Condensed Consolidated Financial Statements
For the periods ended September 30, 2014 and 2013

ICTC Group, Inc. and Subsidiaries

Part I - Financial Information

Item 1. Financial Statements (unaudited)

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ICTC Group, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	Sept 30, 2014 (Unaudited)	December 31, 2013 *
Assets		
Current Assets		
Cash and cash equivalents	$ 2,800,657	$ 2,498,932
Accounts receivable, net of allowances of $4,000	359,649	296,087
Accounts receivable, Broadband Initiatives Program grant funds	435,320	-
Materials and supplies	119,804	41,770
Deferred income taxes	70,449	65,404
Prepaid tax benefit	(0)	18,998
Prepayments	100,692	105,710
Total current assets	3,886,570	3,026,901
Noncurrent Assets		
Other investments	244,810	246,078
Equity method investments	1,702,593	1,645,569
Goodwill	1,772,179	1,772,179
Total noncurrent assets	3,719,582	3,663,826
Telecommunications Plant and Equipment		
In service	22,785,026	22,191,949
Under construction	864,983	1,190,220
	23,650,008	23,382,169
Less accumulated depreciation and amortization	17,020,321	16,584,831
Net telecommunications plant and equipment	6,629,687	6,797,338
Total Assets	$ 14,235,840	$ 13,488,065

*Derived from audited financial statements

	Sept 30, 2014 (Unaudited)	December 31, 2013 *
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 294,303	$ 291,298
Current maturities of long-term debt	18,000	18,000
Accrued income taxes	153,998	-
Other current liabilities	294,532	253,059
Total current liabilities	760,833	562,357
Long-Term Debt		
Broadband Intitiatives Program Loan	469,694	483,400
Other long-term debt	2,071,800	2,071,800
Total Long-Term Debt	2,541,494	2,555,200
Other Liabilities		
Construction deposits	63,038	64,556
Deferred income taxes	2,261,083	2,285,419
Total other liabilities	2,324,121	2,349,975
Total liabilities	5,626,448	5,467,532
Stockholders' equity		
Preferred Stock: $.0001 par value; 1,000,000 shares authorized		
No shares outstanding	-	-
Common Stock: $.0001 par value; 2,000,000 shares authorized		
Issued and outstanding: 404,426	40	40
Additional paid in capital	1,759,992	1,759,992
Retained earnings	6,849,360	6,260,501
Total stockholders' equity	8,609,392	8,020,533
Total Liabilities and Stockholders' Equity	$ 14,235,840	$ 13,488,065

*Derived from audited financial statements

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Revenues				
Local telephone service revenue	$ 120,518	$ 119,766	$ 360,591	$ 354,243
Universal service and access revenue	546,966	543,893	1,696,644	1,712,923
Internet revenue	131,585	129,755	387,090	400,659
Facility lease revenue	141,108	125,657	411,115	365,936
Miscellaneous revenue	12,910	1,871	47,231	43,486
Total operating revenues	953,087	920,941	2,902,671	2,877,248
Costs and expenses				
Plant operations, excluding depreciation	402,339	351,613	1,187,117	1,107,699
Depreciation	150,958	185,483	462,936	550,259
Customer operations	53,621	34,748	168,411	116,789
Corporate operations	191,301	194,281	638,417	680,072
Operating taxes, other	4,807	42,065	9,950	49,815
Total operating expenses	803,026	808,190	2,466,831	2,504,634
Operating Income	150,060	112,752	435,840	372,614
Nonoperating Income (Expense)				
Dividend income	74,941	44,072	196,495	126,054
Equity in earnings of investee	106,488	95,250	333,453	320,126
Total nonoperating income	181,429	139,322	529,948	446,180
Income Before Interest and Income Taxes	331,489	252,074	965,788	818,794
Interest Expense	35,338	32,910	105,055	97,039
Income Before Income Taxes	296,152	219,164	860,732	721,755
Income Tax Expense	91,814	68,036	271,873	235,610
Net Income	$ 204,338	$ 151,128	$ 588,859	$ 486,145
Basic and Diluted Weighted Average Common Shares Outstanding	404,426	404,426	404,426	404,426
Basic and Diluted Earnings Per Share	$ 0.51	$ 0.37	$ 1.46	$ 1.20

