

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

TENNESSEE 545
NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION
AND SUBSIDIARY
LAFAYETTE, TENNESSEE

December 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
North Central Telephone
Cooperative Corporation
Lafayette, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of North Central Telephone Cooperative Corporation (a Tennessee corporation) and subsidiary which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income, changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position North Central Telephone Cooperative Corporation and subsidiary as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with the 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Central Telephone Cooperative Corporation 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated 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 North Central Telephone Cooperative Corporation and subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement 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 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 North Central Telephone Cooperative Corporation 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Central Telephone Cooperative Corporation 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2023 on our consideration of North Central Telephone Cooperative and subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

Jotherow, Haile, & Welch, PLLC

Certified Public Accountants
McMinnville, Tennessee
March 3, 2023

CONSOLIDATED BALANCE SHEETS

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash - general	\$ 49,862,625	\$ 47,435,965
Cash - construction funds	145,105	74,464
Temporary cash investments	10,753,548	8,753,548
Telecommunications accounts receivable, less allowances of \$185,805 in 2022 and \$252,602 in 2021	1,245,045	1,167,520
Other accounts receivable	46,251	142,869
Materials and supplies	4,524,403	2,280,451
Refundable tax deposit	799,889	38,464
Other current assets	<u>708,630</u>	<u>605,139</u>
TOTAL CURRENT ASSETS	\$ 68,085,496	\$ 60,498,420
<u>NONCURRENT ASSETS</u>		
Investments	\$ 13,107,922	\$ 11,807,627
Nonregulated investments	<u>314,041</u>	<u>307,925</u>
TOTAL NONCURRENT ASSETS	\$ 13,421,963	\$ 12,115,552
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Telecommunications plant in service	\$ 212,896,064	\$ 207,318,772
Telecommunications plant under construction	<u>6,923,916</u>	<u>9,184,063</u>
	\$ 219,819,980	\$ 216,502,835
Less accumulated depreciation	<u>133,696,475</u>	<u>129,741,708</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>\$ 86,123,505</u>	<u>\$ 86,761,127</u>
	<u>\$ 167,630,964</u>	<u>\$ 159,375,099</u>

See the accompanying independent accountants' report and notes to the financial statements.

CONSOLIDATED BALANCE SHEETS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

	2022	2021
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 2,201,608	\$ 1,789,756
Advance billings and payments	516,509	509,236
Customer deposits	858,812	810,267
Current maturities on long-term debt	3,799,861	3,662,003
Accrued federal and state taxes	598,677	3,531,904
Accrued interest	54,569	53,564
Accrued rents	747,526	798,700
Accrued salaries and wages	147,463	119,389
Accrued property taxes	55,629	249,829
Accrued vacation and sick leave benefits	1,368,083	1,235,410
Deferred revenue	0	627,920
Other current liabilities	677,477	544,127
	<u>677,477</u>	<u>544,127</u>
TOTAL CURRENT LIABILITIES	\$ 11,026,214	\$ 13,932,105
<u>LONG-TERM DEBT</u>		
Rural Utilities Service	18,780,925	18,459,038
<u>OTHER LIABILITIES</u>		
Postretirement benefits other than pension	12,622,865	10,922,466
Deferred taxes	913,300	749,393
	<u>913,300</u>	<u>749,393</u>
TOTAL LIABILITIES	\$ 43,343,304	\$ 44,063,002
<u>MEMBERS' EQUITY</u>		
Patronage capital	\$ 135,490,947	\$ 124,130,021
Accumulated other comprehensive loss	(11,203,287)	(8,817,924)
	<u>(11,203,287)</u>	<u>(8,817,924)</u>
TOTAL MEMBERS' EQUITY	\$ 124,287,660	\$ 115,312,097
	<u>\$ 124,287,660</u>	<u>\$ 115,312,097</u>
	<u>\$ 167,630,964</u>	<u>\$ 159,375,099</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

For the years ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Local network services revenue	\$ 4,305,106	\$ 4,635,074
Network access services revenue	18,663,057	18,744,059
Long distance network services revenue	320,692	347,692
Miscellaneous revenue	2,342,643	2,472,733
	<u>2,342,643</u>	<u>2,472,733</u>
TOTAL OPERATING REVENUES	\$ 25,631,498	\$ 26,199,558
Operating expenses:		
Plant specific operations expense	\$ 7,456,055	\$ 7,221,855
Plant nonspecific operations expense	1,876,381	1,968,231
Provision for depreciation and amortization	9,345,740	8,864,311
Customer operations expense	3,141,826	3,054,090
Corporate operations expense	2,891,316	2,021,462
Operating taxes	1,779,655	1,035,280
	<u>1,779,655</u>	<u>1,035,280</u>
TOTAL OPERATING EXPENSES	\$ 26,490,973	\$ 24,165,229
OPERATING INCOME (LOSS)	\$ (859,475)	\$ 2,034,329
Other income:		
Income from investments	\$ 1,648,842	\$ 1,329,248
Interest income	95,569	186,097
Nonregulated income	10,941,877	7,837,114
Rent income	18,000	19,800
PPP loan forgiveness	0	1,864,383
Gain on sale of assets	965,432	22,976,466
	<u>965,432</u>	<u>22,976,466</u>
TOTAL OTHER INCOME	\$ 13,669,720	\$ 34,213,108

