

## **Schedule D**



**ILLINOIS TELECOMMUNICATIONS  
ACCESS CORPORATION**

---

**FINANCIAL PROJECTION AND REPORT  
OF INDEPENDENT PUBLIC ACCOUNTANTS**

**Year Ending December 31, 2018**



**SIKICH.COM**

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**TABLE OF CONTENTS**

---

	<u>Page(s)</u>
Report of Independent Public Accountants .....	1-2
Statement of Projected Financial Position .....	3
Statement of Projected Activities.....	4
Statement of Projected Cash Flows .....	5
Summary of Significant Projection Assumptions and Accounting Policies.....	6-11

3201 W. White Oaks Dr., Suite 102  
Springfield, IL 62704  
217.793.3363

**SIKICH.COM**

## **Report of Independent Public Accountants**

To the Board of Directors  
Illinois Telecommunications Access Corporation

We have examined the accompanying projection of Illinois Telecommunications Access Corporation (ITAC), which comprises the Statements of Financial Position, Activities and Cash Flows as of December 31, 2018, and for the year then ending, based on the guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). ITAC's management is responsible for preparing and presenting the project based on the hypothetical assumptions in Note 2 in accordance with the guidelines for the presentation of a projection established by the AICPA. The projection was prepared for the use of Illinois Telecommunications Access Corporation and the Illinois Commerce Commission for deliberations in regard to establishing the annual line charges pursuant to 83 Ill. Adm. Code 755, Subpart F. Our responsibility is to express an opinion on the projection based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards required that we plan and perform the examination to obtain a reasonable assurance about whether the projection is presented in accordance with the guidelines for the presentation of a projection established by the AICPA, in all material respects. An examination involves performing procedures to obtain evidence about the projection. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of the projection, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, assuming the June 2017 line charges are in effect throughout 2018, that subscriber lines in 2018 change consistent with a three-year historical average, that line equivalents for prepaid wireless are based on applying an average transaction price of \$29 to the prepaid wireless sales, and that wireless telecommunications lines and line equivalents will have a growth rate consistent with the historical trend, the projection referred to above is presented, in all material respects, in accordance with the guidelines for the presentation of a projection established by the AICPA, and the underlying assumptions are suitably supported and provide a reasonable basis for management's projection, given the hypothetical assumptions.

Even if the June 2017 line charges are in effect throughout 2018 and the lines change is consistent with the assumptions, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection and this report are intended solely for the information and use of Illinois Telecommunications Access Corporation and the Illinois Commerce Commission for deliberations in regard to establishing the annual line charges pursuant to 83 Ill. Adm. Code 755, Subpart F, and are not intended to be and should not be used by anyone other than these specified parties.

*Sikich LLP*

Springfield, Illinois  
February 27, 2018

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**

**STATEMENT OF PROJECTED FINANCIAL POSITION UNDER THE  
HYPOTHETICAL ASSUMPTIONS IN NOTE 2**

December 31, 2018

---

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 2,662,130
Accounts receivable	717,530
Prepaid expenses	228,224
Total current assets	<u>3,607,884</u>

**PROPERTY AND EQUIPMENT:**

Telebraille equipment	173,890
LVD equipment	49,733
Captioned telephone equipment	269,040
Computer equipment and software	52,620
Furniture and fixtures	168,357
Total property and equipment - gross	<u>713,640</u>
Less accumulated depreciation	<u>(632,561)</u>
Total property and equipment - net	<u>81,079</u>

**TOTAL ASSETS** \$ 3,688,963

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable:	
Sprint relay service payable	\$ 225,062
Other	117,245
Total current liabilities	<u>342,307</u>

<b>NET ASSETS - Beginning of year</b>	2,416,454
Change in net assets	<u>930,202</u>
<b>NET ASSETS - End of year</b>	<u>3,346,656</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 3,688,963

See accompanying Summary of Significant Projection Assumptions and Accounting Policies  
and Report of Independent Public Accountants.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**

**STATEMENT OF PROJECTED ACTIVITIES UNDER THE  
HYPOTHETICAL ASSUMPTIONS IN NOTE 2**

For the Year Ending December 31, 2018

---

**REVENUES - UNRESTRICTED:**

Line charge	\$ 7,156,127
Investment income	13,755
Total revenues	<u>7,169,882</u>

