96,318	100,754
Cost of sales and installations	1,155,064	1,115,683
Internet expenses	369,358	376,814
Video expenses	600,906	550,044
Wireless expenses	21,611	22,443
	<u>23,958,774</u>	<u>23,773,073</u>
Net Operating Income	<u>8,368,455</u>	<u>8,288,395</u>
Other Income (Expense)		
Investment income	1,447,370	240,396
Allowance for funds used during construction	-	14,259
Other expenses	(73,619)	(155,831)
Interest expense	-	(55,432)
Earnings from investments in limited liability companies	608,233	818,098
	<u>1,981,984</u>	<u>861,490</u>
Net Income Before Income Taxes	<u>10,350,439</u>	<u>9,149,885</u>
Income Tax Expense	2,416,555	2,176,246
Net Income	<u>\$ 7,933,884</u>	<u>\$ 6,973,639</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2022	\$ 9,200,000	\$ 65,272,940	\$ 74,472,940
Dividends paid	-	(2,000,000)	(2,000,000)
Net income	-	6,973,639	6,973,639
Balance, December 31, 2022	9,200,000	70,246,579	79,446,579
Dividends paid	-	(2,000,000)	(2,000,000)
Net income	-	7,933,884	7,933,884
Balance, December 31, 2023	<u>\$ 9,200,000</u>	<u>\$ 76,180,463</u>	<u>\$ 85,380,463</u>

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net income	\$ 7,933,884	\$ 6,973,639
Adjustments to reconcile net income to net cash from operating activities		
Depreciation		
Telecommunications plant	7,238,083	7,396,220
Nonregulated plant	310,837	287,998
Interest expense attributable to amortization of debt issuance costs	-	31,065
Earnings from investments in limited liability companies	(608,233)	(818,098)
Distributions from investments in limited liability companies	282,464	613,107
Realized losses on equity securities	43,267	38,051
Unrealized (gains) losses on equity securities	(89,461)	68,290
Noncash patronage capital credit allocations	(2,283)	(25,875)
Cash retirements from patronage investments	16,677	54,529
Deferred income taxes	(975,624)	(866,612)
Change in current assets and liabilities		
Accounts receivable	194,059	(288,852)
Prepayments	450,435	500,594
Accounts payable	(53,557)	(711,495)
Advance billing and customer deposits	(13,082)	1,909
Accrued income taxes	(162,821)	262,858
Accrued taxes - other	(4,741)	(1,364)
Other current liabilities	101,203	(6,918)
Net Cash from Operating Activities	14,661,107	13,509,046
Investing Activities		
Net plant additions and replacements	(3,132,882)	(3,704,234)
Proceeds from the sale of equity securities	76,364	26,054
Purchases of equity securities	(1,085,932)	(30,768)
Proceeds from the sale of debt securities	1,559,623	632,429
Purchases of debt securities	(8,128,913)	(638,985)
Materials and supplies	17,458	(350,753)
Sale (purchase) of other investments	673	(32,727)
Net Cash used for Investing Activities	(10,693,609)	(4,098,984)
Financing Activities		
Principal payments on long-term debt	-	(2,230,118)
Dividends paid	(2,000,000)	(2,000,000)
Net Cash used for Financing Activities	(2,000,000)	(4,230,118)

TPC, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net Change in Cash and Cash Equivalents	\$ 1,967,498	\$ 5,179,944
Cash and Cash Equivalents, Beginning of Year	<u>27,856,686</u>	<u>22,676,742</u>
Cash and Cash Equivalents, End of Year	<u>\$ 29,824,184</u>	<u>\$ 27,856,686</u>
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	\$ 111	\$ 45,389
Cash payments for income taxes, net	3,555,000	2,780,000
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant additions funded with accounts payable at year-end	\$ 66,379	\$ 138,302

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. Cash equivalents are stated at cost, which approximates market value.

Accounts Receivable and Allowance for Credit Losses

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.

The allowance for credit losses is estimated based on historical bad debts and the financial stability of customers with outstanding trade receivables. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment term. Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. The allowance for credit losses for trade receivables was approximately \$25,000 and \$30,000 as of December 31, 2023 and 2022, respectively.

