SOUTHERN TIER NETWORK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

SOUTHERN TIER NETWORK, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southern Tier Network, Inc.
Corning, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Southern Tier Network, Inc. (a nonprofit corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Southern Tier Network, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the Southern Tier Network, Inc. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and *Government 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 audits 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 Southern Tier Network, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southern Tier Network, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying annual investment report on page 14 is presented for purposes of additional analysis 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the annual investment report is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of Southern Tier Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Southern Tier Network, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Tier Network, Inc.'s internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
March 26, 2024

SOUTHERN TIER NETWORK, INC.
Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,285,431	$ 862,443
Cash and cash equivalents - short-term investments	633,713	170,064
Short-term investments	6,280,279	4,956,316
Accounts receivable	543,448	2,311,385
Grants receivable	320,676	1,260,828
Prepaid expenses	61,835	84,787
Inventory	50,037	569,266
Total current assets	9,175,419	10,215,089
Property and Equipment		
Fiber optic cable plant	19,311,373	17,137,727
Construction in progress	3,097,860	1,171,625
Total property and equipment	22,409,233	18,309,352
Less: accumulated depreciation	(5,438,125)	(4,740,655)
Total property and equipment - net	16,971,108	13,568,697
Other Assets		
Long-term prepaid expenses	263,143	293,032
Long-term investments	-	242,658
Indefeasible right of use - net	808,468	859,453
Total other assets	1,071,611	1,395,143
Total Assets	$ 27,218,138	$ 25,178,929
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 516,697	$ 2,044,649
Accrued liabilities	25,795	19,023
Deferred revenue - current portion	3,525,629	2,003,178
Total current liabilities	4,068,121	4,066,850
Long-term Liabilities		
Deferred revenue - long-term portion	13,889,509	12,132,511
Total Liabilities	17,957,630	16,199,361
Net Assets		
Net assets without donor restrictions	9,260,508	8,979,568
Total Liabilities and Net Assets	$ 27,218,138	$ 25,178,929

The accompanying notes are an integral part of these financial statements.

SOUTHERN TIER NETWORK, INC.
Statements of Activities and Change in Net Assets
For the Years Ended December 31, 2023 and 2022

	2023	2022
Support and Revenue		
Installation	$ 537,469	$ 653,819
Carrier and enterprise	1,329,612	1,288,158
Grant revenue	750,494	1,158,402
County revenue	66,721	81,817
Other revenue	128,655	8,337
Total support and revenue	2,812,951	3,190,533
Expenses		
Cost of sales and installation		
Construction	82,471	60,097
Design and engineering	618,808	771,538
Commission expense	42,264	43,588
Other costs	127,779	306,210
Total cost of sales and installation	871,322	1,181,433
Operating expenses		
Support services	12,365	439,390
Administrative	702,792	467,480
Grant expense	43,200	47,100
Pole attachment fees	187,957	154,656
Line maintenance	133,561	195,769
Insurance	21,337	17,709
Other operating expenses	114,890	99,009
Total operating expenses	1,216,102	1,421,113
Total expenses	2,087,424	2,602,546
Operating Income	725,527	587,987
Non-Operating Income (Expense)		
Interest income	8,911	2,372
Investment return	294,957	35,271
Depreciation expense	(697,470)	(687,498)
Amortization expense	(50,985)	(50,985)
Total non-operating expense	(444,587)	(700,840)
Change in Net Assets without Donor Restrictions	280,940	(112,853)
Net Assets without Donor Restrictions - Beginning	8,979,568	9,092,421
Net Assets without Donor Restrictions - Ending	$ 9,260,508	$ 8,979,568

SOUTHERN TIER NETWORK, INC.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Changes in net assets without donor restrictions	$ 280,940	$ (112,853)
Adjustments		
Depreciation expense	697,470	687,498
Amortization expense	50,985	50,985
Realized and unrealized gain (loss) on investments	21,786	(38,431)
Changes in assets and liabilities		
Accounts receivable	1,767,937	(1,529,947)
Grant receivable	940,152	(952,714)
Prepaid expenses	52,841	5,765
Inventory	519,229	(424,907)
Accounts payable	(1,527,952)	1,898,974
Accrued liabilities	6,772	1,553
Deferred revenue	3,279,449	3,100,349
Net cash flow from operating activities	6,089,609	2,686,272
Cash Flows from Investing Activities		
Purchase of property and equipment	(4,099,881)	(990,229)
Purchase of investments	(1,103,091)	(2,682,123)
Net cash flow from investing activities	(5,202,972)	(3,672,352)
Net Change in Cash and Cash Equivalents	886,637	(986,080)
Cash and Cash Equivalents - Beginning	1,032,507	2,018,587
Cash and Cash Equivalents - Ending	$ 1,919,144	$ 1,032,507