See the accompanying independent accountants' report and notes to the financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

For the years ended December 31, 2022 and 2021

	2022	2021
Fixed charges:		
Interest expense	\$ 476,590	\$ 727,566
Interest charged to construction - credit	<u>(30,204)</u>	<u>(75,169)</u>
TOTAL FIXED CHARGES	<u>\$ 446,386</u>	<u>\$ 652,397</u>
INCOME BEFORE TAXES ON INCOME	\$ 12,363,859	\$ 35,595,040
Taxes on income	<u>1,002,933</u>	<u>6,942,563</u>
NET INCOME	<u><u>\$ 11,360,926</u></u>	<u><u>\$ 28,652,477</u></u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

For the years ended December 31, 2022 and 2021

	2022	2021
Net income	\$ 11,360,926	\$ 28,652,477
Other comprehensive income (loss):		
Postretirement benefit other than pension:		
Unrecognized prior service cost	(270,000)	(270,000)
Unrecognized (loss) gain on assets	<u>(2,115,363)</u>	<u>(1,921,604)</u>
COMPREHENSIVE INCOME	<u>\$ 8,975,563</u>	<u>\$ 26,460,873</u>

See the accompanying independent accountants' report and notes to the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

For the years ended December 31, 2022 and 2021

	Patronage Capital	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance at December 31, 2020	\$ 97,462,513	\$ (6,626,320)	\$ 90,836,193
Net income for 2021	28,652,477	0	28,652,477
Capital credits paid, applied and forfeited	(1,984,969)	0	(1,984,969)
Other comprehensive income (loss):			
Postretirement benefit other than pension:			
Unrecognized prior service cost	0	(270,000)	(270,000)
Unrecognized loss	0	(1,921,604)	(1,921,604)
	0	(1,921,604)	(1,921,604)
Balance at December 31, 2021	\$ 124,130,021	\$ (8,817,924)	\$ 115,312,097
Net income for 2022	11,360,926	0	11,360,926
Other comprehensive income (loss):			
Postretirement benefit other than pension:			
Unrecognized prior service cost	0	(270,000)	(270,000)
Unrecognized loss	0	(2,115,363)	(2,115,363)
	0	(2,115,363)	(2,115,363)
Balance at December 31, 2022	\$ 135,490,947	\$ (11,203,287)	\$ 124,287,660

See the accompanying independent accountants' report and notes to the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from customers	\$ 25,040,671	\$ 26,021,906
Cash paid to suppliers and employees	(14,807,021)	(14,688,689)
Interest received	95,569	186,097
Interest paid	(445,381)	(652,437)
Taxes paid	<u>(6,507,533)</u>	<u>(7,026,967)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,376,305	\$ 3,839,910
Cash flows from investing activities:		
Construction and acquisition of plant	\$ (7,712,668)	\$ (9,455,236)
Plant removal costs	(30,018)	(198,764)
Increase in investments	(2,188,901)	(2,284,501)
Proceeds from sale of investment partnership	427,941	52,500,000
Cash distribution from investments	109,507	2,368,334
Investment in nonregulated CPE	(6,116)	(46,740)
Decrease (Increase) in:		
Materials and supplies	(2,243,952)	(805,580)
Nonregulated income	<u>10,941,877</u>	<u>7,837,114</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (702,330)	\$ 49,914,627
Cash flows from financing activities:		
Increase in long-term borrowings	\$ 1,370,942	\$ 0
Payments on notes payable and long-term borrowings	(911,197)	(22,879,622)
Postretirement benefits other than pension	(684,964)	(550,994)
Capital credits paid	0	(1,984,969)
Increase in customer deposits	<u>48,545</u>	<u>86,551</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>\$ (176,674)</u>	<u>\$ (25,329,034)</u>
NET INCREASE IN CASH	\$ 2,497,301	\$ 28,425,503
CASH AT BEGINNING OF YEAR	<u>47,510,429</u>	<u>19,084,926</u>
CASH AT END OF YEAR	<u><u>\$ 50,007,730</u></u>	<u><u>\$ 47,510,429</u></u>

See the accompanying independent accountants' report and notes to the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