The beginning and ending balances for customer accounts receivable and unbilled revenues, net of allowances for credit losses and any contract liabilities, were as follows for the years ended December 31, 2023 and 2022:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Customer accounts receivable			
Billed	\$ 477,923	\$ 512,055	\$ 484,945
Unbilled	<u>40,295</u>	<u>45,145</u>	<u>49,444</u>
Total customer accounts receivable	<u>\$ 518,218</u>	<u>\$ 557,200</u>	<u>\$ 534,389</u>
Contract liabilities			
Advance billing and customer deposits	\$ 104,555	\$ 117,637	\$ 115,728

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. Premiums and discounts on investments in debt securities are amortized over the contractual lives of those securities using the straight-line method, which are recognized as adjustments to interest income. Gains or losses on held-to-maturity securities are recognized only upon realization using the specific identification method.

Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt 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 separate component of equity. At December 31, 2023 and 2022, the Company had no investments in debt securities classified as trading or available-for-sale.

The Company establishes an allowance for credit losses on debt securities where the fair value is less than the amortized cost basis to the extent the unrealized loss is due to credit losses. The process for establishing the allowance for credit losses considers the risk characteristics of the security class. To the extent possible, losses are estimated collectively for classes of securities with similar risk characteristics. For securities that do not share similar risk characteristics with others, the losses are estimated individually. The allowance for credit losses is influenced by a variety of factors, including portfolio credit quality and general economic conditions. General economic conditions are forecasted using economic variables which will create volatility as those variables change over time. At December 31, 2023 and 2022, the allowance for credit losses was \$-0-.

Investments in Equity Securities

Investments in equity securities with readily determinable fair values, except those accounted for using the equity method of accounting, are measured at fair value in the consolidated balance sheets. Investment income or loss on equity securities measured at fair value (including realized and unrealized gains and losses on investments, interest, and dividends) is included in net income.

Investments in Limited Liability Companies

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.

Other Investments

The Company has investments in affiliated companies and other investments which the Company has accounted for as equity securities. Investments in equity securities without readily determinable fair values are included in other investments and 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 associated companies are recorded at the Company's share of allocated patronage capital and the other investments are recorded at cost. Investments in equity securities without readily determinable fair values are considered annually for indicators of impairment. The Company has not identified any impairments and there has not been observable price changes during the years ended December 31, 2023 and 2022.

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 consolidated 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.

There have been no changes in Level 1, Level 2, and Level 3 and no changes in valuation techniques for these assets or liabilities for the period ended December 31, 2023.

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, 2023 and 2022.

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

Income taxes are provided for the tax effects of transactions reporting in the consolidated financial statements and consist of taxes currently due plus deferred 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, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
End user revenues	\$ 13,489,801	\$ 13,299,317
Carrier access and special access billing	4,168,184	4,343,134
Facilities contract revenues	1,128,612	1,268,393
Other contracted revenues	1,111,335	925,957
Revenue from contracts with customers	19,897,932	19,836,801
Other revenues		
Lease revenues (outside scope of ASC 606)	324,587	324,803
Federal support revenues (outside scope of ASC 606)	12,104,710	11,899,864
Total revenues	\$ 32,327,229	\$ 32,061,468

End User Revenues

End user revenues include revenues from residential and business customers for local telephone, internet, and video 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 each month.

The Company also receives revenue from a related party for use of their networks through an agreed upon revenue sharing model. The Company recognizes revenue monthly, as the customers simultaneously receive and consume the benefits each month.

Other Contracted Revenue

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

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 Company's policy is to fund pension costs accrued.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses during the years ended December 31, 2023 and 2022 were \$148,156 and \$180,706, respectively.

Subsequent Events

The Company has evaluated subsequent events through April 16, 2024, the date which the consolidated financial statements were available to be issued.

Adoption of New Accounting Standard

Effective January 1, 2023, the Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Company adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not have a material impact on the Company's Consolidated Statements of Income or Statements of Cash Flows.

Note 2 - Concentrations of Business and Credit Risk

The Company provides telephone, internet, and IPTV video 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 38.6% and 37.5% of the Company's total revenues for the year ended December 31, 2023 and 2022, respectively.

The Company maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, the Company had approximately \$28,833,000 and \$26,615,000, respectively, in excess of FDIC-insured limits.

