



Rock Island Communications
Q4 2019 Report

April 2020 Meeting

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Executive Summary

Amidst these unprecedented times in our community, Rock Island has remained resilient in its support of our residents and businesses in San Juan County. Now, more than ever, the criticality of internet services is emphasized as a must-have, sorely needed dependency in a community. Access to a robust broadband infrastructure has kept our locals going. Rock Island is meeting this need, as well as extending its support in ways we would never have thought possible prior to this establishment of the Cooperative's subsidiary.

Access to one another and resources via the internet has allowed many residents to follow the stay at home order nearly seamlessly. It has enabled children to continue their education. It has allowed businesses to maintain their presence. It has provided the bridge for our human and social connection gap. It has kept the general public informed and equipped by our local, state and federal agencies. It has kept our community safer in so many ways. Though the long-term effects of this pandemic are yet to be seen, Rock Island maintains the unique opportunity to continue supporting our local residents.

The following report outlines the financial metrics for Q4 and YTD of 2019, as well as the YTD key performance metrics for 2020. The analysis of the records shows a healthy, on target company that has successfully established itself as a viable and long-term solution for our County. Rock Island reached its first month of being cashflow positive from operations on time in 2019 and continues to project net income positive according to plan. Staff has done an incredible job managing expenses to ensure this milestone is reached, keeping our expense growth to under one percent from the prior year. Rock Island grew its total revenue by 22% in 2019 over 2018 and flatlined labor and G&A expenses, allowing onboarding to drive the profitability of the business. Revenues continue to grow in line with our business plan as we begin to close out Q1 for 2020.

As a company, we have the unique ability to function nearly seamlessly in times like this. Being dynamic and flexible with how we conduct our business has allowed us to maintain solid focus on our goals, without compromising anyone's safety. Our staff is our greatest assets and protecting them is one of our top priorities. We have taken every measure possible to ensure this and will continue to re-evaluate the needs as this epidemic unfolds. Rest assured, no one is being put needlessly into harm's way and all staff have the personal protective equipment they need to perform work in elevated risk instances.

It is reasonable to expect that any long-term stay-at-home order and the economic repercussions that soon follow this event are going to have varying degrees of influence on our business. We will continue to track these effects as they unfold. Staff has also applied and been approved for 8 weeks of payroll through the SBA forgivable loan program as of April 15th. With funding anticipated in the next 10 days, this further ensures our stability in these times.

In the meantime, we will need to limit our approach to some aspects of our business, such as going into homes for onboarding, effectively pausing the fiber onboarding process for the time being. We still can focus our resources on tasks that will contribute, as best they can, to our goals as a business. Work can be done in completing the RESP Fiber to the Premise program establishment and educating members on that opportunity. We also can turn our focus to major projects outside of onboarding such as the county first responder radio network and our efforts in obtaining a grant for distance learning through the USDA. This window of attention to these programs and projects will assist Rock Island in further providing for the critical needs of our community. Like most small businesses, we will have a very challenging year financially, which may intensify as the social distancing mandate extends. However, the debate surrounding the value of providing internet services to our community is officially over! All Rock Island has to do now is execute our business plan, once the pandemic subsides.

