

TelecomPioneers

Accountants' Report and Consolidated Financial Statements

December 31, 2007 and 2006

TelecomPioneers
December 31, 2007

Contents

Independent Accountants' Report..... 1

Consolidated Financial Statements

Statements of Financial Position 2
Statement of Activities 3
Statement of Cash Flows 4
Notes to Financial Statements 5



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, 2007 and 2006, and the related statements of activities and cash flows for the year ended December 31, 2007. 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, 2007 and 2006, and the changes in net assets and its cash flows for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9, in 2007 the Association changed its method of accounting for capitalized software costs by retroactively restating prior years' financial statements.

/s/ BKD, LLP

October 15, 2008

TelecomPioneers
Consolidated Statements of Financial Position
December 31, 2007 and 2006

Assets

	2007	Restated 2006
Cash and cash equivalents	\$ 13,385,758	\$ 13,920,329
Other investments held at chapters	3,784,009	3,633,339
Contributions receivable	93,784	522,000
Accounts receivable	27,353	-
Other receivables and advances	270,678	212,586
Investments	5,957,289	6,138,756
Assets held for others	-	5,288,236
Other assets	197,284	131,695
Property and equipment, net	89,632	90,097
Software costs, net	438,578	299,624
	<u>\$ 24,244,365</u>	<u>\$ 30,236,662</u>
Total assets	<u>\$ 24,244,365</u>	<u>\$ 30,236,662</u>

Liabilities and Net Assets

Liabilities		
Accounts payable and accruals	\$ 406,648	\$ 405,196
Assets held for others	-	5,288,236
	<u>406,648</u>	<u>5,693,432</u>
Net Assets		
Unrestricted	20,369,190	21,355,613
Temporarily restricted	3,368,527	3,087,617
Permanently restricted	100,000	100,000
	<u>23,837,717</u>	<u>24,543,230</u>
Total liabilities and net assets	<u>\$ 24,244,365</u>	<u>\$ 30,236,662</u>

TelecomPioneers
Consolidated Statement of Activities
Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Fundraising and contribution income	\$ 8,674,599	\$ 500,015	\$ -	\$ 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
Investment return	832,326	-	-	832,326
Chapter sales, net of cost of goods sold	1,047,550	-	-	1,047,550
	<u>14,441,841</u>	<u>500,015</u>	<u>-</u>	<u>14,941,856</u>
Net assets released from restrictions	337,772	(337,772)	-	-
Reclassification of net assets	(118,667)	118,667	-	-
	<u>14,660,946</u>	<u>280,910</u>	<u>-</u>	<u>14,941,856</u>
Expenses				
Program services				
Projects and program expense	8,388,433	-	-	8,388,433
Support services				
General and administrative	4,132,105	-	-	4,132,105
Fund raising	3,126,831	-	-	3,126,831
	<u>15,647,369</u>	<u>-</u>	<u>-</u>	<u>15,647,369</u>
Change in Net Assets	(986,423)	280,910	-	(705,513)
Net Assets, Beginning of the Period, as Previously Reported	20,562,006	3,087,617	100,000	23,749,623
Adjustment Applicable to Prior Years	793,607	-	-	793,607
Net Assets, Beginning of the Period, as Restated	<u>21,355,613</u>	<u>3,087,617</u>	<u>100,000</u>	<u>24,543,230</u>
Net Assets, End of the Period	<u>\$ 20,369,190</u>	<u>\$ 3,368,527</u>	<u>\$ 100,000</u>	<u>\$ 23,837,717</u>

TelecomPioneers
Consolidated Statement of Cash Flows
Year Ended December 31, 2007

	Restated 2007
	<u> </u>
Operating Activities	
Change in net assets	\$ (705,513)
Depreciation and amortization	98,260
Unrealized and realized gain on investments	(175,527)
Changes in	
Contribution receivable	428,216
Accounts and other receivable	(85,445)
Accounts payable and accrued expenses	1,452
Other current assets and liabilities	<u>(62,099)</u>
Net cash provided by (used in) operating activities	<u>(500,656)</u>
Investing Activities	
Purchases of property and equipment	(236,749)
Net change in investments held at chapters	(150,670)
Purchases of investments	(1,277,180)
Proceeds from sale of investments	<u>1,630,684</u>
Net cash used in investing activities	<u>(33,915)</u>
Decrease in Cash and Cash Equivalents	(534,571)
Cash and Cash Equivalents, Beginning of Year	<u>13,920,329</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 13,385,758</u></u>

TelecomPioneers

Notes to Consolidated Financial Statement

December 31, 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, 2007, cash equivalents consisted primarily of money market funds and certificates of deposit.