See Notes to Unaudited Condensed Consolidated Financial Statements

	Preferred Stock	Common Stock	Additional paid in Capital	Retained Earnings	Total
Balance, January 1, 2014	$ -	$ 40	$1,759,992	$6,260,501	$ 8,020,533
Net income	-	-	-	588,859	588,859
Balance, Sept 30, 2014	$ -	$ 40	$1,759,992	$6,849,360	$ 8,609,392

	Nine Months Ended Sept 30	
	2014 (Unaudited)	2013 (Unaudited)
Operating Activities		
Net income	$ 588,859	$ 486,145
Adjustments to reconcile net income to net cash		
from operating activities		
Depreciation	462,936	550,259
Earnings from equity investments	(333,453)	(320,126)
Distributions received - equity investments	276,429	266,120
Deferred income taxes	(29,381)	(15,107)
Earnings from other investments	1,268	-
Change in current assets and current liabilities		
Accounts receivable	(63,562)	(14,229)
Materials and supplies	(78,034)	(16,843)
Prepaid income taxes	18,998	-
Prepayments	5,018	11,275
Accounts payable	65,822	67,021
Accrued income taxes	153,998	(131,636)
Other current liabilities	41,473	(31,132)
Net Cash from Operating Activities	1,110,371	851,748
Investing Activities		
Purchase of plant and equipment	(570,788)	(897,671)
Broadband Initiatives Program Grant funds received (restricted)	-	466,998
Grant (spending) reimbursements for broadband stimulus project costs	(224,152)	-
Contributions in aid received	-	328,755
Change in restricted cash	-	(358,980)
Net Cash used for Investing Activities	(794,940)	(460,898)
Financing Activities		
Advances on long term debt - Broadband Initiatives Program	-	204,942
Principal payments on long-term debt	(13,706)	(353)
Net Cash from (used for) Financing Activities	(13,706)	204,589
Net Change in Cash and Cash Equivalents	301,725	595,439
Cash and Cash Equivalents, Beginning of Period	2,498,932	2,320,250
Cash and Cash Equivalents, End of Period	$ 2,800,657	$ 2,915,689
Supplementary Disclosures of Cash Flow Information		
Cash payments for interest	$ 105,055	$ 97,039
Cash payments for income taxes, net of refunds	$ 118,268	$ 325,052
Non-cash investing and financing activities		
Accounts payable - purchase of property and equipment		
Beginning of Period	$ 143,690	$ -
End of Period	$ 80,873	$ -

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Organization

ICTC Group, Inc. (the "Company"), formerly named Sunshine PCS Corporation, serves as a holding company for Lynch Telephone II, LLC ("Lynch II") which serves as a holding company for Inter-Community Telephone Company LLC ("Inter-Community") and Valley Communications, Inc. ("Valley"). Inter-Community is a rural independent local telephone company ("RLEC") serving communities in southeastern North Dakota providing regulated telephone service; Valley provides internet and other non-regulated services. The Company operates in one business segment, telecommunications.

Basis of Presentation and Consolidation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and footnotes required for complete financial statements. The consolidated financial statements and footnotes should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2013. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of Lynch II, Inter-Community and Valley. All assets and liabilities of the Subsidiaries are consolidated with the assets and liabilities of the Company. All significant inter-company accounts have been eliminated.

Regulatory Accounting

The Company's public utility activities are regulated by the Federal Communications Commission (FCC). The North Dakota Public Service Commission does not regulate RLEC's with fewer than 8,000 access lines, such as Inter-Community. The Company follows the Federal Communication Commission's (FCC) Uniform System of Accounts, Part 32 of the FCC Rules and Regulations.