Note 3 - Investments and Investment Income

Equity securities measured at fair value include the following at December 31, 2023 and 2022:

	2023	2022
Common stock and mutual funds	\$ 1,568,603	\$ 467,177

Investments in debt securities classified as held-to-maturity are recorded at amortized cost and consist of the following at December 31, 2023 and 2022:

	2023			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Corporate bonds	\$ 1,546,565	\$ 10,505	\$ (39,964)	\$ 1,517,106
Government bonds	4,882,036	12,551	(22,192)	4,872,395
Certificates of deposit	2,026,883	7,810	(4,066)	2,030,627
Total debt securities	\$ 8,455,484	\$ 30,866	\$ (66,222)	\$ 8,420,128
	2022			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Corporate bonds	\$ 860,551	\$ -	\$ (84,801)	\$ 775,750
Government bonds	1,071,307	-	(81,563)	989,744
Total debt securities	\$ 1,931,858	\$ -	\$ (166,364)	\$ 1,765,494

Maturities of held-to-maturity debt securities at December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 767,350	\$ 222,996
Due after one year through five years	5,567,454	1,250,904
Due after five years through ten years	1,868,568	457,958
Due after ten years	<u>252,112</u>	<u>-</u>
Total debt securities	<u>\$ 8,455,484</u>	<u>\$ 1,931,858</u>

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 1,347,308	\$ 336,733
Dividend income	53,868	10,004
Realized (loss) gain on investments	(43,267)	(38,051)
Unrealized (loss) gain on investments	<u>89,461</u>	<u>(68,290)</u>
Total investment income	<u>\$ 1,447,370</u>	<u>\$ 240,396</u>

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 fair values of debt and equity securities are determined as follows as of December 31:

	2023			
	Total	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities Common stock and mutual funds	\$ 1,568,603	\$ 1,568,603	\$ -	\$ -

	2022			
	Total	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities Common stock and mutual funds	\$ 467,177	\$ 467,177	\$ -	\$ -

Note 5 - Investments in Limited Liability Companies

The Company accounts for the following investments in limited liability companies on the equity method:

North Dakota Long Distance LLC (NDLD)	11.10% Ownership
Dakota Carrier Network LLC (DCN)	8.13% Ownership
North Plains Utility Contracting LLC (NPUC)	25.00% Ownership
Dakota Video Network (DVN)	33.33% Ownership

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, 2023 and 2022:

	2022	Capital Contributions (Distributions)	Current Earnings (Loss)	2023
North Dakota Long Distance	\$ 64,215	\$ (40,000)	\$ 30,823	\$ 55,038
Dakota Carrier Network	6,256,333	(242,464)	631,180	6,645,049
North Plains Utility Contracting	660,081	-	(55,339)	604,742
Dakota Video Network	209,551	-	1,569	211,120
	<u>\$ 7,190,180</u>	<u>\$ (282,464)</u>	<u>\$ 608,233</u>	<u>\$ 7,515,949</u>
	2021	Capital Contributions (Distributions)	Current Earnings (Loss)	2022
North Dakota Long Distance	\$ 84,972	\$ (50,000)	\$ 29,243	\$ 64,215
Dakota Carrier Network	5,986,695	(363,107)	632,745	6,256,333
North Plains Utility Contracting	811,331	(200,000)	48,750	660,081
Dakota Video Network	102,191	-	107,360	209,551
	<u>\$ 6,985,189</u>	<u>\$ (613,107)</u>	<u>\$ 818,098</u>	<u>\$ 7,190,180</u>

The Company provides North Dakota Long Distance LLC certain management, customer service, billing and collection, and other services on a contractual basis. Amounts received under these contracts for the years ended December 31, 2023 and 2022, were approximately \$40,900 and \$55,800, 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, 2023 and 2022. 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 \$1,228,800 and \$1,332,000 for the years ended December 31, 2023 and 2022, respectively, and paid approximately \$332,400 and \$352,000 for the years ended December 31, 2023 and 2022, respectively.

The Company purchases licenses and video 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, 2023 and 2022.

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 \$467,600 and \$569,500 to North Plains Utility Contracting LLC for the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

The Company has accounts receivable balances arising from the various affiliated transactions at December 31, 2023 and 2022, totaling approximately \$3,800 and \$500, respectively. The Company has accounts payable balances arising from the various affiliated transactions at December 31, 2023 and 2022, totaling approximately \$8,300 and \$7,400, respectively.

