

# **TelecomPioneers**

Accountants' Report and Consolidated Financial Statements

December 31, 2008 and 2007

**TelecomPioneers**  
December 31, 2008 and 2007

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## Independent Accountants' Report

The Board of Directors  
TelecomPioneers  
Denver, Colorado

We have audited the accompanying consolidated statements of financial position of TelecomPioneers (the Association) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TelecomPioneers as of December 31, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, in 2008 the Association changed its method of accounting for fair value measurements in accordance with Statement of Financial Accounting Standards No. 157.

**/s/ BKD, LLP**

August 13, 2009

**TelecomPioneers**  
**Consolidated Statements of Financial Position**  
**December 31, 2008 and 2007**

**Assets**

|                                    | <b>2008</b>                 | <b>2007</b>                 |
|------------------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents          | \$ 12,356,225               | \$ 13,385,758               |
| Certificates of deposits--chapters | 3,451,302                   | 3,784,009                   |
| Contributions receivable           | 90,917                      | 93,784                      |
| Accounts receivable                | 62,658                      | 59,733                      |
| Advances receivable                | 92,719                      | 238,298                     |
| Inventory                          | 454,749                     | -                           |
| Other assets                       | 128,403                     | 197,284                     |
| Investments                        | 4,789,489                   | 5,957,289                   |
| Property and equipment, net        | 159,242                     | 89,632                      |
| Software costs, net                | 417,339                     | 438,578                     |
|                                    | <u>                    </u> | <u>                    </u> |
| Total assets                       | <u>\$ 22,003,043</u>        | <u>\$ 24,244,365</u>        |

**Liabilities and Net Assets**

|                                  |                             |                             |
|----------------------------------|-----------------------------|-----------------------------|
| Liabilities                      |                             |                             |
| Accounts payable and accruals    | \$ 476,472                  | \$ 406,648                  |
|                                  | <u>                    </u> | <u>                    </u> |
| Total liabilities                | 476,472                     | 406,648                     |
|                                  | <u>                    </u> | <u>                    </u> |
| Net Assets                       |                             |                             |
| Unrestricted                     | 18,584,309                  | 20,369,190                  |
| Temporarily restricted           | 2,842,262                   | 3,368,527                   |
| Permanently restricted           | 100,000                     | 100,000                     |
|                                  | <u>                    </u> | <u>                    </u> |
|                                  | 21,526,571                  | 23,837,717                  |
|                                  | <u>                    </u> | <u>                    </u> |
| Total liabilities and net assets | <u>\$ 22,003,043</u>        | <u>\$ 24,244,365</u>        |

**TelecomPioneers**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2008**

|  | <b>Unrestricted</b>  | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Revenues, Gains, and Other Support</b>      |                      |                                   |                                   |                      |
| Fundraising and contribution income            | \$ 8,253,541         | \$ 1,178,448                      | \$ -                              | \$ 9,431,989         |
| Sponsor company contributions                  | 1,237,364            | -                                 | -                                 | 1,237,364            |
| Membership dues                                | 1,297,279            | -                                 | -                                 | 1,297,279            |
| Royalties                                      | 454,309              | -                                 | -                                 | 454,309              |
| Interest income from cash and cash equivalents | 238,595              | -                                 | -                                 | 238,595              |
| Investment return                              | (997,073)            | -                                 | -                                 | (997,073)            |
| Chapter sales, net of cost of goods sold       | 1,129,071            | -                                 | -                                 | 1,129,071            |
| Miscellaneous income                           | 458,809              | -                                 | -                                 | 458,809              |
|  | <u>12,071,895</u>    | <u>1,178,448</u>                  | <u>-</u>                          | <u>13,250,343</u>    |
| Net assets released from restrictions          | 1,704,713            | (1,704,713)                       | -                                 | -                    |
|  | <u>13,776,608</u>    | <u>(526,265)</u>                  | <u>-</u>                          | <u>13,250,343</u>    |
| <b>Expenses</b>                                |                      |                                   |                                   |                      |
| Program services                               |                      |                                   |                                   |                      |
| Projects and program expense                   | 9,919,405            | -                                 | -                                 | 9,919,405            |
| Support services                               |                      |                                   |                                   |                      |
| General and administrative                     | 3,318,596            | -                                 | -                                 | 3,318,596            |
| Fund raising                                   | 2,323,488            | -                                 | -                                 | 2,323,488            |
|  | <u>15,561,489</u>    | <u>-</u>                          | <u>-</u>                          | <u>15,561,489</u>    |
| <b>Change in Net Assets</b>                    | (1,784,881)          | (526,265)                         | -                                 | (2,311,146)          |
| <b>Net Assets, Beginning of the Period</b>     | <u>20,369,190</u>    | <u>3,368,527</u>                  | <u>100,000</u>                    | <u>23,837,717</u>    |
| <b>Net Assets, End of the Period</b>           | <u>\$ 18,584,309</u> | <u>\$ 2,842,262</u>               | <u>\$ 100,000</u>                 | <u>\$ 21,526,571</u> |

