Report of Independent Auditors and
Consolidated Financial Statements
with Supplementary Information for

Logan Telephone Cooperative, Inc.

December 31, 2014 and 2013

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Logan Telephone Cooperative, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Logan Telephone Cooperative, Inc. and its subsidiary, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Kentucky RSA 3 Cellular General Partnership, Cumberland Cellular Partnership, Bluegrass Telecom, LLC and Bluegrass Networks, LLC (the partnerships and limited liability companies). The investments in the partnerships and limited liability companies were $32,050,469 and $31,701,654 as of December 31, 2014 and 2013, respectively, and the equity in their net income was $4,478,261 and $6,063,289, respectively, for the years then ended. The financial statements of the partnerships and limited liability companies were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the partnerships and limited liability companies, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Logan Telephone Cooperative, Inc. and its subsidiary as of December 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Logan Telephone Cooperative, Inc. for the year ended December 31, 2013, were audited by another auditor, whose report dated March 24, 2014, expressed an unmodified opinion on those statements.

Moss Adams LLP

Overland Park, Kansas
March 19, 2015

LOGAN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2014	December 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	$ 8,971,453	$ 10,509,244
Investments	1,271,672	2,267,873
Accounts receivable		
Customers	64,010	56,945
Interexchange carriers and NECA	416,060	661,029
Related party	155	2,011
Material and supplies	339,400	247,212
Prepaid income taxes	505,068	507,000
Other current assets	135,781	177,609
Total current assets	11,703,599	14,428,923
NONCURRENT ASSETS		
Investments in affiliates	32,050,469	31,701,654
Other noncurrent investments	3,068,826	2,289,051
Prepaid postretirement benefit obligation	293,733	-
Total noncurrent assets	35,413,028	33,990,705
PROPERTY, PLANT, AND EQUIPMENT		
Regulated telecommunications plant in service	50,624,630	47,284,934
Regulated telecommunications plant under construction	5,718,218	2,961,943
Nonregulated telecommunications plant in service	267,581	315,761
	56,610,429	50,562,638
Less accumulated depreciation	34,360,185	32,657,776
Net property, plant, and equipment	22,250,244	17,904,862
Total assets	$ 69,366,871	$ 66,324,490

LIABILITIES AND MEMBERS' EQUITY

	December 31, 2014	December 31, 2013
CURRENT LIABILITIES		
Accounts payable	$ 1,105,140	$ 530,548
Advance billing and customer deposits	106,914	40,250
Other accrued taxes	24,700	373,235
Other current liabilities	291,947	142,106
Total current liabilities	1,528,701	1,086,139
NONCURRENT LIABILITIES		
Deferred income taxes	3,260,033	3,941,200
Postretirement benefit obligation	-	189,296
Total noncurrent liabilities	3,260,033	4,130,496
MEMBERS' EQUITY		
Memberships issued	4,936	5,079
Patronage capital	18,232,845	16,807,493
Retained margins	46,517,968	45,096,131
Accumulated other comprehensive loss	(177,612)	(800,848)
Total members' equity	64,578,137	61,107,855
Total liabilities and members' equity	$ 69,366,871	$ 66,324,490

LOGAN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2014	2013
OPERATING REVENUES		
Wireline	$ 6,729,566	$ 7,352,962
Internet	1,810,472	1,796,851
Miscellaneous	310,408	349,387
Net operating revenues	8,850,446	9,499,200
OPERATING EXPENSES		
Plant specific operations	1,646,555	1,174,345
Plant nonspecific operations	612,474	465,255
Depreciation and amortization	2,494,430	2,735,836
Customer operations	563,973	525,456
Corporate operations	1,165,681	1,085,089
Other operating taxes	457,194	434,121
Nonregulated	1,937,967	1,908,558
Total operating expenses	8,878,274	8,328,660
Net operating margins	(27,828)	1,170,540
NONOPERATING INCOME (EXPENSE)		
Income from affiliates	4,478,261	6,063,289
Other nonoperating expenses	(666)	(11,915)
Interest and dividend income	96,243	59,922
Nonoperating income	4,573,838	6,111,296
NET MARGINS BEFORE INCOME TAXES	4,546,010	7,281,836
Income tax expense	1,668,262	1,904,614
NET MARGINS	$ 2,877,748	$ 5,377,222

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2014	2013
Net margins	$ 2,877,748	$ 5,377,222
Other comprehensive income (loss)		
Postretirement healthcare benefits		
Net gain (loss) arising during the period	602,825	(390,193)
Amortization of prior service obligation and net loss	20,411	42,879
Other comprehensive income (loss)	623,236	(347,314)
Comprehensive income	$ 3,500,984	$ 5,029,908

See accompanying notes.