Summary financial information for the Company's equity investees for the year ended December 31, 2023, 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	\$ 2,216,040	\$ 52,672,962	\$ 2,010,217	\$ 77,713
Expenses	1,938,630	45,098,402	2,231,573	73,008
Net income	277,410	7,574,560	(221,356)	4,705
Assets	\$ 1,302,649	\$ 120,410,601	\$ 2,467,829	\$ 643,265
Liabilities	174,868	39,396,306	16,090	9,900
Equity	1,127,781	81,014,295	2,451,739	633,365

Summary financial information for the Company's equity investees for the year ended December 31, 2022, 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	\$ 2,518,499	\$ 52,929,003	\$ 2,399,508	\$ 388,308
Expenses	2,255,313	44,410,234	2,204,509	66,226
Net income	263,186	8,518,769	194,999	322,082
Assets	\$ 1,414,257	\$ 91,153,766	\$ 2,698,908	\$ 632,560
Liabilities	203,886	14,732,466	25,814	3,900
Equity	1,210,371	76,421,300	2,673,094	628,660

Note 6 - Other Investments

	<u>2023</u>	<u>2022</u>
CoBank		
Subordinated capital stock	\$ 350,258	\$ 347,742
Patronage capital allocations	-	10,322
	<u>350,258</u>	<u>358,064</u>
Patronage capital credit investments		
National Information Solutions Cooperative (NISC)	317,229	317,433
National Rural Telecommunications Cooperative (NRTC)	183,692	183,250
Other patronage capital credit investments	42,444	41,901
	<u>543,365</u>	<u>542,584</u>
BDCIH Wireless Investment	<u>22,444</u>	<u>30,000</u>
Wireless license	<u>16,953</u>	<u>17,439</u>
Total other investments	<u>\$ 933,020</u>	<u>\$ 948,087</u>

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 - Telecommunications Plant

	<u>Depreciation Rates</u>	<u>2023</u>	<u>2022</u>
Land and support assets	2.71 - 20.96%	\$ 13,622,600	\$ 13,416,723
Central office switching equipment	5.00 - 14.29%	47,015,232	47,144,887
Information origination and termination	14.32%	37,371	37,371
Cable and wire facilities	2.51 - 5.3%	86,479,735	88,093,055
Leased telecommunications equipment	14.29 - 20.00%	892,686	718,793
Internet equipment	20.00%	596,875	600,175
Video equipment	14.29%	4,058,705	3,776,965
Total in service		<u>152,703,204</u>	<u>153,787,969</u>
Under construction		<u>352,588</u>	<u>441,466</u>
Total telecommunications plant		<u>\$ 153,055,792</u>	<u>\$ 154,229,435</u>

Note 8 - 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.

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:

	2023	2022
Accelerated depreciation and amortization	\$ 6,127,134	\$ 7,063,695
Equity method investments	339,774	400,758
Other	(71,033)	(92,954)
Net deferred income tax liability	\$ 6,395,875	\$ 7,371,499

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

	2023	2022
Operating taxes - federal income	\$ 1,826,361	\$ 1,569,108
Operating taxes - state income	121,652	349,392
Total operating	1,948,013	1,918,500
Nonoperating taxes - federal income	385,759	212,125
Nonoperating taxes - state income	82,783	45,621
Total nonoperating	468,542	257,746
Total income tax expense	\$ 2,416,555	\$ 2,176,246

The provision for income taxes charged to income for the years ended December 31, 2023 and 2022, consists of the following:

	2023	2022
Federal income tax computed at statutory rates	\$ 2,791,587	\$ 2,489,874
State income tax computed at statutory rates	600,592	552,984
Deferred income taxes - accelerated depreciation	(936,561)	(840,592)
Deferred income taxes - other	(39,063)	(26,020)
Total income tax expense	\$ 2,416,555	\$ 2,176,246

Note 9 - 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 RS 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.

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 RS Plan meets ERISA minimum funding requirements. In total, the RS Plan was over 80 percent funded on January 1, 2023 and 2022 based on the PPA funding target and PPA actuarial value of assets on those dates.

The Company's contributions to the RS Plan in 2023 and 2022 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. During 2023 and 2022, the Company made contributions to the RS Plan based on 12.05% and 11.50%, respectively, of eligible employee compensation plus a contribution surcharge of between 5.46%-5.74% for 2023 and 5.77%-6.06% for 2022 of eligible employee compensation. The current contribution surcharge is effective through December 31, 2023. The Company's total contributions to the RS Plan for the years ended December 31, 2023 and 2022 were approximately \$891,000 and \$869,000, respectively. Future contribution requirements are determined each year as part of the actuarial valuation of the RS Plan and may change as a result of plan experience.