Cash and cash equivalents are presented on the accompanying balance sheet as follows:

	2023	2022
Cash and cash equivalents	$ 1,285,431	$ 862,443
Cash and cash equivalents - short term investments	633,713	170,064
Total cash and cash equivalents	$ 1,919,144	$ 1,032,507

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies and Scope of Business

Scope of Business - Southern Tier Network, Inc. (the "Organization") is a not-for-profit, local development corporation (LDC) based in Corning, New York and was formed to provide stewardship for the construction and management of a wholesale, Municipal Based Open Access optical fiber telecommunications system and promote economic development within the Southern Tier region of Upstate New York. The network connects counties and creates an environment for improved telecommunications competition, reliability and diversity. The Organization does so by selling or leasing high speed fiber optic capacity to enterprise, carrier and other entities that desire to manage and control their own telecommunications services. The network aids economic development by attracting new business, improving communications among health care providers and educational institutions, supporting individual county emergency services E-911 communications systems, and partnering with private enterprises.

Method of Accounting - The Organization maintains its books and prepares its financial statements on the accrual basis of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The Organization's financial statements are presented in accordance with the provisions of (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements for Not-for-Profit Entities." As a result, the Organization reports information regarding its net assets and changes therein in the following categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Organization's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Organization or are required to be held in perpetuity. The Organization did not have any net asset with donor restrictions for the years ended December 31, 2023 and 2022.

Liquidity - The Organization has $9,063,547 of financial assets available within one year of the statement of financial position date consisting of $1,919,144 of cash and cash equivalents, $6,280,279 of short-term investments and $864,124 of receivables. None of these financial assets are subject to donor or contractual restriction that make them unavailable for general expenditures within one year of the balance sheet date.

Cash and Cash Equivalents - For the purposes of the balance sheet and statements of cash flows, cash and cash equivalents include time deposits, money markets, and all highly liquid debt instruments with original maturities of three months or less. The Organization maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits. At December 31, 2023 and 2022, the organization had $957,460 and $705,513 in excess of the federally insured limits, respectively.

Accounts Receivable - The Organization extends credit to its customers. Accounts receivable are stated at the amount billed. At the beginning of 2023, the Organization adopted Accounting Standards Codification 326, *Financial instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, as amended which modifies the measurement of expected credit losses on certain financial instruments, including accounts receivable, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportable forecasts for collectability. The Organization adopted this new standard utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements. At December 31, 2023, no allowance was considered necessary.

For the year ended December 31, 2022, accounts receivable are considered impaired if full principal payments are not received in accordance with the contractual terms. It was the Organization's policy to charge off uncollectible contracts receivable when management determined the receivable would not be collected. At December 31, 2022, no allowance was considered necessary.

Grants Receivable - Grants receivable consist of amounts due from state or local agencies based on the terms of the related grant agreement and are stated at the amount the Organization expects to collect from balances outstanding at year end. The Organization records an allowance for doubtful accounts in anticipation of future write-offs to the extent deemed necessary based on past experience. At December 31, 2023 and 2022, no allowance was considered necessary.

Inventory - Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Investments - Investments are stated at fair value as determined by published market prices.

Property and Equipment - Property and equipment are recorded at cost, if purchased, or at fair market value, if donated, less accumulated depreciation. The Organization capitalizes fixed asset purchases greater than $5,000 that have useful lives greater than three years. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Construction in progress is recognized as the accumulation of costs related to fixed assets through the date that the fixed assets are placed in service. Depreciation is provided on the straight-line basis over the estimated useful lives, which range from three to twenty-five years. Total depreciation expense was $697,470 and $687,498 for the years ended December 31, 2023 and 2022, respectively.

Indefeasible Right of Use - Indefeasible right of use represents the Organization's indefeasible right to use specific strands of dark fiber owned by third parties to connect the Organization's fiber optic network in lieu of the Organization building fiber in the same area. The cost of acquiring indefeasible rights of use is amortized using the straight-line method over the term of the agreement.