For the years ended December 31, 2022 and 2021

	2022	2021
Net income	\$11,360,926	\$28,652,477
Nonregulated income	(10,941,877)	(7,837,114)
Gain on sale of assets	(965,432)	(22,976,466)
PPP loan forgiveness	0	(1,864,383)
Income from investments	(1,648,842)	(1,329,248)
Net Loss from regulated operations	\$ (2,195,225)	\$ (5,354,734)
Adjustments to reconcile net income (loss) from regulated operations to net cash provided by operating activities:		
Depreciation and amortization	\$ 9,345,740	\$ 8,864,311
Deferred taxes on income	163,907	(1,794,398)
Decrease (Increase) in:		
Customer and accounts receivable	19,093	(197,452)
Current and accrued assets - other	(103,491)	(389,193)
Refundable tax deposit	(761,425)	0
Increase (Decrease) in:		
Accounts payable	411,852	123,814
Advance billings and payments	7,273	24,718
Accrued federal and state taxes	(2,933,227)	2,504,703
Accrued interest	1,005	(40)
Accrued rents	(51,174)	53,581
Accrued salaries and employee benefits	160,747	(204,680)
Accrued property taxes	(194,200)	240,571
Deferred revenue	(627,920)	0
Other current liabilities	133,350	(31,291)
TOTAL ADJUSTMENTS	\$ 5,571,530	\$ 9,194,644
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,376,305	\$ 3,839,910

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note A – North Central Telephone Cooperative Corporation and subsidiary provides retail telecommunications services to Macon County, Tennessee and surrounding counties including a portion of southern Kentucky. North Central Telephone Cooperative Corporation and subsidiary has adopted the following accounting policies:

- (1) Principles of Consolidation:
North Central Telephone Cooperative Corporation (Cooperative) owns 100% of the outstanding common stock of North Central Communications, Inc. and subsidiaries (Subsidiary). North Central Communications, Inc. and subsidiaries were formed for the purpose of providing long distance and other telephone services, computer sales, leasing services and security systems. The consolidated financial statements include the accounts of North Central Communications, Inc. and subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.
- (2) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (3) For purposes of financial statement presentation, the Cooperative and subsidiary consider all highly-liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of treasury bills and notes and commercial paper with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as temporary investments.
- (4) Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. No interest is charged on accounts receivable balances that are past due. Past due accounts receivable are based upon contractual terms as defined on customer invoices. Accounts receivable past due 90 days or more amounted to \$50,913 and \$58,391 at December 31, 2022 and 2021, respectively.

The allowance for doubtful accounts is based upon a credit review of the accounts receivable, past bad debt experience, current economic conditions and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate based upon these and other factors and, it is at least reasonably possible that a change in the estimate will occur in the near term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note A – (Cont'd):

- (5) Material and supplies are valued at average cost accumulated in perpetual inventory records, which are periodically adjusted to physical counts.
- (6) Employee vacation and sick leave benefits are accrued as the benefits are earned according to an established policy.
- (7) Revenue is recorded upon the billing of telecommunication services net of sales tax.
- (8) The Cooperative's expenditures for maintenance and repairs are charged to operations as they are incurred and betterments are capitalized. Original costs of properties retired are eliminated from property accounts and removal costs are charged to the allowance for depreciation. Salvage value of retired property is credited to the allowance for depreciation.
- (9) Advertising costs are charged to expense as incurred. These costs amounted to \$186,895 in 2022 and \$82,137 in 2021.
- (10) On January 1, 2020, the Company adopted Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers and all subsequent amendments ("ASC 606") which creates a single framework for recognizing revenue from contracts that fall within its scope. Under the standard, the core principle will be achieved by 1) identifying the contract with the customer, 2) identifying the performance obligation, 3) determining the transaction price, 4) allocating the transaction price to the performance obligation, and 5) recognizing revenue when the entity satisfies a performance obligations.
- (11) In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Company elected to adopt this ASU effective January 1, 2022 and utilized all of the available practical expedients. The adoption did not have a material impact on the Company's balance sheet or income statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note A – (Cont'd):

- (12) Various amounts in the financial statements have been reclassified for comparative purposes.

Note B – Concentrations of Credit Risks:

Deposits

The Cooperative and Subsidiary maintains its cash in several commercial banks located within its trade area. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Approximately \$53,703,944 was uninsured at December 31, 2022.

Restricted cash consists of employees' savings and flex plan accounts in which \$38,122 has been deposited.

Accounts receivable

Telecommunications services are provided to the customers within its trade area on a credit basis in the ordinary course of business. Generally, the accounts receivable generated by the sale of these services are unsecured.

