

TelecomPioneers Charitable Foundation

Accountants' Report and Financial Statements

December 31, 2006 and 2005

TelecomPioneers Charitable Foundation
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Independent Accountants' Report

The Board of Directors
TelecomPioneers Charitable Foundation
Denver, Colorado

We have audited the accompanying statement of financial position of TelecomPioneers Charitable Foundation as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of TelecomPioneers Charitable Foundation as of and for the six months ended December 31, 2005, were audited by other accountants whose report dated March 10, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of TelecomPioneers Charitable Foundation as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

August 8, 2007

TelecomPioneers Charitable Foundation
Statements of Financial Position
December 31, 2006 and 2005

Assets

	2006	2005
Cash and cash equivalents	\$ 347,857	\$ 24,361
Contributions receivable	522,000	—
Prepaid expenses	<u>3,006</u>	<u>13,337</u>
Total assets	<u>\$ 872,863</u>	<u>\$ 37,698</u>

Liabilities and Net Assets

Accounts payable	\$ 138,720	\$ 40,004
Payable to TelecomPioneers	<u>116,487</u>	<u>22</u>
Total liabilities	<u>255,207</u>	<u>40,026</u>
Unrestricted net assets (deficit)	<u>617,656</u>	<u>(2,328)</u>
Total liabilities and net assets	<u>\$ 872,863</u>	<u>\$ 37,698</u>

TelecomPioneers Charitable Foundation

Statements of Activities

Year Ended December 31, 2006, and Period Ended December 31, 2005

	<u>2006</u>	<u>Six-Month Period Ended December 31, 2005</u>
Revenues, Gains, and Other Support		
Contributions	\$ 3,752,643	\$ 981,043
Interest income	5,897	1,669
Other	<u>10</u>	<u>50</u>
Total revenues, gains, and other support	<u>3,758,550</u>	<u>982,762</u>
Expenses		
Program services		
Contributions expense	1,926,734	378,659
Support services		
General and administrative	67,957	24,505
Fund raising	<u>1,143,875</u>	<u>581,926</u>
Total expenses	<u>3,138,566</u>	<u>985,090</u>
Change in Net Assets	619,984	(2,328)
Net Assets, Beginning of the Period	<u>(2,328)</u>	<u>—</u>
Net Assets, End of the Period	<u>\$ 617,656</u>	<u>\$ (2,328)</u>

TelecomPioneers Charitable Foundation

Statements of Cash Flows

Year Ended December 31, 2006, and Period Ended December 31, 2005

	<u>2006</u>	<u>Six-Month Period Ended December 31, 2005</u>
Operating Activities		
Change in net assets	\$ 619,984	\$ (2,328)
Changes in:		
Contributions receivable	(522,000)	—
Prepaid expenses	10,331	(13,337)
Payable to TelecomPioneers	116,465	22
Accounts payable	<u>98,716</u>	<u>40,004</u>
Net cash provided by operating activities	<u>323,496</u>	<u>24,361</u>
Increase in Cash and Cash Equivalents	323,496	24,361
Cash and Cash Equivalents, Beginning of Period	<u>24,361</u>	<u>—</u>
Cash and Cash Equivalents, End of Period	<u>\$ 347,857</u>	<u>\$ 24,361</u>

TelecomPioneers Charitable Foundation

Notes to Financial Statements

December 31, 2006 and 2005

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

Nature of Operations

The TelecomPioneers Charitable Foundation (the Foundation) was originally incorporated in 2005 as a Colorado not-for-profit corporation under the name TelecomPioneers Charitable Institute. During that same year, the Foundation changed its name to the TelecomPioneers Charitable Foundation. The purpose of the Foundation is to promote and support charitable and educational goals of current and retired telecommunications companies' employees in their community.

The Foundation solicits contributions from members of TelecomPioneers (the Association), which is a voluntary association organized in 1911 by Alexander Bell for the purpose of performing community service as well as providing social activities for its members. The members of the Association are comprised of employees and retired employees of certain companies in the U.S. and Canadian communications industry.

Use of 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 certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market accounts with original maturities of three months or less. At December 31, 2006, the Organization's cash accounts exceeded federally insured limits by approximately \$100,000.

Contributions Receivable

Cash contributions held by the caging third party and in process at December 31, 2006, are presented as contributions in transit and were transferred to the Foundation shortly after year end.

Contributions

The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

TelecomPioneers Charitable Foundation

Notes to Financial Statements

December 31, 2006 and 2005

During the six-month period ended December 31, 2005 and the year ended December 31, 2006, the Foundation had only unrestricted contributions.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Although the Foundation is exempt from federal and state income taxes on income derived from its exempt activities, it may be taxed on any unrelated business taxable income (UBTI) as defined by the Internal Revenue Code at normal corporate income tax rates. The Foundation had no UBTI for the six-month period ended December 31, 2005 and the year ended December 31, 2006.

Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Related Party Transactions

The Foundation's Board of Directors is composed of three members who also sit on the board of directors of the Association. The Foundation was established to solicit contributions on behalf of the Association. After Foundation expenses are paid, the Foundation determines the amount to be remitted to the Association. The Foundation contributed \$1,926,734 and \$378,659 to the Association during the year ended December 31, 2006, and the six-month period ended December 31, 2005, respectively.

As the Foundation does not maintain excess surplus, the Association pays certain expenses on behalf of the Foundation until the Foundation has sufficient funds available to reimburse the Association. These transactions are recorded through inter-company receivables and payables. Unpaid contributions are also recorded through these accounts. The net amounts due to the Association at December 31, 2006 and 2005 was \$116,487 and \$22, respectively.

Note 3: Contributed Services

The Association contributed accounting services to the Foundation during the six-month period ended December 31, 2005. The Association continued to provide these services in 2006, but will be reimbursed by the Foundation.

The estimated fair value in 2005 and the allocated charges in 2006 for the services is reported as contributions revenue in 2005 and as expenses in 2006 and 2005 in the accompanying statement of activities. The amounts recorded for these services in 2006 and 2005 are \$48,555 and \$21,348, respectively.

TelecomPioneers Charitable Foundation

Notes to Financial Statements

December 31, 2006 and 2005

Note 4: Fund Raising Expenses

Fund raising expenses, including the cost of special fund raising activities, are incurred to persuade potential donors to make contributions to the organization and are expensed as incurred. The Foundation has entered into various agreements with third parties to perform direct mail and telemarketing solicitations. In conjunction with these agreements, the Foundation also has an agreement with a third party caging company under which the caging company processes and deposits contributions received. All expenses incurred under these agreements have been charged to expense as incurred.

The Association reimburses the Foundation for any mailing costs not associated with fundraising. The Association also reimburses the Foundation for a portion of the cost of mailings that include program activities in addition to fundraising appeals. In 2006, the Foundation recorded receivables of \$423,000 related to allocated costs of joint program and fundraising materials.