

2024 Annual Meeting Report

Held virtually at norvado.com/annualmeeting on
Wednesday, April 24th at 5:00 PM



Our Vision

is to provide one hundred percent of our service area with the world's foremost technology; ensuring our customers are connected to the people, places and things they love.

Our Mission

is to anticipate and exceed our customers' expectations by providing highly valued communication and information services as we continue our tradition of exceptional service and support. We strive to improve the quality of life by nurturing lasting relationships with our members, customers and employees while maintaining the financial well-being of the company.

Annual Meeting Details

The 2024 Norvado Annual meeting will be held virtually at www.norvado.com/annualmeeting. The meeting will commence at 5:00 PM on Wednesday, April 24, 2024.



2024 Annual Meeting Agenda

- 1. Call Meeting to Order**
Quorum, Larry Nelson, President
- 2. National Anthem**
Sung and recorded by Karina Christianson
- 3. Invocation**
Tim Follis, Director
- 4. Introductions**
Larry Nelson, President
- 5. Appoint Recording Secretary**
Larry Nelson, President
- 6. Official Notice of the Meeting and Proof of Mailing**
Lee Johnson, Vice President
- 7. Unapproved Minutes of Previous Meeting of Members**
Larry Nelson, President
- 8. Financial Report and Review**
Matt Macdonald, CPA, Forvis, LLP
- 9. CEO Report**
Chad T. Young, CEO
- 10. Report on the Election of Directors for the West and Southeast Districts**
John Carlson, Attorney, Spears, Carlson & Coleman
- 11. Adjournment**

Minutes of the 73rd Virtual Annual Meeting of Members

THE ANNUAL MEETING WAS HELD VIRTUALLY AT NORVADO.COM/ANNUALMEETING ON WEDNESDAY, APRIL 26, 2023.

The 73rd Annual Meeting of the members of Norvado was duly convened virtually at Norvado's headquarters in Cable Wisconsin, at 5:00 p.m. on April 26th, 2023, pursuant to a Notice of Meeting dated April 13th, 2023, addressed to each member at the member's address as it appears in the records of the cooperative.

The meeting was called to order by Norvado President, Larry Nelson, who served as chairman of the meeting.

Chairman Nelson declared a quorum.

Chairman Larry Nelson requested to play the recording of National Anthem by Karina Thompson.

Director Tim Follis presented the invocation.

Chairman Nelson then introduced the Board of Directors that were present as follows: Tim Follis, Brule; James Rondeau, Cable; Keith Larson, Port Wing; Chris Elkins, Drummond; M. James Nemec, Mason; Lee Johnson, Iron River; and Larry Nelson, Cable. Also introduced at this time was Chad T Young, CEO; John Carlson, General Counsel of the Cooperative; and Lisa Sheehan, Recording Secretary.

Chairman Nelson appointed Lisa Sheehan as Recording Secretary.

At the request of Chairman Nelson, Vice President Lee Johnson read the Notice of the Regular Annual Meeting for 2023 together with the Affidavit of Mailing.

In view of the fact that the cooperative members were presented with last year's Annual Meeting minutes, Chairman Nelson entertained a motion from the floor for approval. Motion made by Director Elkins, and seconded, by Director Follis, motion carried.

Chairman Nelson introduced Matt Macdonald, Forvis, LLP, Madison, Wisconsin, auditor for Norvado who reported on the 2021/2022 Annual Financial Report of the Cooperative to the members.

Chairman Nelson called upon CEO, Chad T Young, to present his Annual Report.

CEO Chad Young recognized employees that were eligible to receive service awards.

Attorney John Carlson read the results of the election of Directors. The North District, and Southwest District, and Central District were unopposed and therefore Director Keith Larson, North District, Director Elkins, Southwest District, and Director Lee Johnson, Central District, were unanimously elected. They will serve for a term of three (3) years, expiring at the Annual Meeting of Members in the year 2026.

Attorney John Carlson read the by-law change that took place in March 2023.

Chairman Nelson thanked the members and guests for their attendance.