	Memberships Issued	Patronage Captial	Retained Margins	Accumulated Other Comprehensive Loss	Total Members' Equity
December 31, 2012	$ 5,199	$ 15,192,024	$ 42,007,956	$ (453,534)	$ 56,751,645
Memberships issued	404	-	-	-	404
Patronage capital refunds and Retirements	(524)	(673,579)	-	-	(674,103)
Allocation of 2012 Patronage margin	-	2,289,048	(2,289,048)	-	-
Net margins	-	-	5,377,222	-	5,377,222
Other comprehensive loss	-	-	-	(347,314)	(347,314)
December 31, 2013	5,079	16,807,493	45,096,130	(800,848)	61,107,854
Memberships issued	386	-	-	-	386
Patronage capital refunds and Retirements	(529)	(675,660)	-	-	(676,189)
Allocation of 2013 Patronage margin	-	2,101,012	(2,101,012)	-	-
Other equity adjustments			645,102		645,102
Net margins	-	-	2,877,748	-	2,877,748
Other comprehensive income	-	-	-	623,236	623,236
December 31, 2014	$ 4,936	$ 18,232,845	$ 46,517,968	$ (177,612)	$ 64,578,137

See accompanying notes.

LOGAN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	$ 2,877,748	$ 5,377,222
Adjustments to reconcile net margin to cash from operating activities		
Depreciation and amortization	2,494,430	2,735,836
Nonregulated deprecaition	44,395	42,656
Amortization of bond premium/discount	42,651	36,189
Income from affiliates	(4,478,261)	(6,063,289)
Deferred income taxes	(36,065)	(43,400)
Postretirement benefits	140,206	(203,651)
Changes in operating assets and liabilities		
Accounts receivable	239,760	179,498
Materials and supplies	(92,188)	(9,924)
Prepaid income tax	1,932	(49,150)
Other current assets	41,828	(2,013)
Accounts payable	574,592	287,155
Advance billings and customer deposits	66,664	871
Accrued taxes	(348,535)	(1,135,488)
Other current and noncurrent liabilities	149,841	198,878
Net cash from operating activities	1,718,998	1,351,390
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant, and equipment	(6,884,207)	(4,162,306)
Purchase of investments	(3,804,218)	(3,766,830)
Proceeds from investments	3,977,993	-
Distributions from investments in affiliates	4,129,446	7,386,622
Net cash from investing activities	$ (2,580,986)	$ (542,514)

	Years Ended December 31, 2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital credit retirements	$ (675,660)	$ (673,579)
Payment of members' subscriptions	(529)	(524)
Proceeds from members' contributions	386	404
Net cash from financing activities	(675,803)	(673,699)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,537,791)	135,177
CASH AND CASH EQUIVALENTS, beginning of year	10,509,244	10,374,067
CASH AND CASH EQUIVALENTS, end of year	$ 8,971,453	$ 10,509,244
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Interest	$ -	$ 942
Income taxes	$ 1,866,994	$ 3,038,502
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Postretirement benefit obligation adjustment	$ 623,236	$ (347,314)
Deferred income tax adjustments	$ 645,102	$ -

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Organization – Logan Telephone Cooperative, Inc. (the Cooperative), a cooperative organized in the state of Kentucky, is a regulated local exchange telephone company providing telephone and internet service to approximately 5,200 access lines in Logan County, Kentucky.

The Cellular Division of Logan Telephone Cooperative, Inc. (the Cellular Division), a corporation organized in the state of Kentucky, owns non-controlling interests in two partnerships and a limited liability company which provide cellular telephone service and long distance service to members as well as nonmembers of Logan.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Cooperative and the Cellular Division, the consolidated group herein referred to as the "Cooperative". All significant intercompany balances and transactions have been eliminated.