Q4, 2019 Financial Statements

Rock Island Communications Quarterly Income Statement As of December 31, 2019

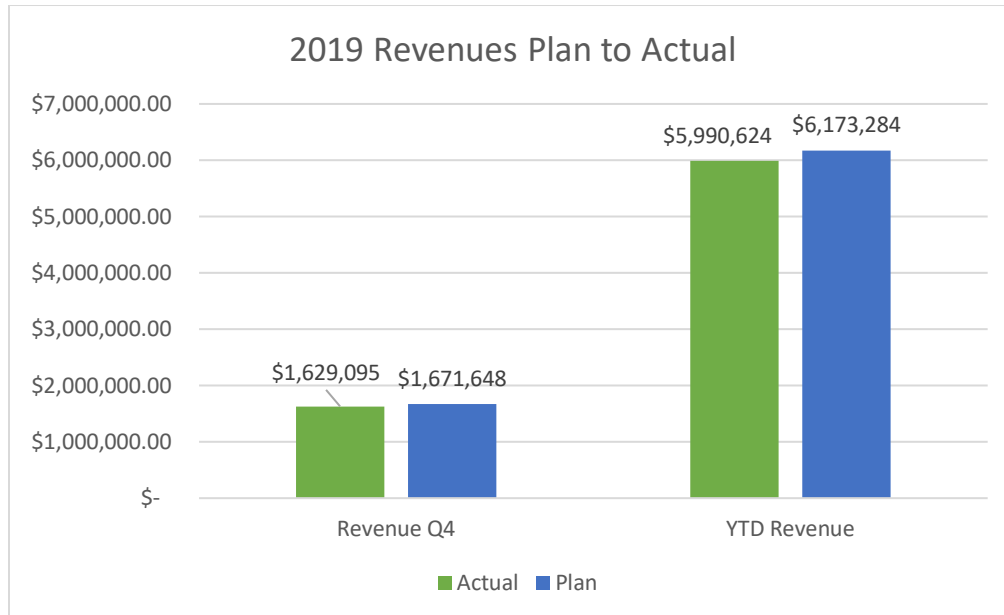
	Quarter To Date 12/31/2019			Year To Date 12/31/2019		
	FY 2019 Actual	Budget	QTD Budget Variance	FY 2019 Actual	Budget	YTD Budget Variance
Operating Revenues	1,629,095.34	1,671,647.97	(42,552.63)	5,990,623.63	6,173,284.30	(182,660.67)
Cost of Services	318,196.43	226,144.85	92,051.58	1,054,923.60	922,803.76	132,119.84
Total gross profit	1,310,898.91	1,445,503.12	(134,604.21)	4,935,700.03	5,250,480.54	(314,780.51)
Operating Expense	1,437,617.56	1,421,780.92	15,836.64	5,601,733.64	5,635,705.98	(33,972.34)
Non-Operating Expense	354,881.95	340,026.21	14,855.74	1,175,641.75	1,307,235.65	(131,593.90)
Net Income (loss)	(481,600.60)	(316,304.01)	(165,296.59)	(1,841,675.36)	(1,692,461.09)	(149,214.27)

Rock Island Communications Quarterly Balance Sheet As of December 31, 2019

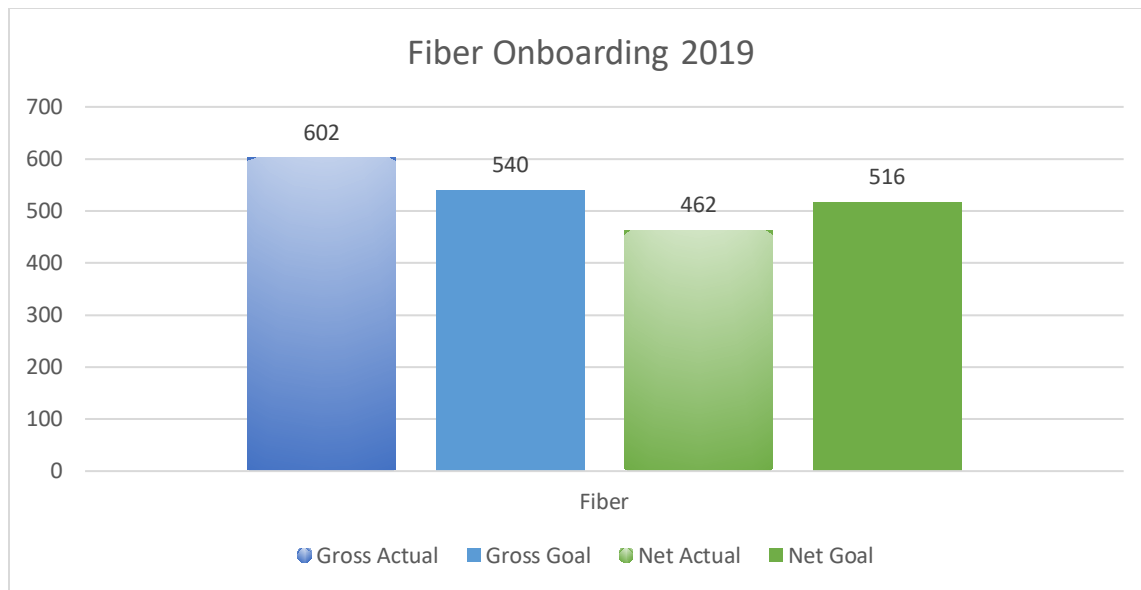
	Quarter Ending 03/31/2019 Actual	Quarter Ending 06/30/2019 Actual	Quarter Ending 09/30/2019 Actual	Quarter To Date 12/31/2019 Actual
Current assets	2,127,949.10	1,598,742.86	1,686,653.54	1,580,736.82
Property, Plant, & Equipment	14,814,483.32	15,451,059.34	16,105,398.04	16,182,932.94
Other Non-Current Assets	209,978.53	202,210.00	194,441.47	186,672.94
Total assets	17,152,410.95	17,252,012.20	17,986,493.05	17,950,342.70
Current liabilities	1,370,322.26	1,254,727.38	1,513,463.52	4,380,995.83
Non-current liabilities				
CoBank Debt	23,130,000.00	23,970,000.00	24,900,000.00	22,500,000.00
Other Non-Current Liabilities	2,712,473.94	2,523,634.45	2,504,108.74	2,482,026.68
Total non-current liabilities	25,842,473.94	26,493,634.45	27,404,108.74	24,982,026.68
Total liabilities	27,212,796.20	27,748,361.83	28,917,572.26	29,363,022.51
Equities & Margins	(10,060,385.25)	(10,496,349.63)	(10,931,079.21)	(11,412,679.81)
Total liabilities & equity	17,152,410.95	17,252,012.20	17,986,493.05	17,950,342.70