There being no further business to come before the meeting, upon motion duly made, seconded, and unanimously carried, the meeting was adjourned at 5:30 p.m.

MESSAGE FROM CHAD YOUNG



Thanks to the hard work of our employees, the guidance of our board of directors, and the increasing importance of our products and services, Norvado had an extremely successful year. Our cooperative achieved exceptional financial and operational results and made significant progress towards our short and long-term goals. We continue to focus on providing exceptional customer service, delivering outstanding products and services at a good value, replacing regulatory support mechanisms, and providing a return to our membership. In the face of economic and regulatory challenges, our cooperative has remained resilient and has continued to grow and thrive.

Despite facing inflationary pressures that have significantly impacted our operating and capital expenses, Norvado has managed to maintain its growth and success. Norvado continued to have outstanding financial results in 2023, producing just over \$6.4 million in net income. This was achieved through a long-term strategy of generating revenues outside of the cooperative serving area, strong regulatory recovery, and a 10.1 percent increase in the balance sheet. The net income provides the necessary resources for expansion, seeking grants and funding, and reducing reliance on member revenues and government support. Due to Norvado's continued success, for the fifth consecutive year, a capital credit distribution was made, retiring the cooperative's obligation to members from 1999 and a portion of the obligation to members from 2000. This distribution provided each member of the cooperative during those two years with an average bill credit of \$76.12. The board of directors has indicated their intention to continue issuing capital credits annually, provided the financial results continue to warrant doing so.

Due to the distribution of capital credits for the past five years our cooperative had the opportunity to utilize \$103,881 from Unclaimed Capital Credits to support various non-profit initiatives in our serving area. In addition to scholarships, our unclaimed credits this year supported a number of initiatives at our local schools including club sports teams, e-sports, and a learning/community center. We are proud to have made these contributions and will continue to have unclaimed capital credits available for non-profit use in the years to come. In addition to these contributions, our employees have also volunteered their time and efforts to support numerous non-profit organizations. We also organized customer appreciation days in Cable and Phillips, which were well-attended and allowed us to show our appreciation for our customers and demonstrate our newer products and services. We are committed to giving back to our communities and supporting the organizations and initiatives that make it a better place to live and work.

As mentioned earlier in this report, a substantial component of our strategy is to replace government support

as regulatory funding mechanisms, which are crucial to Norvado and our customers, are constantly under threat. Accounting for approximately half of our revenues, our strategy and actions as a company are motivated by maintaining our funding to keep rates affordable for our customers. The merits of our Universal Service Funding were questioned in the 5th, 6th, and 11th Federal Circuit Courts this past year and a clear direction is still pending as to the future of this funding. Also, Norvado was presented with the decision to once again opt for a new version of model-based support this past year to replace our rate-of-return based support, but again declined because of the large negative impact on recovery amounts. On a more positive note, the Federal Communications Commission (FCC) waived the Budget Control Mechanism (BCM) which would have resulted in a significant reduction in our support. These potential reductions are a serious threat to keeping our rates affordable and I regularly speak with our elected officials to let them know how detrimental it would be should any of these items move forward. Replacing this funding is a top priority for the long-term longevity of our cooperative.

Norvado's concentration remains on sales, diversifying revenue streams, and expanding our serving area due to the constant risk of losing regulatory recovery and support. In 2023, the company's residential and commercial sales efforts, bolstered by our marketing department, were exceptional. Norvado added over 1,578 subscribers to its Apex Managed WIFI and 838 new residential customers. Our Commercial Sales Team achieved \$3.6 million in contractual sales, breaking our sales record for the seventh consecutive year, driven by our hosted VoIP service, which has evolved to be able to serve multi-location customers outside of our facilities footprint.