**EXPENSES:**

Telecommunications relay service	513,000
Captioned telephone relay service	867,450
Amplified Phone Voucher Program	1,322,840
TTY Phone Voucher Program	7,750
Accessories	303,306
CapTel testing	8,000
Center start-up expenses	13,050
Teltext Repair	10,500
Administration	1,151,022
Equipment distribution and maintenance	146,350
Depreciation	23,912
Legal	100,000
Accounting and consulting	121,900
Other	1,650,600
Total expenses	<u>6,239,680</u>

**CHANGE IN NET ASSETS**

\$ 930,202

See accompanying Summary of Significant Projection Assumptions and Accounting Policies  
and Report of Independent Public Accountants.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**

**STATEMENT OF PROJECTED CASH FLOWS UNDER THE  
HYPOTHETICAL ASSUMPTIONS IN NOTE 2**

For the Year Ending December 31, 2018

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 930,202
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	23,912
Net effect on cash flows of changes in:	
Accounts receivable	(15,294)
Prepaid expenses	(996)
Accounts payable	16,123
Net cash from operating activities	<u>953,947</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	<u>(10,000)</u>
Net cash from investing activities	<u>(10,000)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	943,947
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<u>1,718,183</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u><u>\$ 2,662,130</u></u>

See accompanying Summary of Significant Projection Assumptions and Accounting Policies  
and Report of Independent Public Accountants.

# ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

## SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

For the Year Ending December 31, 2018

---

### 1. BASIS FOR PRESENTATION

The financial projection for the year ending December 31, 2018 has been prepared and presented in accordance with the guidelines included in the *Guide for Prospective Financial Information* issued by the American Institute of Certified Public Accountants. Accordingly, the financial projection contained herein presents, to the best of management's knowledge and belief at the time this projection was prepared, Illinois Telecommunications Access Corporation's (ITAC) expected financial position, change in net assets and cash flows as of and for the projected period.

### 2. HYPOTHETICAL ASSUMPTIONS

The financial projection contains three hypothetical assumptions. First, ITAC has projected the financial statements assuming line charges under the April 2017 Orders of the Illinois Commerce Commission (ICC), in Docket No. 17-0108 (April 2017 Orders) are in effect throughout 2018 (see Note 3). Second, the projection assumes that subscriber lines will decrease consistent with the three-year average decline rate and Voice over Internet Protocol (VoIP) subscriptions will increase consistent with the three-year average rate. For 2018, this resulted in projecting a decline in subscriber lines of approximately 9.93% from 2017 actual lines and an increase of 9.48% from 2017 actual VoIP assessments. The final 2018 projection of total subscriber line equivalents subject to the subscriber line charge results in a decline of approximately 9.49% over 2017 actual subscriber line equivalents and VoIP assessments will increase by 9.90% from 2017 actual assessments as reported to ITAC. Third, the projection assumes lines and line equivalents for wireless telecommunications services having a growth rate consistent with the historical trend. For 2018, this resulted in projecting an increase of 0.16%. Wireless telecommunications services include prepaid wireless service and wireless carriers. Prepaid wireless service is assessed as a percentage per retail transaction, mirroring the Prepaid Wireless 9-1-1 Surcharge Act. The line equivalents for prepaid wireless were estimated based on applying an average transaction price of \$29 to the prepaid wireless sale.

The projected financial statements as of December 31, 2018, and the date of this projection, are based on ITAC's good faith assumptions of the expected conditions and ITAC's expected course of action. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material, which would cause these projected results not to be achieved.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS**  
**AND ACCOUNTING POLICIES – Continued**

---

**3. LINE CHARGE AND VOIP ASSESSMENT REVENUES**

Estimates of line charges and VoIP assessment revenues are determined for residential landline and wireless subscriber lines, prepaid wireless, VoIP residential and business subscriptions, centrex lines and PBX trunks using the appropriate monthly subscriber line charges established in the April 2017 Orders, adjusted for estimated bad debt withholding by the local exchange carriers.

Estimates of fixed and non-nomadic Interconnected VoIP assessment revenue are determined for residential and business subscriptions based on actual 2017 subscriptions reported to ITAC, applying the subscriber line and centrex charges established in the April 2017 Orders.