2019 Key Performance Indicators

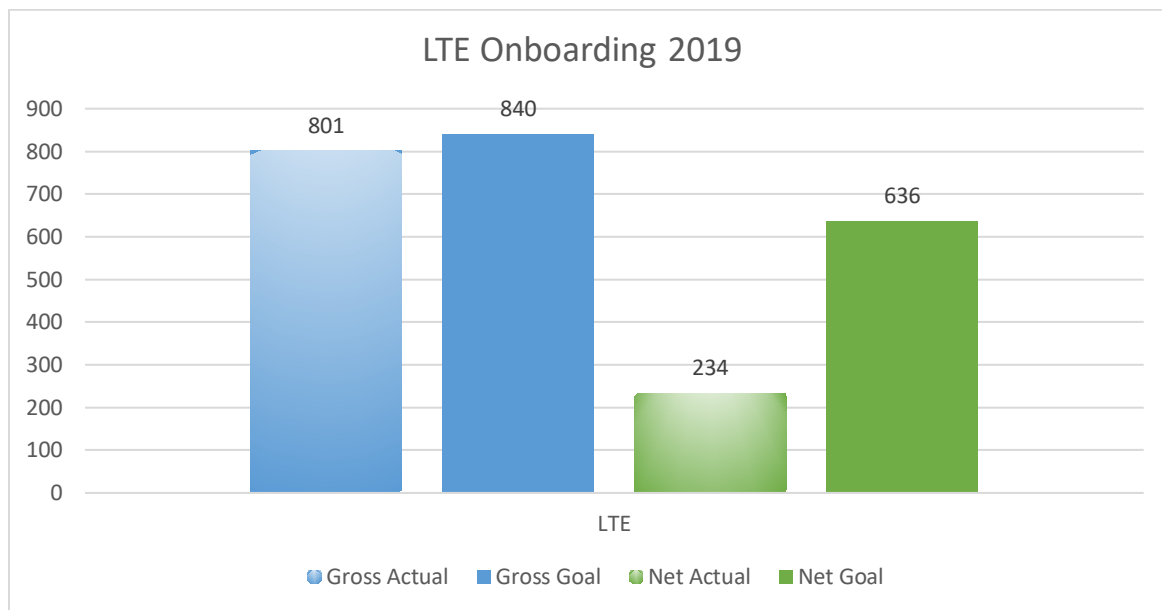
Total Revenues



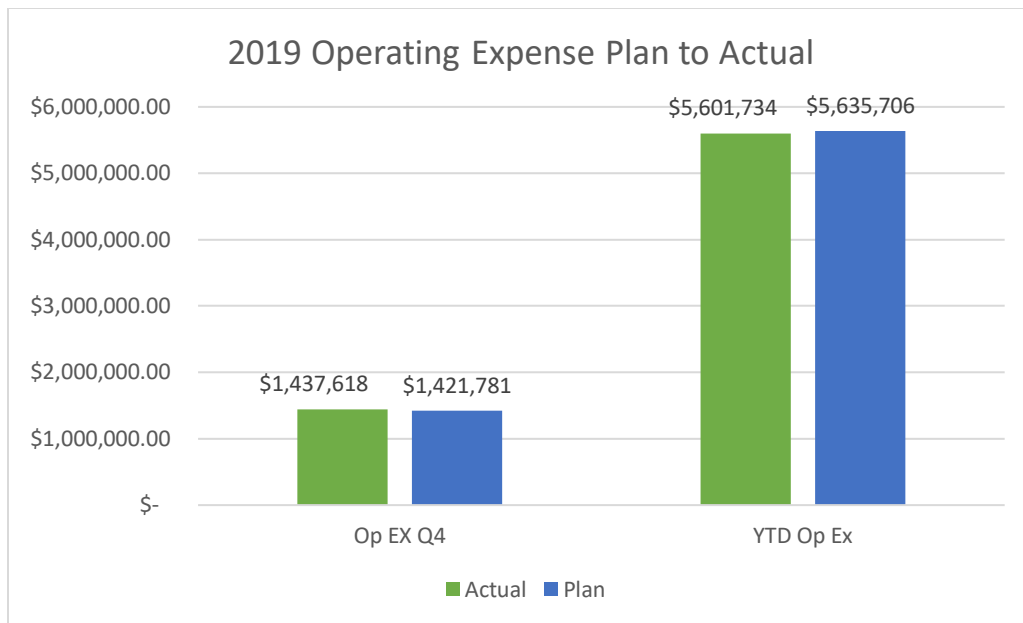
Fiber Onboarding 2019



