

TelecomPioneers Charitable Foundation

Accountants' Report and Financial Statements

December 31, 2008 and 2007

TelecomPioneers Charitable Foundation
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Independent Accountants' Report

The Board of Directors
TelecomPioneers Charitable Foundation
Denver, Colorado

We have audited the accompanying statements of financial position of TelecomPioneers Charitable Foundation 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 Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 Charitable Foundation as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

May 14, 2009

TelecomPioneers Charitable Foundation

Statements of Financial Position

December 31, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 468,487	\$ 740,462
Accounts receivable	-	27,353
Contributions receivable	90,917	93,784
Prepaid expenses	9,314	79,490
	<u> </u>	<u> </u>
Total assets	<u>\$ 568,718</u>	<u>\$ 941,089</u>

Liabilities and Net Assets

Accounts payable	\$ 213,729	\$ 154,038
Payable to TelecomPioneers	354,989	787,051
	<u> </u>	<u> </u>
Total liabilities	<u>568,718</u>	<u>941,089</u>
	<u> </u>	<u> </u>
Unrestricted net assets	-	-
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 568,718</u>	<u>\$ 941,089</u>

TelecomPioneers Charitable Foundation
Statements of Activities
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues, Gains, and Other Support		
Contributions	\$ 3,604,618	\$ 3,836,107
Interest income	6,587	14,756
Other	277	-
	<u>3,611,482</u>	<u>3,850,863</u>
Expenses		
Program services		
Contribution expense	2,392,482	3,356,578
Support services		
General and administrative	224,559	186,151
Fund raising	994,441	925,790
	<u>3,611,482</u>	<u>4,468,519</u>
Change in Net Assets	-	(617,656)
Net Assets, Beginning of the Period	<u>-</u>	<u>617,656</u>
Net Assets, End of the Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TelecomPioneers Charitable Foundation
Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Change in net assets	\$ -	\$ (617,656)
Changes in		
Accounts receivable	27,353	(27,353)
Contributions receivable	2,867	428,216
Other assets	70,176	(76,484)
Receivable/payable to TelecomPioneers	(432,062)	670,564
Accounts payable	<u>59,691</u>	<u>15,318</u>
Net cash provided by (used in) operating activities	<u>(271,975)</u>	<u>392,605</u>
Increase (Decrease) in Cash and Cash Equivalents	(271,975)	392,605
Cash and Cash Equivalents, Beginning of Period	<u>740,462</u>	<u>347,857</u>
Cash and Cash Equivalents, End of Period	<u><u>\$ 468,487</u></u>	<u><u>\$ 740,462</u></u>

TelecomPioneers Charitable Foundation

Notes to Financial Statements

December 31, 2008 and 2007

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 include 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

At December 31, 2008 and 2007, cash and cash equivalents consisted primarily of demand deposits and money market accounts with original maturities of three months or less.

The financial institution holding the Foundation's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account.

Effective 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, 2009. At December 31, 2008, the Foundation's interest-bearing cash accounts exceeded federally insured limits by approximately \$46,000.

Contributions Receivable

Cash contributions 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.

TelecomPioneers Charitable Foundation

Notes to Financial Statements

December 31, 2008 and 2007

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.

For the years ending December 31, 2008 and 2007, 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 years ending December 31, 2008 and 2007.

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, the Foundation 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 Foundation has continued to account for any uncertain tax positions, if any, in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 5, *Accounting for Contingencies*.

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.

Certain expenses are paid on behalf of the Association until the Association has sufficient funds available to reimburse the Foundation. After Foundation expenses are paid, the Foundation determines the amount to be remitted to the Association. As the Foundation does not maintain excess surplus, the Foundation contributed \$2,392,482 and \$3,356,578 to the Association during the years ended December 31, 2008 and 2007, respectively.

These transactions are recorded through intercompany receivables and payables. Unpaid contributions are also recorded through these accounts. The Foundation had amounts due to the Association of \$354,989 and \$787,051 at December 31, 2008 and 2007, respectively.

TelecomPioneers Charitable Foundation

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December 31, 2008 and 2007

The Association also provides accounting and administrative services to the Foundation. The amounts recorded for these services in 2008 and 2007 are \$122,185 and \$121,094 respectively.

Note 3: Fundraising Expenses

Fundraising expenses, including the cost of special fundraising activities, are incurred to persuade potential donors to make contributions to the Foundation 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 2008 and 2007, the Foundation recorded receivables of \$457,000 and \$507,000, respectively, related to allocated costs of joint program and fundraising materials.

Note 4: 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 Foundation.

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 Foundation's future operating results.