Grant Revenue - The Organization accounts for grant revenue in accordance with ASU 2018-08 "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made" which provides clarification for determining if grants and contracts should be considered contributions or exchange transactions.

Revenue Recognition - Under Accounting Standards Update (ASU) No 2014-09 (Topic 606) - Revenue from Contracts with Customers ("ASU 2014-09" or "Topic 606"), revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for these goods or services. The Organization utilizes a five-step framework as identified in ASU 2014-09. The primary sources of revenue from contracts with customers for the Organization are as follows:

> **Installation Revenue** - Installation revenues represent amounts received or receivable related to the transfer of installed fiber optic cable to a third party. For such transfers, revenue is recognized at the time of the transfer as the Organization relinquishes its rights to the transferred assets. Deferred installation (or construction) revenue is recognized over a period of time and represents amounts received from customers related to each customer's initial connection to the Organization's fiber optic network. Amounts greater than $5,000 are deferred and recognized as installation revenue on a straight-line basis over the terms of each customer's contract for access to the network. Amounts less than $5,000 are recognized at a point in time.

Carrier and Enterprise Revenue - Carrier and enterprise revenue is recognized at a point in time and represents amounts from customers for continuing use of the Organization's fiber optic network. Factors that could impact the nature, amount, timing and uncertainty of revenue or cash flow include but are not limited to the strength of the telecommunications industry, weather conditions particularly in the upstate New York region, customer driven delays and difficulty meeting customer installation requirements.

Work is performed under customer statement of work which provide for the installation of fiber to certain customer predetermined specifications. Customers are generally invoiced once installation work has been completed and revenue is recognized over a period of time based on the terms of the customer agreement. Payment typically is due when invoiced. The Organization does not typically have any significant financing components as generally, these sales are collected within one to two months of invoicing. The lengths of the contracts vary but may span over 30 years.

Grant Revenue - Grant revenue consists of amounts received from federal, state or local agencies based on the terms of the related grant agreement. The grant agreements in place at the Organization are reimbursable grants and in some instances the revenue is reported when the expense is incurred. In order instances the grant revenue is deferred and recognized over a period of time equal to the life of the underlying capital assets.

Billings, cash collections and timing of revenue recognition result in receivables and deferred revenue on the balance sheet. The receivables represent revenue or deferred revenue recognized in excess of amounts collected. The liability, deferred revenue, represents billings in excess of revenues recognized. This liability is removed when revenue is recognized.

Receivables and deferred revenue were as follows at December 31:

	Installation Receivable	Grants Receivable	Other Receivables	Short and Long Term - Deferred Installation Revenue	Short and Long Term - Deferred Grants and Contracts
2023	$ 6,759	$ 320,676	$ 536,689	$ 7,860,648	$ 9,554,490
2022	$ 888,062	$ 1,260,828	$ 1,423,323	$ 7,368,716	$ 6,766,973
2021	$ 662,275	$ 308,114	$ 119,163	$ 4,761,467	$ 6,273,873

The timing of revenue recognition was as follows:

	2023	2022
Contract with customer revenue recognized at a point in time	$ 1,329,612	$ 1,288,158
Contract with customer revenue recognized over time	537,469	653,819
Other support and revenue	945,870	1,248,556
Total support and revenue	$ 2,812,951	$ 3,190,533

Income Taxes - The Organization is exempt from federal income tax under Code Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with ASC 740-10-50, the Organization recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. Management believes that the Organization is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Organization's financial statements.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs, have been allocated between program and general and administrative. See note 7 for this allocation.

Note 2. Fair Value Measurements

Financial Investments - The cost and fair value of investments at December 31, 2023 and 2022 are summarized as follows:

Total 2023	**Cost**	**Fair Value**
Exchange traded funds	$ 2,107,969	$ 2,092,444
U.S. treasury bills/notes	4,150,524	4,187,835
Total	$ 6,258,493	$ 6,280,279

Total 2022	**Cost**	**Fair Value**
Exchange traded funds	$ 2,500,771	$ 2,474,571
U.S. treasury bills/notes	2,737,155	2,724,403
Total	$ 5,237,926	$ 5,198,974

Investments in exchange traded funds and U.S treasury bills/notes are stated at fair value. The fair value is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in the statement of activities and changes in net assets.