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, 2023 and 2022. The Company made annual contributions of approximately \$200,300 and \$192,000 in 2023 and 2022, respectively.

Note 10 - Common Stock

	2023	2022
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 11 - 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, 2023 and 2022, 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 12 - Leases

The Company leases certain equipment and land for various items under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2097.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Company estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Company's applicable borrowing rates and the contractual lease term.

Total lease costs for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Operating lease cost	\$ 15,933	\$ 16,586

The following table summarizes the supplemental cash flow information for the year ended December 31, 2023 and 2022:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 15,933	\$ 16,586

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	2023	2022
Weighted-average remaining lease term:		
Operating leases	46.0 years	36.9 years
Weighted-average discount rate:		
Operating leases	3.00%	3.00%

Future minimum lease payments under noncancelable operating leases with terms greater than one year at December 31, 2023 are:

2024	\$ 15,715
2025	3,460
2026	2,435
2027	1,000
2028	1,000
Thereafter	<u>67,000</u>
Total lease payments	90,610
Less interest	<u>(42,760)</u>
Present value of lease liabilities	<u><u>\$ 47,850</u></u>



Supplementary Information
December 31, 2023 and 2022
TPC, Inc. and Subsidiary

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2023

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 480,343	\$ 29,343,841	\$ -	\$ 29,824,184
Accounts receivable				
Telecommunications, net	-	174,641	-	174,641
Other	3,958,995	1,443,126	(3,959,441)	1,442,680
Materials and supplies	-	950,254	-	950,254
Investments in debt securities	-	767,350	-	767,350
Prepayments	-	567,490	-	567,490
	<u>4,439,338</u>	<u>33,246,702</u>	<u>(3,959,441)</u>	<u>33,726,599</u>
Noncurrent Assets				
Investment in subsidiary	80,941,571	-	(80,941,571)	-
Investments in debt securities	-	7,688,134	-	7,688,134
Investments in equity securities	-	1,568,603	-	1,568,603
Investments in limited liability companies	-	7,515,949	-	7,515,949
Other investments	-	933,020	-	933,020
Operating lease right-of-use asset	-	47,850	-	47,850
Prepayments	-	312,475	-	312,475
	<u>80,941,571</u>	<u>18,066,031</u>	<u>(80,941,571)</u>	<u>18,066,031</u>
Telecommunications Plant				
In service	-	152,703,204	-	152,703,204
Under construction	-	352,588	-	352,588
Total investment in plant	-	153,055,792	-	153,055,792
Less accumulated depreciation	-	111,870,061	-	111,870,061
	<u>-</u>	<u>41,185,731</u>	<u>-</u>	<u>41,185,731</u>
Net telecommunications plant	<u>-</u>	<u>41,185,731</u>	<u>-</u>	<u>41,185,731</u>
Total assets	<u>\$ 85,380,909</u>	<u>\$ 92,498,464</u>	<u>\$ (84,901,012)</u>	<u>\$ 92,978,361</u>

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2023

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 446	\$ 4,529,649	\$ (3,959,441)	\$ 570,654
Current maturities of operating lease liability	-	14,511	-	14,511
Advance billing and customer deposits	-	104,555	-	104,555
Accrued income taxes	-	110,584	-	110,584
Accrued taxes - other	-	90,158	-	90,158
Other current liabilities	-	278,222	-	278,222
Total current liabilities	446	5,127,679	(3,959,441)	1,168,684
Noncurrent Liabilities				
Operating lease liability, less current maturities	-	33,339	-	33,339
Deferred income taxes	-	6,395,875	-	6,395,875
Total noncurrent liabilities	-	6,429,214	-	6,429,214
Stockholders' Equity				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	76,180,463	47,545,962	(47,545,962)	76,180,463
Total stockholders' equity	85,380,463	80,941,571	(80,941,571)	85,380,463
Total liabilities and stockholders' equity	\$ 85,380,909	\$ 92,498,464	\$ (84,901,012)	\$ 92,978,361