Note C – Investments:

	<u>2022</u>	<u>2021</u>
NECA Services, Inc. stock - at cost	\$ 10,000	\$ 10,000
Investment in Bluegrass Network, LLC (20%)	8,804,868	7,815,887
Investment in Bluegrass Telecom, LLC (20%)	342,042	342,042
Qualified patronage capital certificates – NRTC	20,463	48,706
Tennessee 220 MHZ Radio	147,224	147,224
Tennessee Independent Telecom Group (IRIS Networks) (11.97%)	1,995,316	1,760,931
Foursight Communications, LLC d/b/a Trilight	1,518,949	1,416,813
CBRS Spectrum	256,024	256,024
Life Insurance Trust	3,036	0
Synergy Wireless, Inc. – at cost	<u>10,000</u>	<u>10,000</u>
	<u>\$13,107,922</u>	<u>\$11,807,627</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note C – (Cont'd):

Ownership percentages are in parentheses for investments in which North Central Communications, Inc. owns a significant portion of the investment. All other investments are carried at cost. Investments carried at cost are not normally evaluated for impairment because it is not practical to estimate fair value due to insufficient information being available. An evaluation is performed, however, if economic or market concerns warrant such an evaluation.

Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent or ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery of fair value.

Management has not identified any circumstances that may have a significant adverse effect on the fair value of any cost method investment.

The following is a summary as of December 31, 2022 of selected financial information from the financial statements of the investments in which North Central Communications, Inc. owns a significant percentage:

	<u>Bluegrass Network, LLC</u>	<u>Bluegrass Telecom, LLC</u>	<u>Tennessee Independent Telecom Group</u>	<u>Foursight Communications, LLC d/b/a Trilight</u>
Total assets	\$45,077,870	\$2,169,474	\$29,136,476	\$8,633,814
Total liabilities	\$ 1,053,533	\$ 459,483	\$14,260,559	\$1,707,205
Total equity	\$44,024,337	\$1,709,991	\$14,875,917	\$6,926,609
Net income	\$ 4,944,900	\$ 310,768	\$ 1,958,423	\$ (648,870)

Note D – Nonregulated investments:

	<u>2022</u>	<u>2021</u>
Nonregulated customer premises equipment	\$10,660,751	\$10,536,101
Less accumulated provisions for depreciation	<u>10,346,710</u>	<u>10,228,176</u>
TOTAL	<u>\$ 314,041</u>	<u>\$ 307,925</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note D – (Cont'd):

Nonregulated customer premises equipment is stated at cost. The Cooperative provides for depreciation on a straight-line basis at an annual rate of depreciation, which will amortize the cost of the equipment over its estimated useful life.

Note E – Telephone plant in service and under construction is stated at cost. Listed below are the major classes of the telephone plant as of December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 798,654	\$ 798,654
Buildings	11,345,018	11,170,803
Central office equipment	54,159,123	52,724,846
Outside plant network	122,313,286	119,805,028
Furniture and office equipment	2,982,190	2,919,875
Vehicles and other work equipment	<u>4,909,972</u>	<u>3,386,090</u>
Telecommunications plant in service as contained on the Cooperative's records	\$196,508,243	\$190,805,296
Land	\$ 35,000	\$ 35,000
Building	459,200	449,397
CATV equipment	75,545	75,545
Central office equipment	3,357,459	4,781,870
Outside plant network	11,458,563	6,329,868
Equipment	992,696	2,325,760
Office furniture and fixtures	9,358	0
Vehicles	<u>0</u>	<u>2,516,036</u>
Telecommunications plant in service as contained on the Subsidiary's records	<u>\$ 16,387,821</u>	<u>\$ 16,513,476</u>
Total telecommunications plant in service	<u>\$212,896,064</u>	<u>\$207,318,772</u>

The Cooperative provides for depreciation on a straight-line basis of annual rates, which will amortize the depreciable property over its estimated useful life. Such provision as a percentage of the average balance of telephone plant in service was 4.53 percent for 2022 and 4.35 percent for 2021. The provision for depreciation in 2022 and 2021 was \$8,767,625 and \$8,171,808, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note E – (Cont'd):

Individual plant depreciation rates are as follows:

	<u>Percent</u>
Buildings	2.6
Central office equipment	6.7 – 21.0
Public telephone equipment	15.1
Poles, cable and wire	1.7 – 8.8
Furniture and office equipment	6.7 – 16.4
Vehicles and other work equipment	6.4 – 10.8
DBS and internet equipment	18.8

The Subsidiary provides for depreciation on a straight-line basis at annual rates, which will amortize the depreciable property over its useful life. Depreciation charged to expense on the Subsidiary's records amounted to \$578,115 in 2022 and \$692,503 in 2021.