Accounting policies – The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates – The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense, deferred income tax expense, postretirement benefit plan obligations, and interstate access revenue settlements.

Cash and cash equivalents – For purposes of the statements of cash flows, the Cooperative considers all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents.

Concentration of risk – At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of $250,000.

The Cooperative invests excess funds in repurchase agreements which are collateralized primarily by bonds of financial institutions. Such investment in repurchase agreements amounted to $7,600,000 and $9,100,000 as of December 31, 2014 and 2013, respectively. Collateral pledged on these investments in repurchase agreements amounted to $9,351,537 and $9,670,000 as of December 31, 2014 and 2013, respectively. Repurchase agreements have been included in cash and cash equivalents at both December 31, 2014 and 2013.

Note 1 – Summary of Significant Accounting Policies (continued)

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Cooperative reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 10 days after issuance of the bill and receivables from other exchange carriers are due 30 days after issuance of the bill. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Company management believes it has established adequate reserves for any risk associated with these receivables. The allowance for doubtful accounts was $500 and $208,318 at December 31, 2014 and 2013, respectively.

Material and supplies – Material and supplies consist of construction materials, handsets and accessories held for resale, and other equipment, which are valued at the lower of average cost or market.

Investments in affiliates – The Cooperative accounts for its investments in limited liability companies and other entities by the equity method of accounting under which the Cooperative's share of the net income of the affiliates is recognized as income in the Cooperative's income statement and added to the respective investment account. Under the equity method of accounting, dividends or returns of capital reduce the investment balance.

Other investments – The Cooperative's policy for investment securities is as follows:

Trading securities – Trading securities consist of debt and equity securities that are bought and held principally for the purpose of selling in the near term and are reported at fair value, with unrealized gains and losses included in earnings. The Cooperative did not hold any trading securities during 2014 and 2013.

Securities, held to maturity – Debt securities to which the Cooperative has the positive intent and ability to hold to maturity are classified as held to maturity. Held to maturity securities are stated at amortized cost.

Securities, available for sale – Securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are stated at fair value, with unrealized gains and losses reported as a separate component of members' equity. The Cooperative did not hold any available for sale securities during 2014 or 2013.

Note 1 – Summary of Significant Accounting Policies (continued)

Property, plant, and equipment – Property, plant, and equipment are stated at original cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

In accordance with composite group depreciation methodology, when a portion of the Cooperative's regulated depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Depreciation of the Cooperative's nonregulated plant is provided by the straight-line method over the estimated useful lives of the assets. Upon retirement, sale, or other disposition of nonregulated investments, the cost and related accumulated depreciation are removed from the related accounts and the resulting gains or losses are included in operations.

Long-lived assets – Long-lived assets are reviewed whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. When such events occur, the Cooperative determines potential impairment by comparing the carrying value of its assets with the sum of the undiscounted cash flows expected to be provided by operating and eventually disposing of the asset. Should the sum of the expected future net cash flows be less than carrying values, the Cooperative would determine whether an impairment loss should be recognized. No impairment losses on long-lived assets have been identified in the financial statements.

Members' equity – Patronage margins are assigned to members on a patronage basis in accordance with the Cooperative's bylaws. Nonpatronage margins, in addition to the net margins of the Cellular Division, are retained by the Cooperative and are not assignable to patrons until the Board of Directors determine otherwise. If authorized by the Board, a portion of total assigned patronage is distributed to members as a general retirement. The total amount retired is determined by Board resolution each year.

Comprehensive income – Comprehensive income is defined as the change in equity of a business during a period as a result of net margins and other gains and losses affecting equity that, under accounting principles generally accepted in the United States of America, are excluded from net margins. Unrecognized actuarial adjustments in postretirement benefit plan obligations are included in other comprehensive income.

Note 1 – Summary of Significant Accounting Policies (continued)

Income taxes – In 2014 and 2013 the Cooperative was taxable for federal purposes. As a taxable cooperative, taxable income consists of margins earned from nonpatronage and nonoperating sources. Margins earned from patronage are not taxable to the extent margins are allocated to patrons in the form of capital credits. The Cellular Division is a taxable entity for federal and state income tax purposes.

Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. The differences relate primarily to differences in book basis and tax basis of partnership interests. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Cooperative records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50 percent. As of December 31, 2014 and 2013, the Cooperative had no accrued amounts related to uncertain tax positions. The Cooperative is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2011. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Revenue recognition – Monthly service fees derived from local wireline and Internet services are billed one month in advance, but recognized in the month that service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls), long distance, and wireless roaming are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues also include settlements based on the Cooperative’s participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end and therefore, the related revenues are recorded on the books based on an estimate of the Company's costs, NECA pool earnings and on other assumptions related to information utilized in the preparation of the Cooperative’s cost study. The studies are subject to a 24-month pool earnings adjustment period and a review of the study by NECA. There was an insignificant revenue impact in 2014 and 2013 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2014 and 2013 recorded revenues will require significant adjustments in future years.

Internet revenues are derived from providing end user customers connection to the public Internet. Additionally, interstate access revenues include settlements from NECA that compensate the Cooperative for the DSL transport related to Internet traffic.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Universal Service support revenue is intended to compensate the Cooperative for the high cost of providing rural telephone service. Universal Service support revenue includes funds received for high cost loop support (HCLS), interstate common line support (ICLS), Connect America Fund (CAF), and other miscellaneous programs. High cost loop support and interstate common line support are based on the Cooperative's relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced by five percent each year in determining CAF support.

Regulation – The Cooperative's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Kentucky Public Service Commission. The FCC also has assumed preemptive authority to regulate intrastate telecommunications services, including intrastate terminating access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal Service support revenues are administered by Universal Service Administrative Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated and include Internet, equipment sales, directory, rents, and other incidental services. Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services and miscellaneous revenues. All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, Universal Service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

Concentration of market risk – The Cooperative receives a significant portion of its annual operating revenues from Universal Service support. For the years ended December 31, 2014 and 2013, revenues from Universal Service support represent approximately 39 percent and 40 percent, respectively, of operating revenues.

Note 1 – Summary of Significant Accounting Policies (continued)

Advertising expenses – The Cooperative expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2014 and 2013 were $85,594 and $89,329, respectively.

Fair value measurements – Fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Cooperative follows the following fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement guidance is applicable to the Cooperative related to the postretirement benefit plan assets in Note 5.

Taxes imposed by governmental authorities – The Cooperative's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Cooperative. These specific taxes are charged to and collected from the Cooperative's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Cooperative recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Cooperative's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Cooperative has evaluated subsequent events through March 19, 2015, which is the date the financial statements are available to be issued.

Reclassifications – For comparability, certain amounts reported in 2013 have been reclassified in order to conform to the 2014 presentation. These reclassifications had no effect on net margins or members' equity as previously reported.

Note 2 – Investments

Investments consist of the following at December 31:

	2014	2013
Investments in affiliates	$ 32,050,469	$ 31,701,654
Investments, held to maturity	4,302,174	4,521,218
Cash surrender value of life insurance	38,324	35,706
Total	$ 36,390,967	$ 36,258,578

Investments in affiliates – Investments in affiliates include investments in two partnerships which operate cellular telephone systems and two limited liability companies (LLCs) which provide network services and long distance services.

Investment balances and the Company's respective ownership percentages in the entities are as follows:

	Ownership	2014	2013
Kentucky RSA #3 Cellular General Partnership	25.00%	$ 19,978,255	$ 19,888,819
Bluegrass Networks, LLC	20.00%	4,570,177	4,080,917
Bluegrass Telecom, LLC	20.00%	341,983	341,983
Cumberland Cellular Partnership	12.50%	7,160,054	7,389,935
Total		$ 32,050,469	$ 31,701,654

The Cooperative's investment in affiliate balances exceed the underlying assets of the individual investees by approximately $350,000 which represents goodwill arising from excess amounts invested in the partnerships and LLCs. The Cooperative assesses this asset annually for indications of impairment to this asset. During the years ended December 31, 2014 and 2013, there was no impairment of this asset recognized in the consolidated financial statements.