TelecomPioneers

Notes to Consolidated Financial Statement

December 31, 2007

Other Investments Held at Chapters

Individual chapters have 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, 2007 and 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.

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.

Assets Held for Others

A sponsoring company that 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, and were removed from the statement of financial position in 2007.

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.

TelecomPioneers
Notes to Consolidated Financial Statement
December 31, 2007

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, 2007, the remaining unamortized amount was \$438,578. Amortization expense was \$59,405 for the year ended December 31, 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 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).

Reclassifications

Certain accounts in the 2006 financial statements have been reclassified to conform with the 2007 financial statement presentation. These reclassifications had no effect on the change in net assets.

TelecomPioneers
Notes to Consolidated Financial Statement
December 31, 2007

Note 2: Investments

Investments as of December 31, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
Equity securities	\$ 3,673,929	\$ 3,025,229
U.S. Treasury securities	671,239	669,743
Corporate debt securities	671,098	1,451,910
Mortgage backed securities	918,945	891,354
Other	22,078	100,520
	<u>\$ 5,957,289</u>	<u>\$ 6,138,756</u>

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

	<u>2007</u>
Interest and dividend income	\$ 334,567
Net realized and unrealized gains (losses) on investments reported at fair value	<u>175,527</u>
	<u>\$ 510,094</u>

Note 3: Property and Equipment

Property and equipment at December 31, 2007 and 2006, consists of the following:

	<u>2007</u>	<u>2006</u>
Furniture and computer equipment	\$ 382,885	\$ 344,495
Leasehold improvements	12,137	12,137
Less: accumulated depreciation	<u>(305,390)</u>	<u>(266,535)</u>
	<u>\$ 89,632</u>	<u>\$ 90,097</u>

Depreciation expense was \$38,855 for the year ended December 31, 2007.

TelecomPioneers
Notes to Consolidated Financial Statement
December 31, 2007

Note 4: Net Assets

Temporarily Restricted Net Assets

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

	2007	2006
Headquarters		
Contribution from the Pioneers Foundation*	\$ 2,767,617	\$ 2,767,617
For periods after December 31	481,000	320,000
Other	10,000	-
	<u>3,258,617</u>	<u>3,087,617</u>
Chapters		
Disadvantaged Youth Programs-Nebraska	100,895	-
Other-New Jersey	9,015	-
	<u>109,910</u>	<u>-</u>
	<u>\$ 3,368,527</u>	<u>\$ 3,087,617</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, 2007 and 2006, 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, 2007

	2007
Headquarters	
For periods after December 31	\$ 320,000
Chapters	
Disadvantaged Youth Programs-Nebraska	17,772
	\$ 337,772

The Association reclassified \$118,667 of unrestricted net assets as of January 1, 2006 to temporarily restricted net assets to conform to original donor stipulation.

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 and miscellaneous other items. No inventories are recorded at these stores as management considers those amounts immaterial. Sales, net of cost of goods sold, includes approximately \$2.3 million in sales offset by \$1.3 million of costs associated with these stores and similar activities.

TelecomPioneers
Notes to Consolidated Financial Statement
December 31, 2007

Note 7: Operating Leases

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

2008	\$ 75,084
2009	75,084
2010	75,084
2011	<u>37,542</u>
	<u>\$ 262,794</u>

Note 8: Employee Benefits

The Association maintains 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: Prior Period Adjustments

Certain cash accounts were identified in 2007 that were not included in the consolidation of accounts in 2006 along with one account that was inappropriately recorded. The Organization also identified that it failed to capitalize certain software costs incurred in 2006 and earlier.

The following financial statement line items as of December 31, 2006, were affected by the restatement:

Statement of Financial Position	As Restated	As Previously Reported	Effect of Change
Cash and cash equivalents	\$ 13,920,329	\$ 13,426,346	\$ 493,983
Software costs, net	299,624	-	299,624
Beginning unrestricted net assets	21,355,613	20,562,006	793,607

The restatements resulted in an increase in the change in unrestricted net assets of \$249,935 for the year ended December 31, 2006.

TelecomPioneers
Notes to Consolidated Financial Statement
December 31, 2007

Note 10: Contingencies

The Association is subject to other claims and lawsuits that may arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Association.

Note 11: Subsequent Event

During May 2008, the board of directors approved a line of credit with a financial institution for \$500,000. Final agreements have not been executed as of the date of this report.