

# **TelecomPioneers**

Accountants' Report and Consolidated Financial Statement

December 31, 2006

**TelecomPioneers**  
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## Independent Accountants' Report

The Board of Directors  
TelecomPioneers  
Denver, Colorado

We have audited the accompanying consolidated statement of financial position of TelecomPioneers as of December 31, 2006. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on the statement of financial position based on our audit.

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 statement of financial position is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statement of financial position referred to above presents fairly, in all material respects, the financial position of TelecomPioneers as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

**/s/ BKD, LLP**

March 7, 2008

**TelecomPioneers**  
**Consolidated Statement of Financial Position**  
**December 31, 2006**

**Assets**

Cash and cash equivalents	\$ 13,426,346
Other investments held at chapters	3,633,339
Contributions receivable	522,000
Investments	6,138,756
Assets held for others	5,288,236
Other assets	344,281
Fixed assets, net	<u>90,097</u>
 Total assets	 \$ <u>29,443,055</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accruals	\$ 405,196
Assets held for others	<u>5,288,236</u>
 Total liabilities	 5,693,432

**Net Assets**

Unrestricted	20,562,006
Temporarily restricted	3,087,617
Permanently restricted	<u>100,000</u>
 Total net assets	 <u>23,749,623</u>
 Total liabilities and net assets	 \$ <u>29,443,055</u>

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2006**

**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 statement of the Association includes 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 statement of the Association reflects 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, 2006, cash equivalents consisted primarily of money market funds and certificates of deposit.

# **TelecomPioneers**

## **Notes to Consolidated Financial Statement**

### **December 31, 2006**

#### ***Other Investments Held at Chapters***

Individual chapters have made purchased various investments, primarily certificates of deposits 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 investments 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, 2006, 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 in 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 included in unrestricted net assets. 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.

#### ***Assets Held for Others***

A sponsoring company who also provides contributions to the Association transferred certain funds, related primarily to its own disaster relief fundraising, to the Association that were repayable upon notice. During 2007, the sponsoring company requested the return of those funds. As such, the transferred assets are reported as an asset and corresponding liability by the Association at December 31, 2006.

#### ***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.

#### ***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.

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
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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 reported as unrestricted revenue and net assets.

***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).

**Note 2: Investments**

Investments as of December 31, 2006, consisted of the following:

Equity securities	\$ 3,025,229
U.S. Treasury securities	669,743
Corporate debt securities	1,451,910
Mortgage backed securities	891,354
Other	<u>100,520</u>
	<u>\$ 6,138,756</u>

**Note 3: Property and Equipment**

Property and equipment at December 31 consists of the following:

Furniture and computer equipment	\$ 344,495
Leasehold improvements	12,137
Less: accumulated depreciation	<u>(266,535)</u>
Net capital assets	<u>\$ 90,097</u>

**TelecomPioneers**  
**Notes to Consolidated Financial Statement**  
**December 31, 2006**

**Note 4: Net Assets**

***Temporarily Restricted Net Assets***

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 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) can be spent on administration from the earnings of the investment. Eighty percent of additional earnings can be used to support educational activities through 2008 at which time the 80% can 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. The balance of temporarily restricted net assets for December 31, 2006, includes \$2,767,617 related to this contribution.

One of the Association's sponsoring organizations made a contribution for 2007 prior to December 31, 2006. Because this contribution was designated by the donor to be utilized in 2007, the balance of \$320,000 is reported as temporarily restricted.

***Permanently Restricted Net Assets***

Permanently restricted net assets are \$100,000 as of December 31, 2006, the income from which is restricted for the benefit of recipients in the BellSouth Pioneers Florida area.