The assets, liabilities, equity, and the operations of the Cooperative's investments in affiliates as of and for the years ended December 31 are as follows:

	2014	2013
Assets	$ 177,250,113	$ 174,163,713
Liabilities	(17,546,152)	(15,424,751)
Equity	$ 159,703,961	$ 158,738,962
Revenue	$ 149,552,759	$ 149,562,661
Expenses	(125,237,371)	(117,380,755)
Net income	$ 24,315,388	$ 32,181,906

Note 2 – Investments (continued)

Investments, held to maturity – Investments classified as held to maturity are carried at amortized cost. Those investments include certificates of deposit, corporate bonds, and government bonds. Unrealized losses on investment classified as held to maturity amounted to $13,053 and $67,580 at December 31, 2014 and 2013, respectively.

Investments, held to maturity, consist of the following at December 31:

	2014		2013	
	Amortized cost	Fair Value	Amortized Cost	Fair Value
Current investments:				
Corporate bonds	$ 62,672	$ 62,662	$ 239,814	$ 240,380
Government bond	25,000	24,775	-	-
Certificates of deposit	1,184,000	1,183,012	2,028,059	2,026,700
Total current investments	1,271,672	1,270,449	2,267,873	2,267,080
Long-term investments:				
Certificates of deposit	500,000	496,578	-	-
Corporate bonds	1,576,207	1,524,331	1,301,944	1,271,905
Government bonds	954,295	997,763	951,401	914,653
Total long-term investments	3,030,502	3,018,672	2,253,345	2,186,558
Total investments	$ 4,302,174	$ 4,289,121	$ 4,521,218	$ 4,453,638

The following is a schedule of the held to maturity investments by maturity date:

2015	$ 1,271,672
2016	544,865
2017	519,608
2018	509,886
2019 and thereafter	1,456,143
	$ 4,302,174

Note 3 – Property, Plant, and Equipment

Major classes of property, plant, and equipment consist of the following at December 31:

	Depreciable Life	Plant Account	Accumulated Depreciation	2014 Net Balance	2013 Net Balance
Regulated plant					
General support assets	6-37 years	$ 5,722,166	$ 2,721,871	$ 3,000,295	$ 3,032,585
Central office assets	8 years	8,959,376	8,282,338	677,038	469,128
Cable and wire facilities	10-45 years	35,943,088	23,116,093	12,826,995	11,362,892
Plant under construction	n/a	5,718,218	-	5,718,218	2,961,945
		56,342,848	34,120,302	22,222,546	17,826,550
Nonregulated plant					
Internet equipment	5 years	267,581	239,883	27,698	78,312
		267,581	239,883	27,698	78,312
		$ 56,610,429	$ 34,360,185	$22,250,244	$ 17,904,862

Note 4 – Income Taxes and Deferred Income Tax

Income tax expense consists of the following for the years ended December 31:

	2014	2013
Current		
Federal	$ 1,451,317	$ 1,632,714
State	253,010	315,300
Deferred	(36,065)	(43,400)
Total income tax expense	$ 1,668,262	$ 1,904,614

For the years ended December 31, 2014 and 2013, the consolidated income tax return computed at the statutory rate differs from the amount of the expense recorded in the financial statements. The difference relates primarily to the tax exempt status of the Cooperative and state income taxes.

Due to the patronage exclusion, no deferred tax provision is recognized for the postretirement benefit plan.

Note 4 – Income Taxes and Deferred Income Tax (continued)

The components of the Cooperative's net deferred tax liability consist of the following at December 31:

	2014	2013
Deferred tax liabilities, noncurrent		
Partnership basis difference	$ (3,260,033)	$ (3,941,200)
	$ (3,260,033)	$ (3,941,200)

Note 5 – Pension Plans

Defined benefit plans – The Cooperative participates in a multi-employer pension plan with the National Telephone Cooperative Association (NTCA) that cover substantially all of its employees and are described below.

The risks of participating in multi-employer plans are different from single employer plans as follows:

(1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers, and (3) if the Cooperative chooses to stop participating in a plan, the Cooperative may be required to pay a penalty.