To maximize Norvado's return on investment on our capital expenditures and extend our services to homes and businesses contiguous to our existing service area, we have been able to leverage numerous grants made available through the Wisconsin Public Service Commission's Broadband Expansion Grant Program. Since the inception of the program in 2015, Norvado has been awarded approximately five percent of the total funds available and the spring of this past year, received three additional grants totaling \$1.5 million, which this year was almost 9 percent of the approximately \$16.6 million in grant funds that were available. These grant awards will fund \$3.0 million worth of construction projects in Eileen, Poplar, and around the Windigo Lake area. Later in the year, Norvado applied for seven grants in a \$42 million round of grant funding through the state of Wisconsin, which was made available by the Capital Projects Fund and will be awarded in late spring, 2024. Over the course of the next year, the state of Wisconsin is expected to receive \$1.055 billion in grant funding through the Broadband Equity, Access and Deployment Fund, which is a federal program aimed at expanding broadband access in underserved areas. Norvado is currently assessing whether to participate in this grant funding, which is a monumental amount of money for constructing broadband facilities in our state.

Grants awarded in 2021 and 2022 provided a sufficient amount of the capital that enabled the expansion of our fiber network in 2023. We invested more in the construction of facilities than ever before in the history of our company and couldn't be more proud of the results. Inflationary impacts on materials and contractors were mitigated through savings achieved through the hard work and diligence of our team in achieving operational efficiencies. Norvado built 125 miles of fiber to connect 1,642 homes and businesses in Washburn, Barksdale, Ashland, Park Falls, and Winter, bringing high-speed internet and other services to these areas this past year. These grant projects not only improved the quality of life and economic opportunities for our members, but also generated substantial growth and good cash flow for our company.

While engineering and constructing fiber to new homes and businesses has fueled Norvado's growth in recent years, it is also important to recognize the importance of maintaining and upgrading our existing facilities, which is no small effort. Our cooperative constantly adapts to the ever-evolving nature of technology and implements numerous network changes and upgrades to enhance our internal systems and service delivery. On an annual basis, necessary network upgrades require in excess of \$4 million in capital expenditures. These funds are required in order for Norvado to meet the growing future bandwidth demands of our customers. By investing in network infrastructure and operations, Norvado strives to achieve greater efficiency, reliability, and customer satisfaction.

Norvado's video product has been a concern for our membership for some time due to the constant price in-

creases from television content providers and their requirement to bundle channels. Norvado has targeted little to no margin on our video product and we now offer a lower-cost streaming product as well as our PickME Plans that allows customers to receive local channels and a credit for additional streaming services. This presents an opportunity for cost savings and customization of the viewing experience. Our experienced team of Customer Technology Consultants and Technicians is committed to assisting customers in investigating streaming options to reduce the cost of their video entertainment while maintaining the quality of programming.

As CEO, I would like to take this opportunity to express my gratitude to Norvado's board of directors for their unwavering guidance and direction, which has been instrumental in our continued success. Their leadership and vision have been invaluable in steering our cooperative towards a bright future. It is with a heavy heart that I also take this moment to remember the contributions of Chris Elkins, a vital member of our board of directors, who passed away this past year. Chris served on our board for twenty years, representing Norvado's Southwest District and the Drummond community. His dedication, commitment, and numerous contributions have left an indelible mark on our cooperative, and his legacy will be remembered for years to come. We are grateful for his service and he is deeply missed.

In conclusion, I would like to express my deepest gratitude to our membership for their unwavering support and patronage of our cooperative. Norvado's success is entirely dependent on your subscription to our services, and our team of exceptional employees is dedicated to delivering quality products, services, and exceptional customer service to maintain your loyalty. Along with the strategic guidance of our board of directors I am confident our advanced network, talented team, and your continued support, Norvado will overcome any challenges and continue to prosper. Thank you for supporting your cooperative.

A handwritten signature in black ink, appearing to read 'CTY', with a stylized flourish at the end.

Chad T. Young
Chief Executive Officer, Norvado

Employee Service Anniversaries

The amazing team at Norvado is who drives our company mission and lives out our company values. We'd like to take this opportunity to recognize the employees that have reached special milestones in their tenure at Norvado. Congratulations and thank you to all for the work and dedication you have put into making Norvado what it is today.