LTE Onboarding 2019

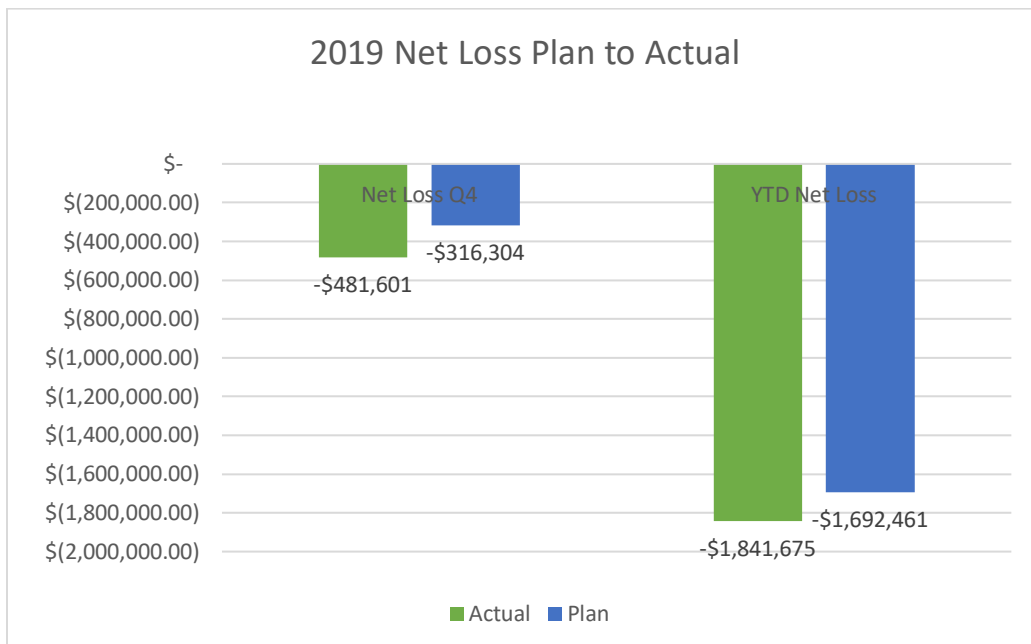


Operating Expenses 2019



Operations expenses have only grown 1% from the previous year.