**TelecomPioneers**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2007**

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|----------------------|---------------------------|---------------------------|----------------------|
| <b>Revenues, Gains, and Other Support</b>      |                      |                           |                           |                      |
| Fundraising and contribution income            | \$ 8,498,032         | \$ 676,582                | \$ -                      | \$ 9,174,614         |
| Sponsor company contributions                  | 1,680,837            | -                         | -                         | 1,680,837            |
| Membership dues                                | 1,634,931            | -                         | -                         | 1,634,931            |
| Royalties                                      | 571,598              | -                         | -                         | 571,598              |
| Interest income from cash and cash equivalents | 287,986              | -                         | -                         | 287,986              |
| Investment return                              | 529,584              | -                         | -                         | 529,584              |
| Chapter sales, net of cost of goods sold       | 1,062,306            | -                         | -                         | 1,062,306            |
| Miscellaneous income                           | 114,353              | -                         | -                         | 114,353              |
|  | <u>14,379,627</u>    | <u>676,582</u>            | <u>-</u>                  | <u>15,056,209</u>    |
| Net assets released from restrictions          | 514,339              | (514,339)                 | -                         | -                    |
| Reclassification of net assets                 | (118,667)            | 118,667                   | -                         | -                    |
|  | <u>14,775,299</u>    | <u>280,910</u>            | <u>-</u>                  | <u>15,056,209</u>    |
| Total revenues, gains, and other support       |                      |                           |                           |                      |
|  | <u>14,775,299</u>    | <u>280,910</u>            | <u>-</u>                  | <u>15,056,209</u>    |
| <b>Expenses</b>                                |                      |                           |                           |                      |
| Program services                               |                      |                           |                           |                      |
| Projects and program expense                   | 9,810,244            | -                         | -                         | 9,810,244            |
| Support services                               |                      |                           |                           |                      |
| General and administrative                     | 3,331,503            | -                         | -                         | 3,331,503            |
| Fund raising                                   | 2,619,975            | -                         | -                         | 2,619,975            |
|  | <u>15,761,722</u>    | <u>-</u>                  | <u>-</u>                  | <u>15,761,722</u>    |
| Total expenses                                 |                      |                           |                           |                      |
|  | <u>15,761,722</u>    | <u>-</u>                  | <u>-</u>                  | <u>15,761,722</u>    |
| <b>Change in Net Assets</b>                    | (986,423)            | 280,910                   | -                         | (705,513)            |
| <b>Net Assets, Beginning of the Period</b>     | 21,355,613           | 3,087,617                 | 100,000                   | 24,543,230           |
| <b>Net Assets, End of the Period</b>           | <u>\$ 20,369,190</u> | <u>\$ 3,368,527</u>       | <u>\$ 100,000</u>         | <u>\$ 23,837,717</u> |

