



ED LORAH & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Fishers Island Telephone Corporation
Fishers Island, New York 06390

We have reviewed the accompanying consolidated balance sheets of the Fishers Island Telephone Corporation as of December 31, 2012 and 2011, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountant. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Ed Lorah & Associates, LLC

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Certified Public Accountants

June 4, 2013

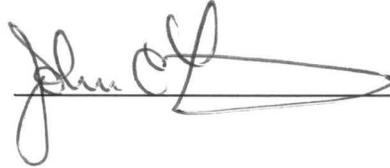
Certification of Officer for Carriers that are Not Audited

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; the reporting carrier is not audited in the normal course of business; and, to the best of my knowledge, the reported financial information is accurate.

Name of Reporting Carrier: **Fishers Island Telephone Corp.**

Study Area Code of Reporting Carrier: **150095**

Signature of Authorized Officer:



Date: **10/10/2013**

Printed Name of Authorized Officer:

John C. Finan

Title or Position of Authorized Officer:

President

Telephone Number of Authorized Officer:

(631) 788-7251

FISHERS ISLAND TELEPHONE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 and 2011

ASSETS

| | 2012 | 2011 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 475,499 | \$ 326,188 |
| Telecommunication accounts receivable (net of \$3,000 allowance) | 97,478 | 91,519 |
| Loans receivable (note 3) | - | 80,000 |
| Other receivables | 38,543 | 41,502 |
| Inventory | 30,626 | 41,595 |
| Inventory - Canopy | 7,072 | 7,072 |
| Investment in New York Access Billing, LLC | 16,055 | 15,261 |
| Prepaid expenses | 14,544 | 16,650 |
| | 679,817 | 619,787 |
| TOTAL CURRENT ASSETS | | |
| PROPERTY, BUILDINGS AND EQUIPMENT | | |
| Regulated telephone plant | 2,544,911 | 2,509,209 |
| Land | 43,868 | 43,868 |
| Building and improvements | 247,222 | 247,222 |
| Alarm system | 64,991 | 64,991 |
| Customer premises equipment | 138,620 | 138,620 |
| Direct TV equipment | 2,860 | 2,860 |
| Furniture and equipment | 2,969 | 2,969 |
| Information origination/termination | 29,666 | 29,666 |
| Internet equipment | 210,072 | 210,072 |
| | 3,285,179 | 3,249,477 |
| Less: accumulated depreciation | (2,136,239) | (2,036,846) |
| | 1,148,940 | 1,212,631 |
| NET PROPERTY, BUILDINGS AND EQUIPMENT | | |
| OTHER ASSETS | | |
| Patronage capital receivable - NRTC (note 9) | 103,728 | - |
| Internet organization expenses | 16,200 | 16,200 |
| Less: accumulated amortization | (16,200) | (16,200) |
| | 103,728 | - |
| TOTAL OTHER ASSETS | | |
| TOTAL ASSETS | \$ 1,932,485 | \$ 1,832,418 |

See accountant's review report and notes to the financial statements.

FISHERS ISLAND TELEPHONE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2012 and 2011

LIABILITIES AND STOCKHOLDERS' EQUITY

| | 2012 | 2011 |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Notes payable | \$ 24,922 | \$ 39,204 |
| Accounts payable: | | |
| Trade | 18,861 | 18,190 |
| Associated companies | 24,716 | 25,160 |
| Accrued taxes | 13,127 | 13,143 |
| Accrued expenses | 13,426 | 16,862 |
| Customer deposits | 1,224 | 1,173 |
| Deferred revenue | 46,638 | 46,374 |
| TOTAL CURRENT LIABILITIES | 142,914 | 160,106 |
| LONG-TERM LIABILITIES | | |
| Deferred revenue - NRTC patronage capital (note 9) | 103,728 | - |
| Notes payable (net of current portion) (note 7) | 85,142 | 111,408 |
| Deferred federal income tax liability (note 5) | 70,277 | 64,330 |
| TOTAL LONG-TERM LIABILITIES | 259,147 | 175,738 |
| TOTAL LIABILITIES | 402,061 | 335,844 |
| STOCKHOLDERS' EQUITY | | |
| Common stock: authorized 1,250 without par value; issued and outstanding 1,050 shares | 78,518 | 78,518 |
| Retained earnings | 1,451,906 | 1,418,056 |
| TOTAL STOCKHOLDERS' EQUITY | 1,530,424 | 1,496,574 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,932,485 | \$ 1,832,418 |

See accountant's review report and notes to the financial statements.