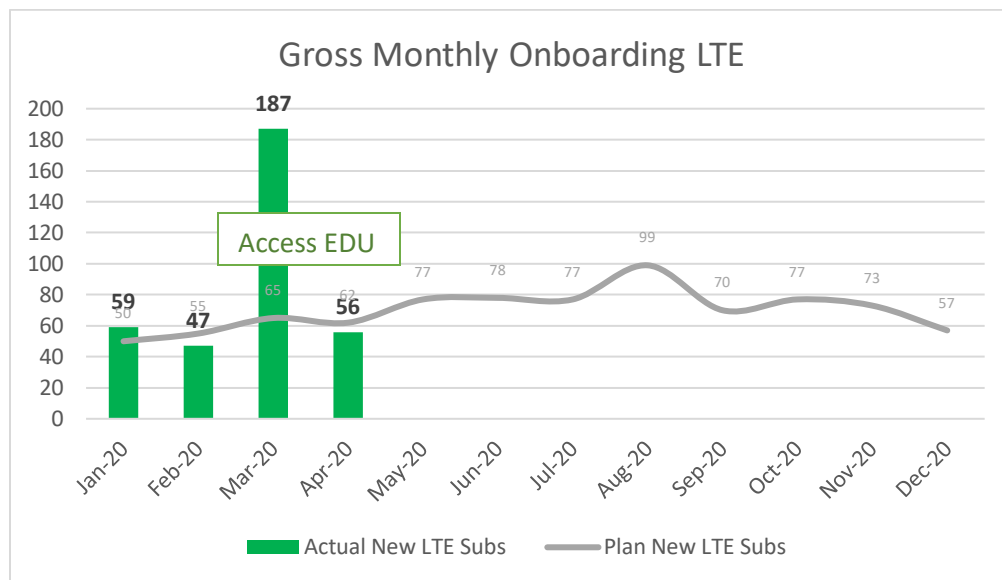
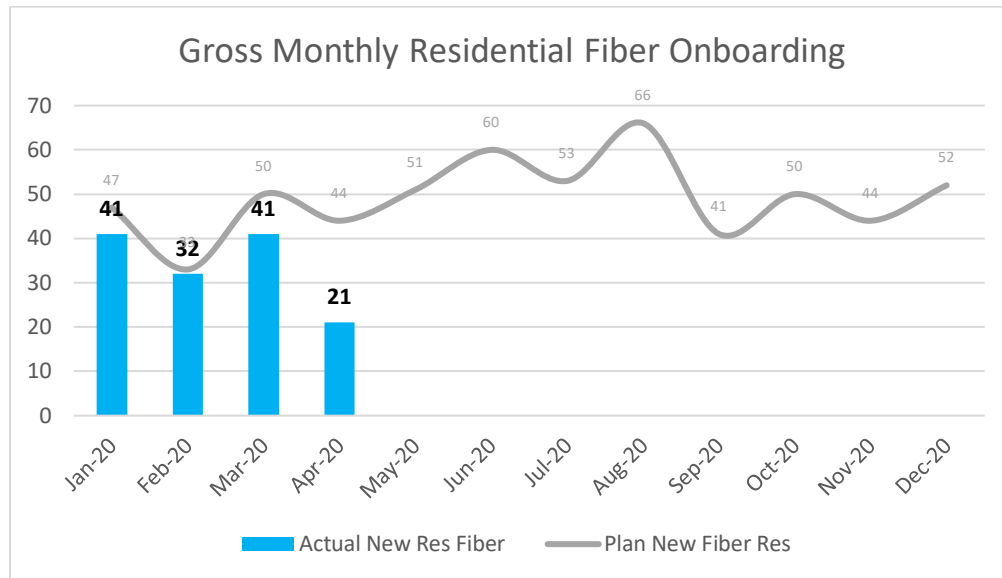
Net Loss 2019



Rock Island is still poised to meet its major milestones as set out in the 2020 Business Plan.