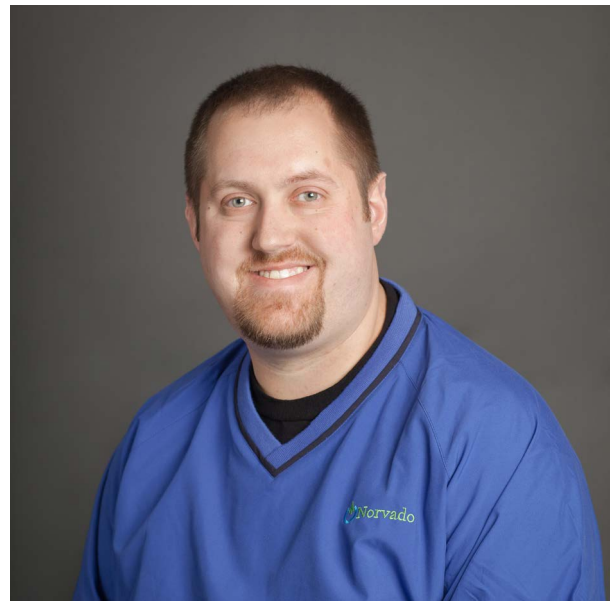
STACY BLOCK
Accounting Specialist
25 years



GRANT KOLWITZ
Senior Customer Network Technician
10 years



KARINA CHRISTIANSON
Senior Marketing Specialist
10 years



CURT HARPSTER
Lead Business Solutions Support Specialist
10 years

2023 Charitable Contribution Report

As a local cooperative, Norvado gives thousands of dollars back to local organizations and groups within the communities we serve, and in the past year we were able to give back even more through the utilization of unclaimed capital credits. In 2023, we donated over \$113,000 to support 60 local organizations and events.

- Cable Natural History Museum
- Cable Area Chamber of Commerce
- Phillips Area Chamber of Commerce
- Bayfield Chamber of Commerce
- Winter Area Chamber of Commerce
- Madeline Island Chamber of Commerce
- Park Falls Area Chamber of Commerce
- Northern Pines Sled Dog Race
- Phillips Youth Baseball & Softball
- South Shore High School
- Benoit Community Center
- Prentice School District
- Bay Area Gymnastics Club
- Price County Rodeo
- Concert in the Corn
- Tour De Flambeau
- Landmark Conservancy
- Northwestern High School Chemical Free Graduation Party
- Hayward Lions Club
- Winter Public Library
- Golf Fore the Greater Good
- Spirit of America Fun Run
- Herbster Community Smelt Fry Fundraiser
- New Day Shelter
- Hayward Fall Festival
- Ruckus in the Woods
- Point to La Pointe Open Water Swim
- Northwest Wisconsin Cancer Center
- Herbster Smelt Fry
- Winter July Jubilee
- Hayward Musky Festival
- CARE 5K 10K Walk/Run
- Mason Days
- Prentice Progress Days Golf Outing
- Ashland County Fair
- Whistlestop Marathon
- Phillips Czech-Slovak Community Festival
- Seeley Lions Prefat Mountain Bike Race
- Northwoods Humane Society
- CAMBA
- Bayfield County Fair
- Vatten Paddlar
- Superior Vistas Bike Tour
- Phillips Public Library
- Rumble on the Lake
- Hayward High School Project Graduation
- Grand View Tigers Upper 13 Baseball
- Washburn Sharptail Baseball Club
- Jaeckel & Sheehan Walk vs ALS
- Northwest Wisconsin Cancer Center
- Prentice Progress Days Foundation
- Iron River Blueberry Festival
- Spider Lake Run
- Hawkins Motorsports
- Loggers United Booster Club
- Drummond Booster Club
- Elk River Pioneers
- Cable Community Farm
- Drummond Area School District
- Phillips High School E-Sports Team