The Cooperative's participation in the multi-employer plan is outlined in the table below. The information below is from the Plan's most recent Form 5500 filing which covers the Plan years 2013 and 2012. At the date the financial statements were issued, Form 5500 was not available for the year ending 2014.

		Pension Protection Act Zone Status		Employer Contributions						
Plan Name	Employer Identification Number/Plan Number	2013	2012	2014	2013	Company Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/ Rehabilitation Plan in Place	Surcharges Imposed	Expiration Date of Collective-Bargaining Agreements	Minimum Contributions Required in the Future
Retirement & Security program for employees of the National Telecommunications Cooperative Association and its member systems	52-0741336/333	At least 80% funded	At least 80% funded	$ 192,133	$182,058	No	No	Yes	N/A	No

Note 5 – Pension Plans (continued)

Defined benefit plans (continued)

Employees are eligible to receive an annuity or lump-sum payment at retirement based on an average of prior years' compensation. The Cooperative makes monthly contributions to the plan based on each employee's compensation and recognizes as an expense the required contribution for the period.

Defined contribution plans – The Cooperative contributes 1 percent of gross wages to a defined contribution 401(k) savings plan covering substantially all employees. Participating employees can contribute up to the maximum percentage of compensation and dollar amount permissible under the Internal Revenue Code. Contributions for this Plan during 2014 and 2013 were $16,174 and $16,206, respectively.

Other postretirement plan benefits – The Cooperative also sponsors a funded postretirement benefit plan (the Plan) that covers employees and directors. The Plan provides medical, dental, and vision care to retirees and their spouses for a period of time equal to the retiree's years of service. Directors shall be defined as Board Retirees after having served on the Board of Directors at least three years if leaving the Board before December 31, 2006, and after having service 20 years if leaving the Board after December 31, 2006. The Cooperative funds 100 percent of the costs for these postretirement benefits for all retirees and their spouses who were employees on November 20, 1995. For directors and employees hired after November 20, 1995 and through December 31, 2006, the Cooperative funds 60 percent of these costs. Retirees will be responsible for 100% of these costs if hired after December 31, 2006.

Obligation and funded status – The amount of benefit to be paid depends on a number of future events incorporated into a formula, including estimates of the average life of employees and average years of service rendered, and future interest rates. The benefit obligation is the accumulated benefit obligation, which represents the present value of all future benefits attributed to employee service rendered through the measurement date and does not include changes in future compensation.

The Plans' actuaries measure the accumulated postretirement benefit obligation at July 1, 2014 based on projected interest and service costs, amortization, and benefit payments. Estimates have been made in the current year to state the accumulated postretirement benefit obligation as of December 31, 2014.

Note 5 – Pension Plans (continued)

Obligation and funded status (continued)

The following table summarizes the benefit obligations and the funded status of the defined postretirement health care plan over the two-year period ending December 31:

	2014	2013
Accumulated postretirement benefit plan obligation	$ 4,818,850	$ 4,920,851
Plan assets at fair value	(5,112,583)	(4,731,555)
Funded status	$ (293,733)	$ 189,296

Amounts included in other comprehensive loss that have not yet been recognized in net periodic benefit cost at December 31 are listed below:

	2014	2013
Unrecognized net loss	$ (166,367)	$ (757,953)
Unrecognized intitial obligation	(11,245)	(42,895)
Net amount reported as a reduction to equity	$ (177,612)	$ (800,848)

The accumulated loss is a result of the accumulated difference between the actuary's estimates based on actuarial principles and the Cooperative's actual experience with factors such as the length of employment, the discount rate for the Plan obligations, and expected rate of return on plan assets. The decrease in net loss was driven primarily by differences between the expected rate of return on plan assets and actual results.

The estimated net loss and prior service cost that will be amortized from other comprehensive loss into net periodic benefit cost over the next year is $11,245.