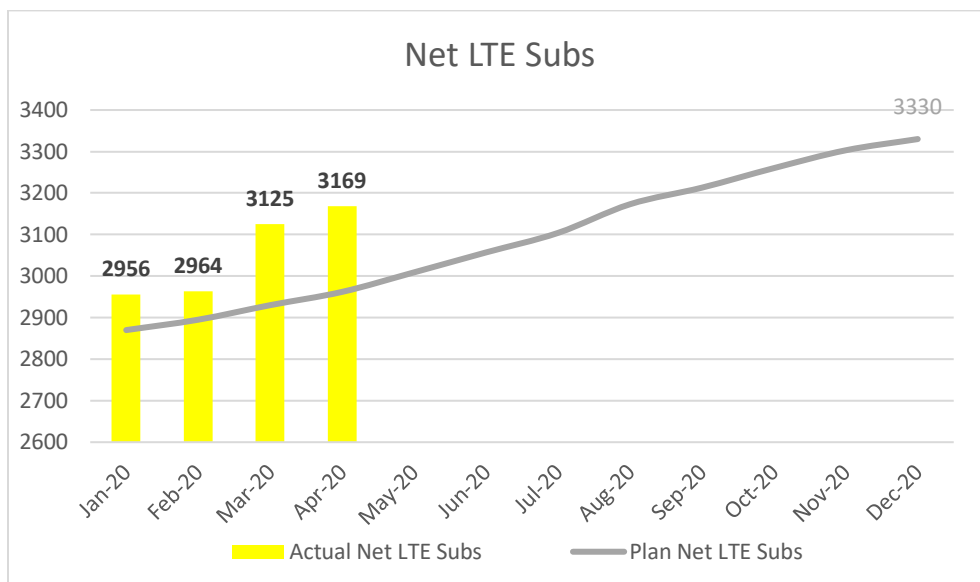
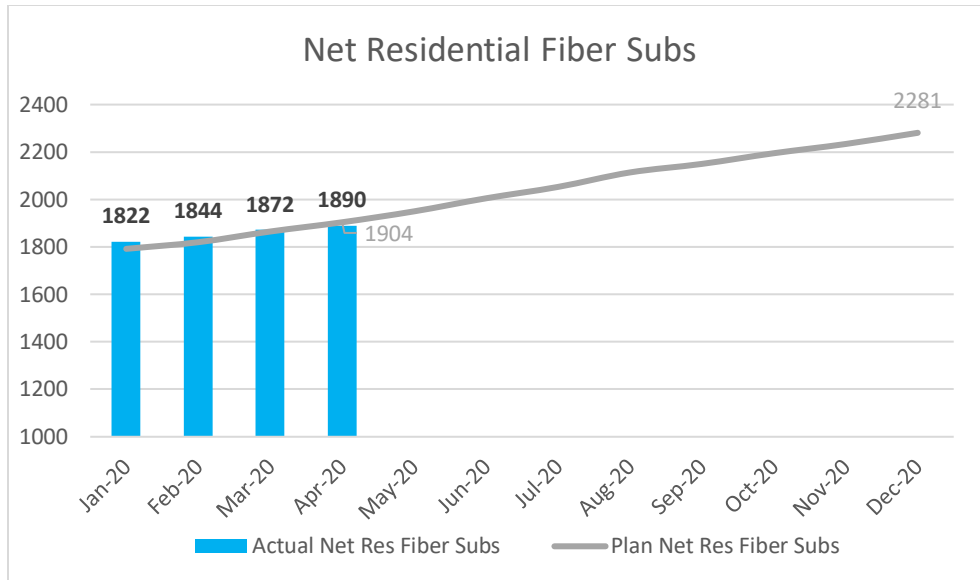
2020 Key Performance YTD

Please note that these figures are as of April 15th, 2020 and this quarter is yet to be closed.