See Notes to Consolidated Financial Statements

**TelecomPioneers**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**

|   | <u>2008</u>          | <u>2007</u>          |
|---|----------------------|----------------------|
| <b>Operating Activities</b>                         |                      |                      |
| Change in net assets                                | \$ (2,311,146)       | \$ (705,513)         |
| Depreciation and amortization                       | 169,881              | 98,260               |
| Unrealized and realized loss (gain) on investments  | 1,307,834            | (195,017)            |
| Changes in  |                      |                      |
| Contribution receivable                             | 2,867                | 428,216              |
| Accounts and other receivable                       | 142,654              | (85,445)             |
| Inventories   | (454,749)            | -                    |
| Accounts payable and accrued expenses               | 69,824               | 1,452                |
| Other current assets and liabilities                | 68,458               | (62,099)             |
|   | <u>(1,004,377)</u>   | <u>(520,146)</u>     |
| <b>Investing Activities</b>                         |                      |                      |
| Purchases of property and equipment                 | (218,252)            | (236,749)            |
| Net change in certificates of deposits--chapters    | 332,707              | (150,670)            |
| Purchases of investments                            | (2,488,279)          | (1,257,690)          |
| Proceeds from sale of investments                   | 2,348,668            | 1,630,684            |
|   | <u>(25,156)</u>      | <u>(14,425)</u>      |
| <b>Decrease in Cash and Cash Equivalents</b>        | (1,029,533)          | (534,571)            |
| <b>Cash and Cash Equivalents, Beginning of Year</b> | <u>13,385,758</u>    | <u>13,920,329</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>       | <u>\$ 12,356,225</u> | <u>\$ 13,385,758</u> |

# **TelecomPioneers**

## **Notes to Consolidated Financial Statement**

### **December 31, 2008 and 2007**

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

##### ***Nature of Operations***

TelecomPioneers (the Association) 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 are composed of employees and retired employees of certain companies in the United States and Canadian communications industry.

The Association receives a substantial portion of its support from companies in the communications industry and membership dues. Also, certain directors and officers of the Association are also employees of these companies.

In 2002, the Association incorporated as a Colorado non-profit corporation including the headquarters and all of its chapters. At this time, Telephone Pioneers of America changed its name to TelecomPioneers.

##### ***Principles of Consolidation***

The financial statements of the Association include the accounts of TelecomPioneers Charitable Foundation (the Foundation) as a financially interrelated organization. The Foundation was originally incorporated in 2005 as a Colorado not-for-profit corporation. 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 financial statements of the Association reflect the accounts of the headquarters, located in Denver, Colorado and the various chapters of the Association located throughout the United States. The Canadian chapters affiliated with the Association are organized under a different legal entity and are not included in this financial statement.

##### ***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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and 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***

The Association generally considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2008 and 2007, cash equivalents consisted primarily of money market funds and certificates of deposit.

Effectively October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. The Association's chapters have cash accounts located in various financial institutions through the United States. From time to time, the Association's cash accounts will exceed federally insured limits.

# **TelecomPioneers**

## **Notes to Consolidated Financial Statement**

### **December 31, 2008 and 2007**

#### ***Certificates of Deposit—Chapters***

Individual chapters have purchased certificates of deposit with maturity dates from greater than three months up to 36 months. While the chapters generally consider these amounts to be accessible and equivalent to cash, these certificates of deposit are not classified as cash and cash equivalents.

#### ***Contributions Receivable***

Cash contributions associated with the Foundation's activities that are held by the caging third party and in process at December 31, 2008 and 2007, are presented as contributions in transit and were transferred to the Foundation shortly after year end.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value, and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

#### ***Inventories***

Inventories consist principally of cookbooks and consumable items, such as candy, nuts, t-shirts and miscellaneous supplies sold in chapter stores. Inventories are stated at lower of cost or market.

#### ***Accounts and Other Receivables***

Accounts receivable are stated at the amount billed to customers. Other receivables consist of amounts advanced to Association volunteers in order for the volunteers to provide community support. Other receivables are stated at the amount advanced to the volunteers, less any payments received.