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2022

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 481,027	\$ 27,375,659	\$ -	\$ 27,856,686
Accounts receivable:				
Telecommunications, net	-	176,835	-	176,835
Other	3,958,784	1,634,636	(3,958,875)	1,634,545
Materials and supplies	-	967,712	-	967,712
Investments in debt securities	-	222,996	-	222,996
Prepayments	-	768,105	-	768,105
	<u>4,439,811</u>	<u>31,145,943</u>	<u>(3,958,875)</u>	<u>31,626,879</u>
Noncurrent Assets				
Investment in subsidiary	75,006,858	-	(75,006,858)	-
Investments in debt securities	-	1,708,862	-	1,708,862
Investments in equity securities	-	467,177	-	467,177
Investments in limited liability companies	-	7,190,180	-	7,190,180
Other investments	-	948,087	-	948,087
Operating lease right-of-use asset	-	62,153	-	62,153
Prepayments	-	562,295	-	562,295
	<u>75,006,858</u>	<u>10,938,754</u>	<u>(75,006,858)</u>	<u>10,938,754</u>
Telecommunications Plant				
In service	-	153,787,969	-	153,787,969
Under construction	-	441,466	-	441,466
Total investment in plant	<u>-</u>	<u>154,229,435</u>	<u>-</u>	<u>154,229,435</u>
Less accumulated depreciation	<u>-</u>	<u>108,555,743</u>	<u>-</u>	<u>108,555,743</u>
	<u>-</u>	<u>45,673,692</u>	<u>-</u>	<u>45,673,692</u>
Total assets	<u>\$ 79,446,669</u>	<u>\$ 87,758,389</u>	<u>\$ (78,965,733)</u>	<u>\$ 88,239,325</u>

TPC, Inc. and Subsidiary
Consolidating Balance Sheets
December 31, 2022

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable	\$ 90	\$ 4,654,919	\$ (3,958,875)	\$ 696,134
Current maturities of operating lease liability	-	14,303	-	14,303
Advance billing and customer deposits	-	117,637	-	117,637
Accrued income taxes	-	273,405	-	273,405
Accrued taxes - other	-	94,899	-	94,899
Other current liabilities	-	177,019	-	177,019
Total current liabilities	90	5,332,182	(3,958,875)	1,373,397
Noncurrent Liabilities				
Operating lease liability, less current maturities	-	47,850	-	47,850
Deferred Income Taxes	-	7,371,499	-	7,371,499
Total noncurrent liabilities	-	7,419,349	-	7,419,349
Stockholders' Equity				
Common stock	9,200,000	807,950	(807,950)	9,200,000
Other equities	-	32,587,659	(32,587,659)	-
Retained earnings	70,246,579	41,611,249	(41,611,249)	70,246,579
Total stockholders' equity	79,446,579	75,006,858	(75,006,858)	79,446,579
Total liabilities and stockholders' equity	\$ 79,446,669	\$ 87,758,389	\$ (78,965,733)	\$ 88,239,325

TPC, Inc. and Subsidiary
Consolidating Statements of Income
Year Ended December 31, 2023

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 3,573,256	\$ -	\$ 3,573,256
Network access services	-	17,483,353	-	17,483,353
Miscellaneous revenue	-	385,141	-	385,141
Leasing, sales, and installation	-	1,050,781	-	1,050,781
Internet revenue	-	5,594,831	-	5,594,831
Video revenue	-	4,257,095	-	4,257,095
Wireless revenue	-	21,551	-	21,551
Uncollectible revenue	-	(38,779)	-	(38,779)
Total operating revenues	-	32,327,229	-	32,327,229
Operating Expenses				
Plant specific operations	-	5,351,443	-	5,351,443
Plant nonspecific operations	-	1,773,808	-	1,773,808
Video programming	-	3,105,504	-	3,105,504
Depreciation	-	7,548,920	-	7,548,920
Customer operations	-	1,625,764	-	1,625,764
Corporate operations	1,038	2,309,040	-	2,310,078
Operating taxes - other	-	96,318	-	96,318
Cost of sales and installations	-	1,155,064	-	1,155,064
Other internet expenses	-	369,358	-	369,358
Other video expenses	-	600,906	-	600,906
Other wireless expenses	-	21,611	-	21,611
Total operating expenses	1,038	23,957,736	-	23,958,774
Net Operating (Loss) Income	(1,038)	8,369,493	-	8,368,455
Other Income (Expense)				
Investment income	-	1,447,370	-	1,447,370
Subsidiary earnings	7,934,713	-	(7,934,713)	-
Other expenses	-	(73,619)	-	(73,619)
Earnings from investments in limited liability companies	-	608,233	-	608,233
Other income (expense), net	7,934,713	1,981,984	(7,934,713)	1,981,984
Net Income Before Income Taxes	7,933,675	10,351,477	(7,934,713)	10,350,439
Income Tax (Benefit) Expense	(209)	2,416,764	-	2,416,555
Net Income	\$ 7,933,884	\$ 7,934,713	\$ (7,934,713)	\$ 7,933,884