Where applicable, this regulated accounting recognizes the economic effects of rate regulation by recording costs and a return on investment; as such, amounts are recovered through rates authorized by regulatory authorities. Criteria that would give rise to the discontinuance of regulatory accounting practices include (1) increasing competition restricting the Company's wireline business' ability to establish prices to recover specific costs and (2) significant changes in the manner in which rates are set by regulators from cost based regulation to another form of regulation. The Company periodically reviews the applicability of regulatory accounting guidelines based on the developments in its current regulatory and competitive environments.

Accounting Estimates

The preparation of consolidated 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 at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Business and Credit Risk

The Company provides telephone, internet and other nonregulated services on account to its customers located in southeastern North Dakota. The Company also provides access service on account to various long distance companies, which provide toll service to the Company's customers.

The FCC has proposed significant changes to the rules affecting the revenues of rural telecommunications carriers. The Company serves high cost rural areas and receives a significant portion of revenues from federal support mechanisms and access revenues from long distance carriers. The Company's revenues are significantly dependent on the continuation and level of such support mechanisms.

The Company's cash balances are maintained in bank depositories and periodically exceed federally insured limits.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all cash deposits with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on trade receivables are applied to the applicable unpaid invoices. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

Materials and Supplies

Inventories are stated at the lower of average cost or market.

Investments

Investments in limited liability companies (LLC's) are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost, then reduced by the dividends and increased or decreased by the investor's proportionate share of the investee's net earnings or loss. All other investments are stated at cost.

Goodwill

Goodwill is tested annually for impairment, or more frequently, if deemed necessary. The Company tests goodwill for impairment using a two-step process. The first step is a screen for potential impairment in which the Company determines its fair value based on a number of subjective factors, including: (a) appropriate weighting of valuation approaches (income approach, market approach and comparable company approach), (b) estimates of our future cost structure, (c) discount rates for estimated cash flows, (d) selection of peer group companies for our market approach, (e) required level of working capital, (f) assumed terminal value, and (g) time horizon of cash flow forecasts. The Company estimates the fair value using Level 3 inputs as defined in the fair value hierarchy.

If such tests indicate potential impairment due to the carrying value of the reporting unit exceeding its fair value, then a second step measures the amount of impairment, if any. The Company performed the required annual tests as of December 31, 2013, and determined that there was no impairment at that time. There were no impairment losses recorded during the periods ending September 30, 2014 and 2013.

Telecommunications Plant and Equipment

Additions to plant and equipment are recorded at cost, which includes contracted work, direct labor and materials, and allocable overheads. When units of plant and equipment are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Maintenance and repair costs and the replacement and renewal of items determined to be less than units of plant and equipment are charged to expense.

Depreciation

The majority of the Company's plant and equipment is plant used for the wireline telephone business. Depreciation is based on the composite group remaining life method and straight-line composite rates. This methodology provides for the recognition of the cost of the remaining investment in telephone plant and equipment less anticipated positive net salvage value, over the remaining asset lives. When depreciable telephone plant is replaced or retired, the carrying amount of such plant is deducted from the respective accounts and charged to accumulated depreciation and no gain or loss is recognized. Use of this methodology requires the periodic revision of depreciation rates. In the evaluation of asset lives, multiple factors are considered, including expected future retirements, technology changes and the adequacy of depreciation reserves.

Impairment of Long-Lived Assets

Long-lived assets, such as telecommunications plant, and purchased intangibles subject to amortization, are reviewed from impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. There were no asset impairments recorded during the periods ended September 30, 2014 and 2013.

Income Taxes

The Company will file federal and state income tax returns on a consolidated basis. All income taxes reflected by the Company have been computed on a separate return basis. The Company follows the liability method of accounting for income taxes, under which deferred income tax assets and liabilities are determined based on the difference between financial reporting and income tax bases of assets and liabilities using the enacted marginal tax rates and laws expected to be in effect when the differences are expected to reverse. Temporary differences result primarily from depreciation and certain accruals.

The Company has evaluated whether it was necessary to recognize any benefit from uncertain tax positions in currently open tax periods and determined that there are no material uncertainties within its filed tax returns. As of September 30, 2014 and December 31, 2013, the unrecognized tax benefit accrual was zero. The Company would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax, if incurred. Generally, the Company is no longer subject to Federal and state tax examinations by tax authorities for years prior to 2009.