Other Plan information – Other plan information is as follows at December 31:

	2014	2013
Net periodic benefit plan cost	$ (51,244)	$ 38,719

Note 5 – Pension Plans (continued)

Other Plan information (continued)

The net periodic benefit cost is the amount recognized in the financial statements as the cost of the Plan for the year. Components of the net periodic benefit cost are service cost, interest cost, and amortization of unrecognized gains/losses and initial obligations.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

2015	$ 171,167
2016	180,581
2017	189,610
2018	199,091
2019	209,045
2020 through 2024	1,212,861

The weighted average assumptions used in the measurement of the Cooperative's benefit obligation are shown in the following table at December 31:

	Percent	
Weighted-average assumptions as of December 31	2014	2013
Expected return on Plan assets	7.29	7.26
Discount rate	4.50	4.50
Rate of compensation increase	3.00	3.00

For measurement purposes, a seven percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014. The rate was assumed to decrease gradually each year to a rate of five percent for 2017 and remain at that level thereafter.

Plan assets – Plan assets are managed by NTCA. Equity securities primarily include investments in large-cap companies located in the United States and internationally. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. treasuries. Other types of investments include real estate investment trusts and private equity funds that follow several different strategies.

NTCA makes all the investment decisions for the program with the help of an investment management and consulting firm, Wilshire Associates. The trust committee makes investment decisions, which begin with a review of the assets and liabilities of potential investments and then make their final decision based upon obtaining the rate of return consistent with program needs.

Note 5 – Pension Plans (continued)

Plan assets (continued)

The fair values of the Cooperative's pension Plan assets at December 31, 2014, by asset category, are as follows:

Asset Type	Percentage of Plan Assets	Amount	Hierarchy Level
Bonds	14%	$ 700,421	2
Domestic equities	25%	1,262,809	2
Private equities	8%	414,120	2
International equities	26%	1,339,497	2
Real estate funds	8%	424,345	2
ETFs	17%	869,140	2
Cash	2%	102,251	1
Total		$ 5,112,583	

Note 6 – Operating Revenue

Wireline and miscellaneous revenues consist of the following for the years ended December 31:

	2014	2013
Wireline		
Customer	$ 2,222,578	$ 2,275,404
Intercarrier		
Interstate	840,457	953,884
Intrastate	226,460	350,574
Universal Service Support, federal	3,440,071	3,773,100
Total wireline revenues	$ 6,729,566	$ 7,352,962

Wireline revenues are classified above as follows:

- Customer revenues include end user charges, such as the subscriber line charge and the federal universal service charge, and access recovery charge.
- Universal Service Support includes the HCLS, ICLS, and CAF.
- All access charge and settlement revenue, except as described above, are classified as intercarrier revenue.

Note 6 – Operating Revenue (continued)

Miscellaneous revenues consist of the following:

	2014	2013
Miscellaneous		
Rent	$ 30,081	$ 32,054
Directory	46,293	47,023
Billing and collection	45,841	51,520
Maintenance and calling features	38,483	39,878
Cellular sales and commissions	64,971	58,567
Other	115,369	115,766
Uncollectible	(30,630)	4,579
Total miscellaneous revenues	$ 310,408	$ 349,387

Note 7 – Related-Party Transactions

Services are performed for the Cooperative by associated companies, which are related through common ownership. The services received include long distance and broadband transport. During 2014 and 2013, the Cooperative received services from associated companies totaling $720,353 and $766,398, respectively.

The receivable from and advances to associated companies due to the Cooperative amount to $32,426 and $16,994, respectively at December 31, 2014 and 2013. Balances due to associated companies by the Cooperative totaled $55,501 and $41,579, respectively at December 31, 2014 and 2013.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION

Board of Directors
Logan Telephone Cooperative, Inc.

We have audited the consolidated financial statements of Logan Telephone Cooperative, Inc. and subsidiary as of and for the year ended December 31, 2014, and our report thereon dated March 19, 2015, which contained an unmodified opinion on those consolidated financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet detail and consolidating statement of income detail are presented for purposes of additional analysis rather than to present financial position, results of operations and cash flows of the individual companies, and is not a required part of the 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 audit 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 supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Moss Adams LLP