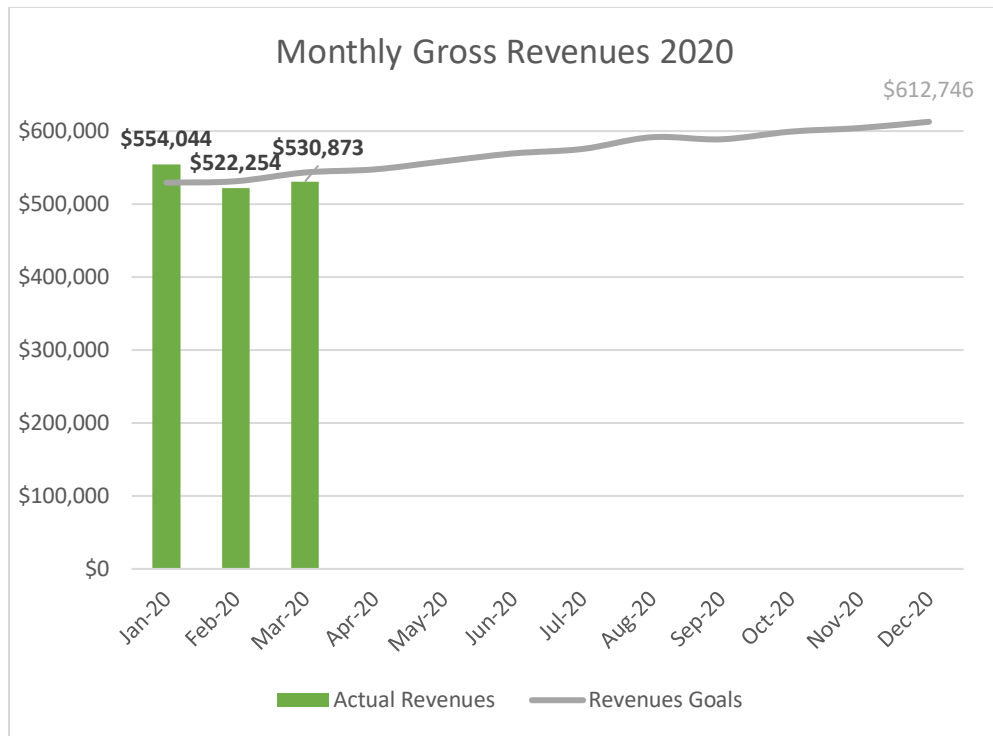


88 of these connections for LTE and Fiber in March and 14 of these in April were for the Access EDU Program (102 Connections). We are also only half-way through April at the time of this report.

- 12 Fiber
- 90 Wireless



Again, the total Net number includes Access EDU connections, but even with those removed, Rock Island has met its onboarding goals for Q1.