Government Grants

The Company receives grant money from the Broadband Initiatives Program administered by RUS (Note 5). Government grants will be accrued as a receivable when we determine we have complied with the conditions attached to the grant arrangement. Government grants received in advance are recorded as Deferred Broadband Initiatives Program grant funds on the Balance Sheet. Grants received for reimbursement of capital expenditures is accounted for as a deduction from the cost of the asset. Depreciation is calculated and recorded based on our net investment. The impact of the grant is reflected in earnings as a reduction in depreciation. Grant funds received are shown as inflows in the investing activities section of the Consolidated Statements of Cash Flows.

Revenue Recognition

Telephone service revenue is primarily derived from regulated local, intrastate and interstate access services and recognized as services are provided.

Local access revenues come from providing local telephone exchange services and are billed to local end-users in advance in accordance with tariffs approved by the state regulatory commission. Such advance billings are initially deferred and recognized as revenue when earned.

Revenue that is billed in arrears includes nonrecurring intrastate and interstate network access services, nonrecurring local services and long distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided.

Revenue from intrastate access is based on tariffs approved by the state regulatory commission. Revenue from interstate access is derived from settlements with NECA. NECA was created by the FCC to administer access rates and revenue pooling on behalf of local exchange carriers who elected to participate in a pooling environment. Interstate settlements, including amounts received under Universal Service Fund mechanisms, are determined based on the Company’s cost of providing telecommunications service, including investments in specific types of infrastructure and operating expenses and taxes.

Interstate access revenue recognition is based on management's estimate of the final earning settlement of the NECA pools. For the NECA Common Line pool, the 2014 and 2013 rates-of-return are expected to equal the authorized rate-of-return of 11.25%; therefore, interstate revenues were increased to reflect the additional revenues which are expected to be received from NECA once the Common Line pool settlements are finalized.

The Company also leases use of telecommunications facilities on a short term basis to other telecommunications companies. Revenue from the leases is recognized monthly when earned.

Other ancillary revenues, derived from the provision of directory advertising and billing and collection services, are recognized as services are provided based on the rates under the respective contract. Non-regulated operations are included in other income in the accompanying consolidated statements of income.

Advertising Costs

Advertising costs are expensed as incurred.

Sales Taxes

The Company has customers in North Dakota and its municipalities in which those governmental units impose a sales tax on certain sales. The Company collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Fair Value of Financial Instruments

The carrying value of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and long-term notes payable approximate their fair value as of September 30, 2014 and December 31, 2013.

The cost investments are carried at historical cost due to no readily determinable fair value for those instruments being available. Management believes there has been no other than temporary impairment in the investments.

Earnings per Common Share

The Company computes net income per common share in accordance with the provision included in ASC 260, *Earnings per Share* ("ASC 260"). Under ASC 260, basic and diluted income per share is computed by dividing net income available to stockholders by the weighted average number of common shares and common share equivalents outstanding during the period. Basic income per common share excludes the effect of potentially dilutive securities, while diluted income per common share reflects the potential dilution that would occur if securities or other contracts to issue common shares were exercised for, converted into or otherwise resulted in the issuance of common shares. The company had no potentially dilutive common share equivalents outstanding at September 30, 2014 and December 31, 2013.

Reclassifications

Certain reclassifications have been made to the 2013 consolidated financial statement presentation in order to conform to the 2014 consolidated financial statement presentation. The reclassifications had no effect on net income or equity.

Recent Accounting Pronouncements

We reviewed all significant newly issued accounting pronouncements and determined they are either not applicable to our business or that no material effect is expected on our financial position and results of operations.

Note 2 - Telecommunications Plant and Equipment

Depreciation and amortization expense for the nine months ended September 30, 2014 and 2013 was $462,936 and $550,259 respectively.