FISHERS ISLAND TELEPHONE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|--|--------------|--------------|
| OPERATING REVENUES - (page 13) | | |
| Local network service revenue | \$ 311,211 | \$ 311,737 |
| Network access service revenue | 499,741 | 510,952 |
| Miscellaneous revenue | 36,266 | 43,814 |
| TOTAL OPERATING REVENUES | 847,218 | 866,503 |
| OPERATING EXPENSES (page 13) | | |
| Plant specific operations expense | 430,267 | 415,775 |
| Plant nonspecific operations | 187,767 | 203,872 |
| Customer operations expense | 20,512 | 21,369 |
| Corporate operations expense | 215,628 | 215,044 |
| Operating taxes | 31,537 | 30,254 |
| TOTAL OPERATING EXPENSES | 885,711 | 886,314 |
| NET OPERATING INCOME (LOSS) | (38,493) | (19,811) |
| OTHER INCOME (EXPENSES) | | |
| Interest income | 293 | 460 |
| Nonregulated net income (page 14) | 80,806 | (38,919) |
| Interest expenses | (2,809) | (3,907) |
| Penalties | - | (1,905) |
| Other expense | - | - |
| TOTAL OTHER INCOME (EXPENSES) | 78,290 | (44,271) |
| NET INCOME (LOSS) BEFORE FEDERAL INCOME TAX | 39,797 | (64,082) |
| Federal income tax - deferred | (5,947) | 18,032 |
| TOTAL FEDERAL INCOME TAX | (5,947) | 18,032 |
| NET INCOME (LOSS) \$32.24 per share in 2012 | 33,850 | (46,050) |
| RETAINED EARNINGS - BEGINNING | 1,418,056 | 1,464,106 |
| RETAINED EARNINGS - ENDING | \$ 1,451,906 | \$ 1,418,056 |

See accountant's review report and notes to the financial statements.

FISHERS ISLAND TELEPHONE CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income (loss) (page 4) | \$ 33,850 | \$ (46,050) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation & amortization | 99,393 | 123,647 |
| (Gain)Loss on disposal of assets | - | 43,992 |
| (Increase) decrease in: | | |
| Receivables | (106,728) | 37,885 |
| Inventory | 10,969 | 2,076 |
| Investment in New York Access Billing LLC | (794) | 685 |
| Prepaid expenses | 2,106 | 19,661 |
| Increase (decrease) in: | | |
| Accounts payable | 227 | (13,766) |
| Accrued expenses | (3,452) | 7,260 |
| Customer deposits | 52 | (878) |
| Deferred revenue | 103,992 | 426 |
| Deferred federal income tax liability | 5,947 | (18,032) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 145,562 | 156,906 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property and equipment | (35,702) | (32,192) |
| Loan to Fishers Island Electric Co. | - | (75,000) |
| Loan payments from Fishers Island Utility Co. | - | 47,908 |
| Loan payments from Fishers Island Electric Co. | 80,000 | 40,000 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 44,298 | (19,284) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of notes payables | (40,549) | (33,784) |
| NET CHANGE IN CASH | 149,311 | 103,838 |
| CASH BALANCE - BEGINNING | 326,188 | 222,350 |
| CASH BALANCE - ENDING | \$ 475,499 | \$ 326,188 |
| RECAP: | | |
| Cash Balance - Regulated (page 2) | \$ 222,223 | \$ 239,986 |
| Cash Balance - Nonregulated (page 10) | 253,276 | 86,202 |
| | \$ 475,499 | \$ 326,188 |

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