Note F – A description of notes payable follows:

Notes Payable:

Long-term debt is represented by mortgage notes payable to the United States of America. Substantially all assets are pledged as security for the long-term debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note F – (Cont'd):

The following is a summary of outstanding long-term debt:

	<u>2022</u>	<u>2021</u>
1.35% to 2.36% Rural Utilities Service notes, matures December 31, 2025	\$ 9,067,034	\$ 11,817,538
1.93% to 3.99% Rural Utilities Service notes, matures June 17, 2031	3,868,961	4,305,570
2.91-3.24% Rural Utilities Service notes, matures October 5, 2037	10,285,666	9,480,548
Less cushion of credit	<u>(640,875)</u>	<u>(3,482,615)</u>
	\$ 22,580,786	\$ 22,121,041
Less current maturities	<u>3,799,861</u>	<u>3,662,003</u>
TOTAL	<u>\$ 18,780,925</u>	<u>\$ 18,459,038</u>

Principal and interest installments on the above notes are due quarterly and monthly. The Rural Utilities Service notes have various maturity dates.

Long-term debt matures as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2023	\$ 3,799,861
2024	3,868,659
2025	4,537,798
2026	1,096,226
2027	1,122,183
Beyond five years	<u>8,156,059</u>
TOTAL	<u>\$22,580,786</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note G – As required by the Retirement Benefit Topic of the FASB ASC, the Cooperative accrues all postretirement benefits other than pensions. Under the prescribed accrual method, the Cooperative's obligation for these postretirement benefits is to be fully accrued by the date employees attain full eligibility for such benefits. The cost of medical benefits for current and future associate retirees was recognized as determined under the projected unit credit cost method.

Substantially all of the Cooperative's employees are covered under postretirement medical plans. The determination of postretirement benefit cost for postretirement medical benefit plan is based on comprehensive hospital, medical and surgical benefit provisions.

The following table sets forth the plan's funded status and the amounts recognized in the Cooperative's Consolidated Balance Sheet as of December 31:

	<u>2022</u>	<u>2021</u>
Accumulated postretirement obligation attributable to:		
Retirees	\$ 14,125,163	\$ 13,313,898
Fully eligible plan participants	1,194,611	1,792,499
Other active plan participants	<u>14,334,122</u>	<u>14,730,607</u>
Total accumulated postretirement benefit obligation	\$ 29,653,896	\$ 29,837,004
Fair value of plan assets	<u>(17,031,031)</u>	<u>(18,914,538)</u>
Net unfunded status	<u>\$ 12,622,865</u>	<u>\$ 10,922,466</u>
Amounts recognized in other comprehensive income (loss):		
Unrecognized prior service cost	\$ 1,417,100	\$ 1,687,100
Unrecognized net loss	<u>(12,620,387)</u>	<u>(10,505,024)</u>
Total included in other comprehensive income (loss)	<u>\$(11,203,287)</u>	<u>\$(8,817,924)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note G – (Cont'd):

Postretirement benefit cost is composed of the following for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Benefits earned during the year	\$ 988,415	\$ 844,245
Interest on accumulated postretirement benefit obligation	897,048	904,603
Expected return on plan assets	<u>(1,418,590)</u>	<u>(1,204,184)</u>
Postretirement benefit cost	<u>\$ 466,873</u>	<u>\$ 544,664</u>

The Medicare and Prescription Drug, Improvement and Modernization Act of 2003 provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit established by the law. Currently, for the plan, the Medicare Part D Subsidy is a reduction to premiums paid for by participants that are at least 65 years old. For 2021, premiums for this group of participants were approximately \$50 less than it would have been without the adjustment.

Weighted average assumptions to determine benefit obligations and net periodic cost for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Discount rate	4.00%	3.00%
Rate of compensation increase	3.00%	3.00%
Expected return on plan assets	7.50%	7.50%

The Cooperative's expected rate of return on plan assets is determined by the plan's historical long-term investment performance, current asset allocation, and estimates of future long-term return by asset class.

The medical cost trend rate in 2022 was approximately 5.0% grading down to an ultimate rate in 2024 of 4.0%. A one percentage point increase in the assumed medical cost trend rates for each future year would have increased the aggregate of the service and the interest components of the 2022 net periodic postretirement benefit cost by \$435,717 and would have increased the postretirement benefit obligation as of December 31, 2022 by \$5,095,151.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note G – (Cont'd):

A one percentage point decrease in the assumed medical cost trend rates for each future year would have decreased the aggregate of the service and the interest components of the 2022 net periodic postretirement benefit cost by \$325,980 and would have decreased the postretirement benefit obligation as of December 31, 2022 by \$4,008,801.

The plan attempts to mitigate investment risks by balancing between equity and debt classes of investments. Currently, the plan is invested in mutual funds with a target allocation of approximately 65% domestic and international stocks, 15% investment grade bonds, 10% high yield bonds, and 10% real estate. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains and losses would not be realized unless the investments are sold.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the plan:

<u>Year</u>	<u>Amount</u>
2023	\$ 1,104,971
2024	1,106,482
2025	1,089,049
2026	1,099,952
2027	1,082,305
Years 2028 – 2032	<u>6,331,459</u>
TOTAL	<u>\$11,814,218</u>

The Cooperative contributed \$600,000 in 2022 and anticipates making monthly contributions to the plan in 2023.