Fair Value Measurements - A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Certificates of deposit: Certificates of deposit includes deposits with an original maturity of longer than three months. Certificates of deposit are recorded at market value (level 1).

Exchange traded funds: Valued at the closing price reported on the active market which the funds are traded (level 1).

U.S. treasury bills/notes: Debt obligations of the U.S. government that are issued at various intervals and with various maturities (level 1).

The following table sets forth by level, within the fair value hierarchy, the Organization's investment at fair value as of December 31, 2023:

	Total	Level 1	Level 2	Level 3
Exchange traded funds	$ 2,092,444	$ 2,092,444	$ -	$ -
U.S. treasury bills/notes	4,187,835	4,187,835	-	-
	$ 6,280,279	$ 6,280,279	$ -	$ -

The following table sets forth by level, within the fair value hierarchy, the Organizations investment at fair value as of December 31, 2022:

	Total	Level 1	Level 2	Level 3
Exchange traded funds	$ 2,474,571	$ 2,474,571	$ -	$ -
U.S. treasury bills/notes	2,724,403	2,724,403	-	-
	$ 5,198,974	$ 5,198,974	$ -	$ -

Earnings on all investments were as follows for the years ended December 31:

	2023	2022
Dividends, interest and other income	$ 273,171	$ 73,702
Net realized gain (loss) on investments	-	521
Net unrealized gain (loss) on investments	21,786	(38,952)
Total investment return	$ 294,957	$ 35,271

Note 3. Related Party Transactions

The Organization contracted with the Southern Tier Central Regional Planning and Development Board (STC) during 2023 and 2022 to provide rental and other miscellaneous office related items. STC's Executive Director is a member of the Organization's Board of Directors. Approximately $1,000 and $2,600 was recognized as expense under the terms of the agreement for the years ended December 31, 2023 and 2022, respectively.

Note 4. Deferred Revenue

Deferred revenue consisted of the following as of December 31, 2023:

	Current Portion	Long-term Portion	Total
Installation	$ 523,412	$ 7,337,236	$ 7,860,648
County Revenue - PSIG	250,823	-	250,823
County - Towers	99,951	-	99,951
Grant - Contracts	2,651,443	6,552,273	9,203,716
Total	$ 3,525,629	$ 13,889,509	$ 17,415,138

Deferred revenue consisted of the following as of December 31, 2022:

	Current Portion	Long-term Portion	Total
Installation	$ 471,690	$ 6,897,026	$ 7,368,716
County Revenue - PSIG	250,823	-	250,823
County - Towers	99,951	-	99,951
Grant - Contracts	1,180,714	5,235,485	6,416,199
Total	$ 2,003,178	$ 12,132,511	$ 14,135,689

Note 5. Customer Arrangements

Deferred Installation Revenue - The Organization enters into agreements with customers to provide access to the Organization's fiber optic network. Certain agreements require customers to make up-front payments related to establishing their connection to the fiber optic network. These up-front payments have been recorded as deferred installation revenue and are being recognized as income using the straight-line method over the terms of the agreements. Agreements in place through December 31, 2023 have terms ranging from one to thirty years, with the latest expiring in 2045.

As of December 31, 2023, deferred installation revenue is expected to be recognized as income in the following years:

2024	$ 523,412
2025	487,155
2026	462,260
2027	453,782
2028	438,136
Thereafter	5,495,903
	$ 7,860,648

Future Carrier and Enterprise Payments to be Received - The Organization allows continuing use of its fiber optic network under the terms of customer agreements requiring monthly payments for terms of up to thirty years. The agreements allow for termination by either party upon written notice to the other of its intent to terminate the agreement at least 180 days prior to the expiration of the applicable term. Payments to be received under the terms of these agreements are as follows for the years ending:

2024	$ 1,347,434
2025	1,080,816
2026	935,897
2027	769,363
2028	686,256
Thereafter	5,637,879
	$ 10,457,645

Note 6. Indefeasible Right of Use

Indefeasible right of use consisted of the following at December 31:

	Beginning Balance	Additions	Ending Balance
Indefeasible right of use - Empire Access	$ 949,200	$ -	$ 949,200
Indefeasible right of use - Ontario County	319,406	-	319,406
Total indefeasible right of use	1,268,606	-	1,268,606
Less, amortization expense	(409,153)	(50,985)	(460,138)
Indefeasible right of use - net	$ 859,453	$ (50,985)	$ 808,468