Consolidated Balance Sheets

December 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 5,944,068	\$ 3,905,378
Special construction account	5,000	5,000
Certificates of deposit	778,190	1,596,700
Accounts receivable		
Due from customers		
Less allowance of \$(11,527) and \$2,174	304,794	260,209
Network access		
Less allowance of \$377,442 and \$353,049	2,047,031	1,696,125
Other	2,463,443	3,334,347
Prepaid taxes	200,000	672,273
Materials and supplies	1,505,509	2,111,799
Inventories	35,561	72,488
Other prepayments	400,981	193,711
	<u>13,684,577</u>	<u>13,848,030</u>
Other Noncurrent Assets		
Equity investments in LLCs	1,019,335	800,592
Investments	483,220	524,389
Prepaid retirement benefits	835,455	537,340
Right of use assets - operating leases	1,442,678	1,268,713
Other prepayments	730,386	522,880
Goodwill	225,235	271,641
	<u>4,736,309</u>	<u>3,925,555</u>
Property, Plant and Equipment		
Telephone plant in service	152,696,809	143,817,701
Less accumulated depreciation	86,792,344	82,621,155
	65,904,465	61,196,546
Plant under construction	2,603,514	799,971
	<u>68,507,979</u>	<u>61,996,517</u>
Total assets	<u>\$ 86,928,865</u>	<u>\$ 79,770,102</u>

Consolidated Balance Sheets (continued)

December 31, 2023 and 2022

LIABILITIES AND MEMBERS' EQUITY

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Current portion of long-term debt	\$ 3,015,900	\$ 2,905,900
Operating lease liabilities	178,100	180,500
Deferred revenue	180,900	58,600
Accounts payable		
Network access	944	686
Other	2,634,537	2,181,485
Advance billing and payments	16,289	6,444
Accrued profit sharing	310,287	265,946
Accrued payroll	268,571	229,089
Accrued compensated absences	436,835	394,969
Accrued taxes	142,326	53,821
Other	18,583	30,384
	<u>7,203,272</u>	<u>6,307,824</u>
Long-term Debt, less current portion	<u>20,520,904</u>	<u>23,538,574</u>
Other Noncurrent Liabilities and Deferred Credits		
Asset retirement obligations	161,382	154,694
Deferred income taxes	2,782,402	2,072,551
Deferred revenues	3,319,265	1,159,599
Operating lease liabilities	1,301,700	1,106,428
Other	716,504	639,322
	<u>8,281,253</u>	<u>5,132,594</u>
Members' Equity		
Assignable patronage capital	6,476,457	6,424,737
Patronage capital assigned	28,209,364	25,662,347
Accumulated other comprehensive loss	(1,989,905)	(2,407,472)
Retained earnings	18,227,520	15,111,498
	<u>50,923,436</u>	<u>44,791,110</u>
Total liabilities and members' equity	<u>\$ 86,928,865</u>	<u>\$ 79,770,102</u>

Consolidated Statement of Margins

For years ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Local network services	\$ 4,497,655	\$ 4,624,484
Network access services	18,893,655	17,865,238
Long distance services	1,020,474	1,065,915
Internet services	10,406,846	9,305,154
Video services	4,225,003	4,329,719
Miscellaneous services	2,217,074	2,864,252
	<u>41,260,706</u>	<u>40,054,762</u>
Operating Expenses		
Plant specific operations	8,532,895	8,487,047
Plant nonspecific operations	11,196,550	10,513,062
Depreciation, amortization, and accretion	5,930,273	5,923,318
Customer operations	3,642,846	3,208,841
Corporate operations	3,702,478	3,112,000
General taxes	533,704	538,336
	<u>33,538,746</u>	<u>31,782,604</u>
Operating Margins	<u>7,721,960</u>	<u>8,272,158</u>
Other Income (Expense)		
Investment income (loss)	484,749	(11,576)
Interest expense	(798,912)	(906,147)
Interest during construction	132,177	152,534
Other, net	(397)	31,647
	<u>(182,383)</u>	<u>(733,542)</u>
Margins Before Income Taxes	7,539,577	7,538,616
Income Tax Expense	<u>1,063,120</u>	<u>1,113,879</u>
Net Margins	<u>\$ 6,476,457</u>	<u>\$ 6,424,737</u>



Thank you.

Above all, it is our members that inspire us to grow, improve and innovate. From all of us on the Norvado team, thank you for being a valued member of the Norvado cooperative.

#discoverthepossibilities



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