TPC, Inc. and Subsidiary
Consolidating Statements of Income
Year Ended December 31, 2022

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Revenues				
Local network access	\$ -	\$ 3,772,622	\$ -	\$ 3,772,622
Network access services	-	17,598,307	-	17,598,307
Miscellaneous revenue	-	395,752	-	395,752
Leasing, sales, and installation	-	855,008	-	855,008
Internet revenue	-	5,313,467	-	5,313,467
Video revenue	-	4,133,758	-	4,133,758
Wireless revenue	-	23,240	-	23,240
Uncollectible revenue	-	(30,686)	-	(30,686)
Total operating revenues	-	32,061,468	-	32,061,468
Operating Expenses				
Plant specific operations	-	5,501,582	-	5,501,582
Plant nonspecific operations	-	1,757,360	-	1,757,360
Video programming	-	2,924,715	-	2,924,715
Depreciation	-	7,684,218	-	7,684,218
Customer operations	-	1,644,408	-	1,644,408
Corporate operations	2,475	2,092,577	-	2,095,052
Operating taxes - other	-	100,754	-	100,754
Cost of sales and installations	-	1,115,683	-	1,115,683
Other internet expenses	-	376,814	-	376,814
Other video expenses	-	550,044	-	550,044
Other wireless expenses	-	22,443	-	22,443
Total operating expenses	2,475	23,770,598	-	23,773,073
Net Operating (Loss) Income	(2,475)	8,290,870	-	8,288,395
Other Income (Expense)				
Investment income	-	240,396	-	240,396
Allowance for funds used during construction	-	14,259	-	14,259
Subsidiary earnings	6,975,536	-	(6,975,536)	-
Other expenses	-	(155,831)	-	(155,831)
Interest expense	-	(55,432)	-	(55,432)
Earnings from investments in limited liability companies	-	818,098	-	818,098
Other income (expense), net	6,975,536	861,490	(6,975,536)	861,490
Net Income Before Income Taxes	6,973,061	9,152,360	(6,975,536)	9,149,885
Income Tax (Benefit) Expense	(578)	2,176,824	-	2,176,246
Net Income	\$ 6,973,639	\$ 6,975,536	\$ (6,975,536)	\$ 6,973,639

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2023

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 7,933,884	\$ 7,934,713	\$ (7,934,713)	\$ 7,933,884
Adjustments to reconcile net income to net cash (used for) for operating activities				
Subsidiary earnings	(7,934,713)	-	7,934,713	-
Depreciation				
Telecommunications plant	-	7,238,083	-	7,238,083
Nonregulated plant	-	310,837	-	310,837
Earnings from equity investments	-	(608,233)	-	(608,233)
Distributions from equity investments	-	282,464	-	282,464
Realized loss on equity securities	-	43,267	-	43,267
Unrealized gain on equity securities	-	(89,461)	-	(89,461)
Noncash patronage capital credit allocations	-	(2,283)	-	(2,283)
Cash retirements from patronage investments	-	16,677	-	16,677
Deferred income taxes	-	(975,624)	-	(975,624)
Change in current assets and liabilities				
Accounts receivable	(211)	193,704	566	194,059
Prepayments	-	450,435	-	450,435
Accounts payable	356	(53,347)	(566)	(53,557)
Advance billing and customer deposits	-	(13,082)	-	(13,082)
Accrued income taxes	-	(162,821)	-	(162,821)
Accrued taxes - other	-	(4,741)	-	(4,741)
Other current liabilities	-	101,203	-	101,203
Net Cash (used for) from Operating Activities	(684)	14,661,791	-	14,661,107
Investing Activities				
Net plant additions and replacements	-	(3,132,882)	-	(3,132,882)
Proceeds from the sale of equity securities	-	76,364	-	76,364
Purchases of equity securities	-	(1,085,932)	-	(1,085,932)
Proceeds from the sale of debt securities	-	1,559,623	-	1,559,623
Purchases of debt securities	-	(8,128,913)	-	(8,128,913)
Materials and supplies	-	17,458	-	17,458
Sale of other investments	-	673	-	673
Net Cash used for Investing Activities	-	(10,693,609)	-	(10,693,609)
Financing Activities				
Dividends received	2,000,000	-	(2,000,000)	-
Dividends paid	(2,000,000)	(2,000,000)	2,000,000	(2,000,000)
Net Cash used for Financing Activities	-	(2,000,000)	-	(2,000,000)