Note H – The Cooperative has adopted the retirement and security program of the National Telephone Cooperative Association as a pension plan covering all employees meeting certain age and length of service requirements for which it pays approximately 80% of the cost. The Cooperative funds the pension plan by making monthly contributions into the program based on salaries. The Cooperative's cost was \$1,443,785 for 2022 and \$1,350,128 for 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note I – As required by the Income Tax Topic of FASB ASC, the Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements and tax returns. The measurement of deferred tax assets and liabilities is based on provisions of the enacted tax law; the effects of future changes in tax laws or rates are not anticipated. Measurement is computed using applicable current tax rates.

	<u>2022</u>	<u>2021</u>
Current income tax expense:		
Federal	\$ 457,677	\$ 6,222,987
State	382,679	2,320,706
Deferred income tax expense:		
Federal	120,680	(1,233,277)
State	<u>41,897</u>	<u>(367,853)</u>
Income tax expense	<u>\$ 1,002,933</u>	<u>\$ 6,942,563</u>

The Company's total deferred tax assets and liabilities at December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Net deferred tax liability	<u>\$(913,300)</u>	<u>\$(749,393)</u>

The deferred tax asset is primarily the result of net operating losses that are carried forward for state income tax reporting purposes from North Central Communication's investment in its wholly owned subsidiaries. The deferred tax liability is the result of timing differences related to the difference in financial reporting depreciation and income tax depreciation.

The individual companies included in the consolidation are responsible for their own tax liabilities. All companies are no longer subject to Internal Revenue or state taxing authority examinations beyond the statute of limitations for the respective taxing authorities. Penalties and interest, if any, that are assessed by income tax authorities are included in operating expenses. No interest or penalties were recognized during the years ending December 31, 2022 and 2021.

Note J – Labor Force

Approximately 80% of the Cooperative's labor force is subject to a collective bargaining agreement. An agreement was approved for the period July 1, 2021 to June 30, 2025 between the Cooperative and the Communications Workers of America.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note K – Deferred Compensation

The Cooperative has implemented a deferred compensation plan for certain management personnel. The plan is maintained by Wells Fargo. Under the terms of the plan, an amount determined by the Board of Directors of the Cooperative will be paid to an account established on behalf of the management personnel. The deferred compensation is to be paid to the individuals upon retirement or other reasons of discontinued service to the Cooperative.

Note L – Revenue from Contracts with Customers:

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services to its customers. The Company's revenue consists of sales of communication services and video services provided to the customers.

The Company offers landline telephone, including calling features, long distance and broadband connectivity (internet), network access revenue and video services on a standalone basis or in bundled service packages. Each service is considered distinct and therefore, are accounted for as separate performance obligations. Local service revenue is recognized over time according to the contract, as the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs. Unbundled landline telephone requires no written contract. Customary terms require payment within 20 days from the bill date, and for customers, deposits may be required in advance of service. Billing is completed at the beginning of the month of service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note L – (Cont'd)

The following table presents the Company's revenues disaggregated by the timing of such service revenue recognized during the year ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Local service revenue	\$ 4,305,106	\$ 4,635,084
Network access services	18,663,057	18,744,059
Long distance services	320,692	347,692
Internet and DSL revenue	21,221,268	16,917,601
Video revenue	6,683,524	6,771,309

These amounts do not include revenues outside the scope of Topic 606. Therefore, revenue line items in this table may not agree to amounts presented in the statements of operations and retained earnings.

Accounting polices

For sales and other similar taxes collected from customers on behalf of third parties, the Company is applying an accounting policy election, which permits an entity to exclude from revenue (transaction price) any amounts collected from customers on behalf of governmental authorities, such as sales taxes, use tax and other similar taxes collected concurrent with revenue-producing activities. Therefore, the Company presents revenue net of sales taxes and similar revenue-based taxes.

Practical Expedient

The Company elected to use the portfolio approach to evaluate contracts. As a practical expedient, a portfolio approach is permitted if it is reasonably expected that the approach's impact on the financial statements will not be materially different from the impact of applying the revenue standard on an individual contract basis. In order to use the portfolio approach, an entity must reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022 and 2021

Note L – (Cont'd)

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, we have not presented revenue on a present value basis.

For sales and other similar taxes collected from customers on behalf of third parties, the company elected a practical expedient, which permits entities to exclude from the transaction price all sales taxes that are assessed by a governmental authority and that are "imposed on, and concurrent with a specific revenue-producing transaction and collected by the entity from a customer".