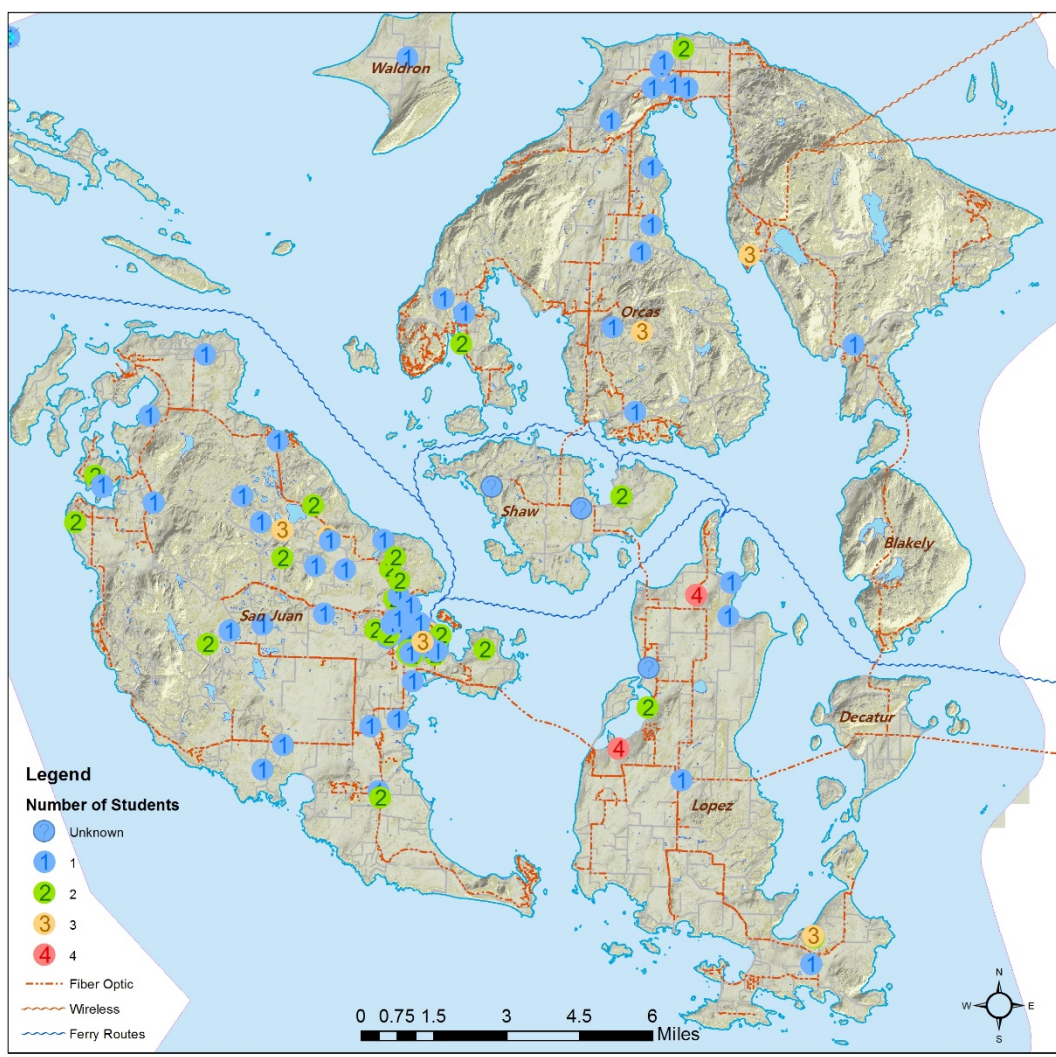
\$1,603,804 -Plan
\$1,607,171 -Actual*

*March is not closed out so revenue numbers will continue to be updated.

Access EDU Program

As the COVID-19 pandemic began affecting our local state, one of the initial closures issued by Gov. Inslee, was the closure of schools. Without any idea of the longevity of the closures, schools scrambled to plan and adapt to potential remote education courses. As the process unfolded, Rock Island stayed engaged with each of the school districts to lend a hand where needed. Access to internet was the number one roadblock facing schools in providing education remotely. Immediately Rock Island launched the Access EDU program.

The program features an internet service delivered at no charge to any student without a connection. We deliver the service indiscriminately to all with whatever is available, be it LTE, fiber, Mimosa... Our goal is to get the students online and learning. In one small group of homes we had our own employee who lived in the neighborhood, set up an outdoor access point and turned up “Access Rock Island” for those students around him.



The map display shows all the Access EDU locations with the number of students connected.

The program has resonated with great success and the schools have all voiced their appreciation in many ways. The ability for schools to maintain their education program doesn't only mean kids get to continue their schooling, it also means that the teachers, janitors, counselors and aids all get to remain funded as employees during the remote program.

It is sobering to think about what we would be facing, had OPALCO not moved forward with the broadband initiative. The simple fact that we delivered over 100 connections in a little over two weeks' time would not even have been in the realm of a possibility, had we not possessed a state-of-the-art LTE and fiber network.

USDA DLT Grant

As well as the Access EDU Program, Rock Island and OPALCO staff worked tirelessly to complete a grant application for distance learning from the USDA. The complete packet was submitted before the April 10th deadline and outlined a plan to install Interactive Learning Stations (ILS) in every middle school and high school classroom in the county. These ILS's give any teacher the ability to connect another teacher or their students remotely via a large, 86" interactive display that replaces the need for a projector and whiteboard in the classroom. This will create a new-aged and flexible approach to learning in over 75 classrooms. It can be expanded to include

other instructor resources like fire departments and science centers, which will bring on-demand access to curriculum for every student and teacher.

Having this technology installed in our schools will change the way our educators are able to react to situations like we are facing now. Imagine, never making up a snow day again, allowing teachers to extend their teaching resources to other classrooms around the county, students re-watching course material from the classroom that day when they are having difficulty with their homework, and so many more amazing potentials. The greatest of which is that this will serve as a safe, remote alternative for our students and teachers during a health crisis like COVID-19.