#### ***Property and Equipment***

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

#### ***Software Costs***

Software costs are amortized on a straight-line basis over the estimated useful life of each software program after the software is ready for distribution. As of December 31, 2008 and 2007, the

# **TelecomPioneers**

## **Notes to Consolidated Financial Statement**

### **December 31, 2008 and 2007**

remaining unamortized amount was \$417,339 and \$438,578. Amortization expense was \$124,496 and \$59,405 for the years ended December 31, 2008 and 2007.

#### ***Collections***

The Association maintains museums at certain locations that contain artifacts relevant to the telecommunication industry. Collections in these museums and similar assets are not capitalized in as much as the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in unrestricted net assets, or in temporarily or permanently restricted net assets if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statement. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

#### ***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Association in perpetuity.

#### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts having donor stipulations that are satisfied in the period the gift is received are recorded as temporarily restricted and then released from restriction.

#### ***Income Taxes***

The Association is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Association is subject to federal income tax on any unrelated business taxable income (UBTI).

#### ***Uncertain Tax Positions***

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Association has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended December 31, 2009. The Association has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

#### ***Reclassifications***

Certain accounts in the 2007 financial statements have been reclassified to conform with the 2008 financial statement presentation. These reclassifications had no effect on the change in net assets.

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2008 and 2007**

**Note 2: Investments**

Investments as of December 31, 2008 and 2007, consisted of the following:

|                            | <u>2008</u>         | <u>2007</u>         |
|----------------------------|---------------------|---------------------|
| Equity securities          | \$ 2,605,046        | \$ 3,673,929        |
| U.S. Treasury securities   | 867,979             | 671,239             |
| Corporate debt securities  | -                   | 671,098             |
| Mortgage backed securities | 702,251             | 918,945             |
| Certificates of deposit    | 578,560             | -                   |
| Other                      | 35,653              | 22,078              |
|                            | <u>\$ 4,789,489</u> | <u>\$ 5,957,289</u> |

Total investment return is reflected in the statement of activities as follows:

|   | <u>2008</u>         | <u>2007</u>       |
|---|---------------------|-------------------|
| Interest and dividend income  | \$ 310,761          | \$ 334,567        |
| Net realized and unrealized gains (losses) on investments<br>reported at fair value | (1,307,834)         | 195,017           |
|   | <u>\$ (997,073)</u> | <u>\$ 529,584</u> |

**Note 3: Property and Equipment**

Property and equipment at December 31, 2008 and 2007, consists of the following:

|                                  | <u>2008</u>       | <u>2007</u>      |
|----------------------------------|-------------------|------------------|
| Furniture and computer equipment | \$ 488,419        | \$ 382,885       |
| Leasehold improvements           | 21,598            | 12,137           |
| Less: accumulated depreciation   | (350,775)         | (305,390)        |
|                                  | <u>\$ 159,242</u> | <u>\$ 89,632</u> |

Depreciation expense was \$45,385 and \$38,855 for the years ended December 31, 2008 and 2007, respectively.

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2008 and 2007**

**Note 4: Net Assets**

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

|  | <u>2008</u>         | <u>2007</u>         |
|--|---------------------|---------------------|
| <b>Headquarters</b>                        |                     |                     |
| Contribution from the Pioneers Foundation* | \$ 2,767,617        | \$ 2,767,617        |
| For periods after December 31              | -                   | 481,000             |
| Other                                      | -                   | 10,000              |
|  | <u>2,767,617</u>    | <u>3,258,617</u>    |
| <b>Chapters</b>                            |                     |                     |
| Disadvantaged Youth Programs--Nebraska     | 74,645              | 100,895             |
| Other--New Jersey                          | -                   | 9,015               |
|  | <u>74,645</u>       | <u>109,910</u>      |
|  | <u>\$ 2,842,262</u> | <u>\$ 3,368,527</u> |