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2023

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Net Change in Cash and Cash Equivalents	\$ (684)	\$ 1,968,182	\$ -	\$ 1,967,498
Cash and Cash Equivalents				
Beginning of year	<u>481,027</u>	<u>27,375,659</u>	<u>-</u>	<u>27,856,686</u>
End of year	<u>\$ 480,343</u>	<u>\$ 29,343,841</u>	<u>\$ -</u>	<u>\$ 29,824,184</u>
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	\$ -	\$ 111	\$ -	\$ 111
Cash payments for income taxes, net	-	3,555,000	-	3,555,000
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year-end	\$ -	\$ 66,379	\$ -	\$ 66,379

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2022

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Operating Activities				
Net income	\$ 6,973,639	\$ 6,975,536	\$ (6,975,536)	\$ 6,973,639
Adjustments to reconcile net income to net cash (used for) from operating activities				
Subsidiary earnings	(6,975,536)	-	6,975,536	-
Depreciation				
Telecommunications plant	-	7,396,220	-	7,396,220
Nonregulated plant	-	287,998	-	287,998
Interest expense attributable to amortization of debt issuance costs	-	31,065	-	31,065
Earnings from equity investments	-	(818,098)	-	(818,098)
Distributions from equity investees	-	613,107	-	613,107
Realized losses on equity securities	-	38,051	-	38,051
Unrealized losses on equity securities	-	68,290	-	68,290
Noncash patronage capital credit allocations	-	(25,875)	-	(25,875)
Cash retirements from patronage investments	-	54,529	-	54,529
Deferred income taxes	-	(866,612)	-	(866,612)
Change in current assets and liabilities				
Accounts receivable	(578)	(288,755)	481	(288,852)
Prepayments	-	500,594	-	500,594
Accounts payable	(98)	(710,916)	(481)	(711,495)
Advance billing and customer deposits	-	1,909	-	1,909
Accrued income taxes	-	262,858	-	262,858
Accrued taxes - other	-	(1,364)	-	(1,364)
Other current liabilities	-	(6,918)	-	(6,918)
Net Cash (used for) from Operating Activities	(2,573)	13,511,619	-	13,509,046
Investing Activities				
Net plant additions and replacements	-	(3,704,234)	-	(3,704,234)
Proceeds from the sale of equity securities	-	26,054	-	26,054
Purchases of equity securities	-	(30,768)	-	(30,768)
Proceeds from the sale of debt securities	-	632,429	-	632,429
Purchases of debt securities	-	(638,985)	-	(638,985)
Materials and supplies	-	(350,753)	-	(350,753)
Purchase of other investments	-	(32,727)	-	(32,727)
Net Cash used for Financing Activities	-	(4,098,984)	-	(4,098,984)
Financing Activities				
Principal payments on long-term debt	-	(2,230,118)	-	(2,230,118)
Dividends received	2,000,000	-	(2,000,000)	-
Dividends paid	(2,000,000)	(2,000,000)	2,000,000	(2,000,000)
Net Cash used for Financing Activities	-	(4,230,118)	-	(4,230,118)

TPC, Inc. and Subsidiary
Consolidating Statements of Cash Flows
Year Ended December 31, 2022

	TPC, Inc.	North Dakota Telephone Company	Eliminations	Consolidated
Net Change in Cash and Cash Equivalents	\$ (2,573)	\$ 5,182,517	\$ -	\$ 5,179,944
Cash and Cash Equivalents				
Beginning of year	<u>483,600</u>	<u>22,193,142</u>	<u>-</u>	<u>22,676,742</u>
End of year	<u>\$ 481,027</u>	<u>\$ 27,375,659</u>	<u>\$ -</u>	<u>\$ 27,856,686</u>
Supplementary Disclosures of Cash Flow Information				
Cash payments for interest	\$ -	\$ 45,389	\$ -	\$ 45,389
Cash payments for income taxes, net	-	2,780,000	-	2,780,000
Noncash Investing and Financing Activities				
Plant additions funded with accounts payable at year-end	\$ -	\$ 138,302	\$ -	\$ 138,302