Overland Park, Kansas
March 19, 2015

LOGAN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL
DECEMBER 31, 2014

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 8,963,347	$ 8,106	$ -	$ 8,971,453
Investments	1,271,672	-	-	1,271,672
Accounts receivable				
Customers	37,755	26,255	-	64,010
Interexchange carriers and NECA	416,060	-	-	416,060
Related party	155	298,337	(298,337)	155
Material and supplies	339,400	-	-	339,400
Prepaid income taxes	102,419	402,649	-	505,068
Other current assets	135,781	-	-	135,781
Total current assets	11,266,589	735,347	(298,337)	11,703,599
NONCURRENT ASSETS				
Investment in affiliates	29,961,742	27,480,293	(25,391,566)	32,050,469
Other noncurrent investments	3,068,826	-	-	3,068,826
Prepaid postretirement benefit obligation	293,733	-	-	293,733
Total noncurrent assets	33,324,301	27,480,293	(25,391,566)	35,413,028
PROPERTY, PLANT, AND EQUIPMENT				
Regulated telecommunications plant in service	50,624,630	-	-	50,624,630
Regulated telecommunications plant under construction	5,718,218	-	-	5,718,218
Nonregulated telecommunications plant in service	267,581	-	-	267,581
	56,610,429	-	-	56,610,429
Less accumulated depreciation and amortization	34,360,185	-	-	34,360,185
Net property, plant and equipment	22,250,244	-	-	22,250,244
Total assets	$ 66,841,134	$ 28,215,640	$ (25,689,903)	$ 69,366,871

LOGAN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL
DECEMBER 31, 2014

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
CURRENT LIABILITIES				
Accounts payable	$ 1,105,140	$ -	$ -	$ 1,105,140
Accounts payable - related party	298,337	-	(298,337)	-
Advance billing and customer deposits	106,914	-	-	106,914
Other accrued taxes	24,700	-	-	24,700
Other current liabilities	291,947	-	-	291,947
Total current liabilities	1,827,038	-	(298,337)	1,528,701
NONCURRENT LIABILITIES				
Deferred income taxes	435,959	2,824,074	-	3,260,033
Total noncurrent liabilities	435,959	2,824,074	-	3,260,033
MEMBERS' EQUITY				
Memberships issued	4,936	-	-	4,936
Common stock	-	1,100,000	(1,100,000)	-
Patronage capital	18,232,845	-	-	18,232,845
Retained margins	46,517,968	24,291,566	(24,291,566)	46,517,968
Accumulated other comprehensive loss	(177,612)	-	-	(177,612)
Total members' equity	64,578,137	25,391,566	(25,391,566)	64,578,137
Total liabilities and members' equity	$ 66,841,134	$ 28,215,640	$ (25,689,903)	$ 69,366,871

LOGAN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF INCOME DETAIL
YEAR ENDED DECEMBER 31, 2014

	Logan Telephone Cooperative, Inc.	Cellular Division of Logan Telephone Cooperative, Inc.	Eliminations	Consolidated
OPERATING REVENUES				
Wireline	$ 6,729,566	$ -	$ -	$ 6,729,566
Internet	1,810,472	-	-	1,810,472
Miscellaneous	310,408	-	-	310,408
Net operating revenues	8,850,446	-	-	8,850,446
OPERATING EXPENSES				
Plant specific operations	1,646,555	-	-	1,646,555
Plant nonspecific operations	612,474	-	-	612,474
Depreciation and amortization	2,494,430	-	-	2,494,430
Customer operations	563,973	-	-	563,973
Corporate operations	1,165,681	-	-	1,165,681
Operating Income Tax	457,194	-	-	457,194
Nonregulated	1,923,793	14,174	-	1,937,967
Total operating expenses	8,864,100	14,174	-	8,878,274
Net operating margins	(13,654)	(14,174)	-	(27,828)
NONOPERATING INCOME (EXPENSE)				
Income from affiliates	3,021,698	3,789,002	(2,332,439)	4,478,261
Other nonoperating expenses	(666)	-	-	(666)
Interest and dividend income	95,247	996	-	96,243
Nonoperating income	3,116,279	3,789,998	(2,332,439)	4,573,838
NET MARGINS BEFORE INCOME TAXES	3,102,625	3,775,824	(2,332,439)	4,546,010
Income taxes	224,877	1,443,385	-	1,668,262
NET MARGINS	$ 2,877,748	$ 2,332,439	$ (2,332,439)	$ 2,877,748