\*In December 2003, Headquarters received a long-term contribution from the Pioneers Foundation (an organization that was later dissolved). The investment is to be maintained at no less than the market value on the date of the contribution (\$2,441,600) until 2024. In 2024, with approval of two-thirds of the general assembly (or equivalent), the principal may be spent to support general activities. Until that time, up to \$30,000 a year (adjusted annually) may be spent on administration from the earnings of the investment. Eighty percent of additional earnings may be used to support educational activities through 2008, at which time the 80% may be spent on charitable or educational activities. If investment income is not sufficient to pay these costs, the principal may be sold, provided the fair market value of the fund after withdrawals shall not be less than the original gift.

***Permanently Restricted Net Assets***

Permanently restricted net assets are \$100,000 as of both December 31, 2008 and 2007, the income from which is restricted for the benefit of recipients in the BellSouth Pioneers Florida area.

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2008 and 2007**

|  | <b>2008</b>         | <b>2007</b>       |
|--|---------------------|-------------------|
| <b>Headquarters</b>                    |                     |                   |
| Rebranding                             | \$ 435,000          | \$ -              |
| AT&T contractors                       | 538,448             | -                 |
| Verizon officer                        | 205,000             | 176,567           |
| Other                                  | 10,000              | -                 |
| For periods after December 31          | 481,000             | 320,000           |
|  | 1,669,448           | 496,567           |
| <b>Chapters</b>                        |                     |                   |
| Disadvantaged Youth Programs--Nebraska | 26,250              | 17,772            |
| Other--New Jersey                      | 9,015               | -                 |
|  | 35,265              | 17,772            |
|  | <b>\$ 1,704,713</b> | <b>\$ 514,339</b> |

**Note 5: Fundraising Expenses**

Fundraising expenses, including the cost of special fundraising activities, were incurred to persuade potential donors to make contributions to the Foundation and were 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 under those agreements have been charged to expense as incurred.

**Note 6: Pioneer Store Sales**

As part of the Association's activities, several chapters have small Pioneer stores located in buildings where telecommunication companies who sponsor the Association have active employees. These stores sell candy, nuts, t-shirts, cookbooks and miscellaneous other items. In 2008 and 2007, sales, net of cost of goods sold, includes approximately \$1.7 million and \$2.3 million in sales, respectively, offset by \$0.6 million and \$1.3 million of costs, respectively, associated with these stores' activities.

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2008 and 2007**

**Note 7: Operating Leases**

At December 31, 2008, the Association was committed under a non-cancelable operating lease for office space expiring in June 2011. Rent expense for the years ending December 31, 2008 and 2007, was \$130,990 and \$105,265, respectively. Future minimum lease payments at December 31, 2008, were as follows:

|      |                          |
|------|--------------------------|
| 2009 | \$ 82,544                |
| 2010 | 82,544                   |
| 2011 | <u>41,272</u>            |
|      | <u><u>\$ 206,360</u></u> |

**Note 8: Employee Benefits**

The Association provides a 403(b) defined contribution retirement plan for the benefit of all full-time employees. Contributions are made at the employee's election. Under the terms of the plan, the employee may contribute up to \$15,500 annually and the Association is not required to make contributions to the plan.

**Note 9: Disclosures about Fair Value of Assets and Liabilities**

Effective January 1, 2008, the Association adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2008 and 2007**

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include certificates of deposit, treasury securities and mortgage backed securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Association did not have any Level 3 securities as of December 31, 2008.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within FAS 157 fair value hierarchy in which the fair value measurements fall at December 31, 2008:

|             | Fair Value   | Fair Value Measurements Using   |   |  |
|-------------|--------------|---|---|--|
|             |              | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Investments | \$ 4,789,489 | \$ 2,640,699  | \$2,148,790   | \$ -   |

**Note 10: Significant Estimates and Concentrations**

**Current Economic Conditions**

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Association.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on the Association's future operating results.

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2008 and 2007**

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for contributions receivable that could negatively impact the Association's ability to maintain sufficient liquidity.