Maintenance Fee - In conjunction with the Organization's agreement to acquire the indefeasible right to use specific strands of dark fiber in Steuben County, the Organization is required to pay an annual maintenance fee of $5,000 beginning in year 2 of the agreement (2015), increasing by $5,000 annually until year 6 (2019), at which time $25,000 will be paid per year through the remaining twenty-five year term of the agreement. Future annual maintenance payments under the terms of the agreement are as follows for the years ending December 31:

2024	$ 25,000
2025	25,000
2026	25,000
2027	25,000
2028	25,000
Thereafter	243,750
	$ 368,750

Commitment to Maintain - In conjunction with the Organization's agreement to acquire the indefeasible right of use for specific strands of dark fiber in Steuben County and Ontario County, the Organization is to perform all required maintenance on the fibers for the term of the agreement.

Note 7. Functional Expenses

The Organization’s expenses on a functional basis are as follows for the years ended December 31:

	2023	2022
Program operations	$ 2,385,730	$ 2,780,727
General and administrative	450,149	560,302
Total	$ 2,835,879	$ 3,341,029

Note 8. Commitments and Contingencies

Letter of Credit

The Organization maintained a letter of credit at a local financial institution. The total amount available to borrow was $75,000 with an interest rate fixed at 1.25%. This letter of credit was required as an element of on-going construction activities. Subsequent to year end in February 2024, the Organization cancelled the letter of credit and issued a performance bond in replacement.

Note 9. Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

Note 10. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2022. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

SOUTHERN TIER NETWORK, INC.
Other Supplementary Information
Annual Investment Report
December 31, 2023

The following represents the annual investment report as required by Section 2925 of Public Authorities Law:

Permitted Investments

The following instruments are approved for monthly operating needs and reserve/short-term investments:

- Bank deposits (checking/savings) for operational needs up to $250,000 (may exceed FDIC limits at times)
- Bank certificates of deposits up to $250,000 (FDIC insured limit and from highly rated institutions)
- Money market funds - fixed price funds

The following instruments are approved for long-term investments, defined as investments over 12 months:

- Approved passive indexed mutual fund or exchange traded funds (ETF), treasury bills/treasury notes, and bank CD's with maturities less than 60 months (also FDIC insured);
- Asset size in excess of $5 billion;
- Bid offer spread of 5% maximum, and well diversified across sector types;
- No load funds; and
- Finance committee will approve long term investments and the fund.

Amendments Made to Investment Guidelines

None

Safeguards

Management will provide ongoing oversight of operational cash to ensure cash reserves are adequate to meet demands each period (month, quarter, year). Performance and risk objectives are to be met on a net of fees basis. Bank deposits, bank CDs or other instruments under 12 months are not required to be included in the performance measurement. The long-term investment performance of such assets will be measured against inflation objectives measured by CPI and against index objectives for individual portfolio components. Investment performance shall be measured no less than quarterly on a net of fees basis. Performance shall be evaluated over a one, three and five-year basis to allow for market fluctuations and volatility.

Authorized Financial Institutions and Dealers

It is the policy of the Organization to maintain a diversified portfolio of investment assets between asset classes and investment categories at all times. All investments must be immediately marketable. The approved types of investments can be allocated among three categories; bank deposits or CDs, money market funds, mutual funds and/or ETFs and treasury bills/treasury notes.

Provisions for Reporting on Investments

The Organization retains an independent auditor to provide an auditors' report of all investment practices on an annual basis.

Fees Related to Investment Service

The Organization did not incur any fees related to investment services for the year ended December 31, 2023.

Investments

Investments included cash and cash equivalents of $383,646, certificates of deposit of $250,068, exchange traded funds of $2,092,444 and U.S. treasury bills/notes of $4,187,835 as of December 31, 2023.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Southern Tier Network, Inc
Corning, New York

We have audited, in accordance with the 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, the financial statements of Southern Tier Network, Inc. (a nonprofit corporation), which comprise the balance sheet as of December 31, 2023, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Tier Network, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Tier Network, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Tier Network, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Tier Network, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
March 26, 2024

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS - COMPLIANCE AND OTHER MATTERS

NONE

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS - COMPLIANCE AND OTHER MATTERS

NONE