For measuring progress for revenue recognized over time, the Company elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer. That is, the invoice practical expedient cannot be applied in all circumstances because the right to invoice a certain amount does not always correspond to the progress toward satisfying the performance obligation. Therefore, an entity should demonstrate its ability to apply the invoice practical expedient to performance obligations satisfied over time.

Note M – Subsequent events are transactions or events that occur subsequent to the date of the financial statements and before the issuance of those financial statements. Management has evaluated transactions and events that occurred subsequent to December 31, 2022 and before the date these financial statements were available to be issued, March 3, 2023, and determined that no additional disclosures are necessary.

CONSOLIDATING INFORMATION

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

Board of Directors
North Central Telephone
Cooperative Corporation
Lafayette, Tennessee

We have audited the consolidated financial statements of North Central Telephone Cooperative Corporation and subsidiary as of and for the years ended December 31, 2022 and 2021, and our report thereon dated March 3, 2023, which expresses an unmodified opinion on those financial statements, appears on page 5. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules 1, 2 and 3 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Totherow, Haile, & Welch, PLLC

Certified Public Accountants
McMinnville, Tennessee
March 3, 2023

SCHEDULE 1 - CONSOLIDATING BALANCE SHEETS

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022

	North Central Telephone Cooperative, Corp.	North Central Communications, Inc. and Subsidiaries	Reclassifications /Eliminations	Total
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash - general	\$ 44,458,702	\$ 5,403,923	\$ 0	\$ 49,862,625
Cash - construction funds	145,105	0	0	145,105
Temporary cash investments	6,603,548	4,150,000	0	10,753,548
Telecommunications				
accounts receivable	1,236,855	19,716	(11,526)	1,245,045
Other accounts receivable	46,251	0	0	46,251
Advance to related company	219,737	9,507,646	(9,727,383)	0
Materials and supplies	2,775,343	1,749,060	0	4,524,403
Refundable tax deposits	2,661	797,228	0	799,889
Other current assets	703,435	5,195	0	708,630
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	\$ 56,191,637	\$ 21,632,768	\$ (9,738,909)	\$ 68,085,496
<u>NONCURRENT ASSETS</u>				
Investment in subsidiary	\$ 43,956,343	\$ 0	\$ (43,956,343)	\$ 0
Investments	67,436	13,040,486	0	13,107,922
Nonregulated investments	314,041	0	0	314,041
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	\$ 44,337,820	\$ 13,040,486	\$ (43,956,343)	\$ 13,421,963
<u>PROPERTY, PLANT AND EQUIPMENT</u>				
Telecommunications plant in service	\$ 196,508,243	\$ 16,387,821	\$ 0	\$ 212,896,064
Telecommunications plant				
under construction	2,325,485	4,598,431	0	6,923,916
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 198,833,728	\$ 20,986,252	\$ 0	\$ 219,819,980
Less accumulated depreciation	124,929,207	8,767,268	0	133,696,475
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ 73,904,521	\$ 12,218,984	\$ 0	\$ 86,123,505
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 174,433,978</u>	<u>\$ 46,892,238</u>	<u>\$ (53,695,252)</u>	<u>\$ 167,630,964</u>

SCHEDULE 1 - CONSOLIDATING BALANCE SHEETS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

December 31, 2022

	North Central Telephone Cooperative, Corp.	North Central Communications, Inc. and Subsidiaries	Reclassifications /Eliminations	Total
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 1,357,845	\$ 843,763	\$ 0	\$ 2,201,608
Advance billings and payments	368,433	148,076	0	516,509
Advance from related company	9,519,172	219,737	(9,738,909)	0
Customer deposits	858,812	0	0	858,812
Current maturities on long-term debt	3,799,861	0	0	3,799,861
Accrued federal and state taxes	0	598,677	0	598,677
Accrued interest	54,569	0	0	54,569
Accrued rent	747,526	0	0	747,526
Accrued salaries and wages	147,463	0	0	147,463
Accrued property taxes	55,629	0	0	55,629
Accrued vacation and sick leave benefits	1,368,083	0	0	1,368,083
Other current liabilities	465,135	212,342	0	677,477
TOTAL CURRENT LIABILITIES	\$ 18,742,528	\$ 2,022,595	\$ (9,738,909)	\$ 11,026,214
<u>LONG-TERM DEBT</u>				
Rural Utilities Service	18,780,925	0	0	18,780,925
<u>OTHER LIABILITIES</u>				
Postretirement benefits other than pension	12,622,865	0	0	12,622,865
Deferred tax liability	0	913,300	0	913,300
TOTAL LIABILITIES	\$ 50,146,318	\$ 2,935,895	\$ (9,738,909)	\$ 43,343,304
<u>MEMBERS' EQUITY</u>				
Capital stock	\$ 0	\$ 8,100,000	\$ (8,100,000)	\$ 0
Patronage capital	135,490,947	0	0	135,490,947
Accumulated comprehensive loss	(11,203,287)	0	0	(11,203,287)
Retained earnings	0	35,856,343	(35,856,343)	0
TOTAL MEMBERS' EQUITY	\$ 124,287,660	\$ 43,956,343	\$ (43,956,343)	\$ 124,287,660
	\$ 174,433,978	\$ 46,892,238	\$ (53,695,252)	\$ 167,630,964