Note 3 - Equity Method Investments

	Sept 30, 2014 (Unaudited)	December 31, 2013
Dakota Carrier Network, LLC (3.433% ownership at equity)	$ 1,702,593	$ 1,645,569

The Company recognized equity earnings from Dakota Carrier Network, LLC of $333,453 and $320,126 during the nine months ended September 30, 2014 and 2013 respectively. The Company received distributions of $276,429 and $266,120 during the nine months ended September 30, 2014 and 2013.

Condensed financial information of Dakota Carrier Network, LLC is as follows:

	Sept 30, 2014	December 31, 2013
Assets		
Current assets	$ 5,159,463	$ 5,118,983
Other assets	1,179,403	1,283,676
Property, net	43,807,964	42,770,075
Total Assets	$ 50,146,830	$ 49,172,734
Liabilities and Members' Equity		
Current liabilities	$ 550,381	$ 1,237,174
Members' equity	49,596,449	47,935,560
Total Liablities and Members' Equity	$ 50,146,830	$ 49,172,734

	Three months ended Sept 30,	
	2014 (Unaudited)	2013 (Unaudited)
Operations		
Revenues	$ 11,017,610	$ 11,095,406
Expenses	7,915,549	8,321,268
Net income	$ 3,102,061	$ 2,774,139

	Nine months ended Sept 30,	
	2014 (Unaudited)	2013 (Unaudited)
Operations		
Revenues	$ 33,805,337	$ 33,385,898
Expenses	24,091,059	24,060,962
Net income	$ 9,714,278	$ 9,324,937

Note 4 - Long-Term Debt

The Company has subordinated notes with former shareholders for $2,071,800 as of September 30, 2014 and December 31, 2013. The Company restructured the interest rate on the notes from 8% to 6% effective January 1, 2012, and the maturity date was extended to December 31, 2022. Interest on the notes is paid quarterly. The notes may be prepaid at any time without penalty.

During the nine months ended September 30, 2014, the Company received no advances on the Broadband Initiatives Program Loan. See Note 5 for additional information relating to the loan/grant agreement. The loan is due in monthly payments of principal and interest over 23 years at an average interest rate of 3.27%. The loan/grant agreement includes certain financial and other covenant requirements.

It is estimated that principal repayments on the Company's debt for the next five years will be as follows:

Years Ended September 30,	
2014	18,000
2015	19,000
2016	20,000
2017	21,000
2018	22,000

Note 5 - Broadband Initiatives Program

The Company was awarded a stimulus loan and grant pursuant to the American Recovery and Reinvestment Act of 2009 to finance the construction of a broadband infrastructure project in rural areas. The $2,338,651 project is expected to be completed during 2014. The project is being funded through a broadband loan from the Rural Utilities Service (RUS) of $713,289, and a grant through the Broadband Initiatives Program administered by RUS, of $1,625,362. Construction costs related to the project through September 30, 2014 were $2,272,841 including $80,873 in accounts payable as of September 30, 2014. The Company has received $502,177 in advances on the broadband loan and $1,144,304 in grant funds relating to the project and has recorded a receivable of $435,320 for grants related to eligible costs incurred through September 30, 2014. The Company has applied the grant funds against construction costs.

Note 6 - Stockholders' Equity

On April 15, 2013, the Company announced that it had received notice from CIBL, Inc. ("CIBL"), that CIBL had acquired the voting rights to an additional 46,000 shares. With this action, CIBL now has voting control of the company through its control of a total of 207,552 shares of ICTC's class A stock or 51.3% of the 404,426 Class A shares that are currently outstanding.

On September 24, 2013, the Company filed an amended and restated certificate of incorporation pursuant to sections 242 and 245 of the Delaware General Corporation Law. The amendment included changing the authorized preferred stock from 44,500 shares at $1.00 par value to 1,000,000 shares at $.0001 par value. The amendment also eliminated the 9,000,000 shares of Class B authorized stock and reduced the 20,000,000 Class A shares authorized to 2,000,000 shares authorized.

Note 7 - Subsequent Events and Other

On November 11, 2014, the Company's Board of Directors authorized the purchase of up to 25,000 shares of its common stock.

The Company has evaluated subsequent events through November 12, 2014.