SCHEDULE 2 - CONSOLIDATING STATEMENTS OF OPERATIONS

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

Year ended December 31, 2022

	North Central Telephone Cooperative, Corp.	North Central Communications, Inc. and Subsidiaries	Reclassifications /Eliminations	Total
Operating revenues:				
Local network services revenue	\$ 3,900,423	\$ 404,683	\$ 0	\$ 4,305,106
Network access service revenue	18,336,460	326,597	0	18,663,057
Long distance network services revenue	309,673	11,019	0	320,692
Internet and video revenues	15,710,544	12,194,248	(27,904,792)	0
Lease revenue	0	230,066	(230,066)	0
Miscellaneous revenue	2,176,181	258,462	(92,000)	2,342,643
TOTAL OPERATING REVENUES	\$ 40,433,281	\$ 13,425,075	\$ (28,226,858)	\$ 25,631,498
Operating expenses:				
Plant specific operations expense	\$ 7,359,925	\$ 326,196	\$ (230,066)	\$ 7,456,055
Plant nonspecific operations expense	1,825,229	51,152	0	1,876,381
Internet and video expenses	8,247,162	8,448,480	(16,695,642)	0
Provision for depreciation	8,767,625	578,115	0	9,345,740
Customer operations expense	2,890,193	251,633	0	3,141,826
Corporate operations expense	2,492,656	490,660	(92,000)	2,891,316
Operating taxes	754,927	1,024,728	0	1,779,655
TOTAL OPERATING EXPENSES	\$ 32,337,717	\$ 11,170,964	\$ (17,017,708)	\$ 26,490,973
OPERATING INCOME (LOSS)	\$ 8,095,564	\$ 2,254,111	\$ (11,209,150)	\$ (859,475)

SCHEDULE 2 - CONSOLIDATING STATEMENTS OF OPERATIONS (CONT'D)

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

Year ended December 31, 2022

	North Central Telephone Cooperative, Corp.	North Central Communications, Inc. and Subsidiaries	Reclassifications /Eliminations	Total
Other income:				
Income from subsidiaries	\$ 3,975,620	\$ 0	\$ (3,975,620)	\$ 0
Income from investments	0	1,648,842	0	1,648,842
Interest & dividend income	65,759	44,210	(14,400)	95,569
Gain (loss) on sale of assets	0	965,432	0	965,432
Rental income	0	18,000	0	18,000
Nonregulated income	<u>(267,273)</u>	<u>0</u>	<u>11,209,150</u>	<u>10,941,877</u>
 TOTAL OTHER INCOME	 \$ 3,774,106	 \$ 2,676,484	 \$ 7,219,130	 \$ 13,669,720
Fixed charges:				
Interest expense	\$ 490,990	\$ 0	\$ (14,400)	\$ 476,590
Interest charged to construction - credit	<u>(30,204)</u>	<u>0</u>	<u>0</u>	<u>(30,204)</u>
 TOTAL FIXED CHARGES	 \$ 460,786	 \$ 0	 \$ (14,400)	 \$ 446,386
 INCOME BEFORE TAXES ON INCOME	 \$ 11,408,884	 \$ 4,930,595	 \$ (3,975,620)	 \$ 12,363,859
Taxes on income	<u>47,958</u>	<u>954,975</u>	<u>0</u>	<u>1,002,933</u>
 NET INCOME	 <u>\$ 11,360,926</u>	 <u>\$ 3,975,620</u>	 <u>\$ (3,975,620)</u>	 <u>\$ 11,360,926</u>

SCHEDULE 3 - CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

NORTH CENTRAL TELEPHONE COOPERATIVE CORPORATION AND SUBSIDIARY

Year ended December 31, 2022

	North Central Telephone Cooperative, Corp.	North Central Communications, Inc. and Subsidiaries	Reclassifications /Eliminations	Total
Net income	\$ 11,360,926	\$ 3,975,620	\$ (3,975,620)	\$ 11,360,926
Other comprehensive income (loss):				
Postretirement benefit other than pension:				
Unrecognized prior service cost	(270,000)	0	0	(270,000)
Unrecognized loss	<u>(2,115,363)</u>	<u>0</u>	<u>0</u>	<u>(2,115,363)</u>
 COMPREHENSIVE INCOME	 <u>\$ 8,975,563</u>	 <u>\$ 3,975,620</u>	 <u>\$ (3,975,620)</u>	 <u>\$ 8,975,563</u>