Under the April 2017 Orders, the line charge increased to \$.04 per subscriber line. In addition, pursuant to changes in 83 Ill. Adm. Code 755.10 effective June 1, 2004, the line charge per centrex was increased to \$.008, and the line charge on PBX services was increased to \$.20.

**4. INTEREST INCOME**

Projected interest income is computed based on estimated return on short-term securities of 0.63% (December 2017 interest rate) applied to the average of the actual beginning of year and projected end of year cash and cash equivalents balances.

**5. TELECOMMUNICATIONS RELAY SERVICE EXPENSES**

Effective February 1, 2017 through January 31, 2020 ITAC has agreed to pay a monthly recurring charge of \$42,750. ITAC has projected 2018 telecommunications relay service expense of \$513,000 based on the monthly rate effective February 1, 2017.

**6. CAPTIONED TELEPHONE RELAY SERVICE EXPENSES**

In order to project expenses related to the CapTel relay service provided by Sprint, ITAC has assumed that minutes of use will be consistent with projected CapTel minutes provided by Sprint. These minutes were projected by Sprint using an approximate 18% decline from prior year actual, based on the transition to the internet based CapTel phone starting in 2013. Under its August 1999 contract, as amended, with Sprint, ITAC has agreed to pay \$1.94 per minute of use for captioned telephone relay service through January 31, 2020. Total projected captioned telephone relay service expense for the period is \$867,450.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS**  
**AND ACCOUNTING POLICIES – Continued**

---

**7. TTY AND AMPLIFIED PHONE VOUCHER PROGRAM AND ACCESSORIES**

Under 83 Ill. Adm. Code 755.100(b), ITAC is required to administer a voucher program for the distribution of TTY and amplified phones. An amendment effective June 29, 2015 expanded the voucher program to the distribution of assistive equipment that is compatible with wireless devices. ITAC has assumed distribution will be as follows:

<b>Description</b>	<b>Quantity</b>	<b>Cost</b>
Amplified phones	3,650	\$ 425,550
Wireless amplification devices	2,900	321,000
CapTel 840 Plus	100	8,400
Artificial larynx	300	277,500
Shipping	6,550	58,950
Center distribution compensation	5,786	231,440
Total amplified phone voucher program	19,286	\$ 1,322,840
 TTY phones	 25	 \$ 7,750
 Amplified phone and wireless accessories	 2,430	 \$ 303,306

**8. EQUIPMENT DISTRIBUTION AND MAINTENANCE EXPENSES**

Estimates of equipment distribution and maintenance expense reflect the following assumptions for 2018:

- Annual amounts to be paid to regional centers for equipment handling, training, distribution and program promotion efforts in accordance with ITAC's Teletypewriter (TTY) Distribution Program and with its LVD equipment, amplified phones, and wireless equipment, are expected to increase in comparison to activity levels in 2017.
- Annual amounts for telebraille equipment distribution, repair, and training services to be provided during the period are expected to be comparable with 2017 activity levels.

**9. ADMINISTRATION EXPENSES**

Projected administration expenses are based on prior year actual expenses increased for inflation and adjusted for changes in planned activities, which includes program promotion. Salary and benefits levels for ITAC management are increased by the 3.25% approved rate by the Board of Directors on December 28, 2017.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS**  
**AND ACCOUNTING POLICIES – Continued**

---

**10. LEGAL, ACCOUNTING AND CONSULTING, AND OTHER EXPENSES**

Projected legal, accounting and consulting expenses and other expenses include anticipated expenses associated with the proceedings to establish the annual line charge and work to be performed in conjunction with compliance with the rules governing telecommunications access for persons with disabilities in Illinois.

**11. CASH AND CASH EQUIVALENTS**

Assuming line charges under the April 2017 Orders are in effect throughout 2018 and are applied to assessments on VoIP subscriptions and the Investment Policy remains unchanged, the projection reflects expected cash and cash equivalents as of December 31, 2018, of \$2,662,130.

**12. ACCOUNTS RECEIVABLE**

Projected accounts receivable assumes an approximate one-month lag in the collection of subscriber line charge and VoIP assessment revenues from the various Local Exchange Carriers, VoIP providers and wireless carriers and an approximate three-month lag in the collection and remittance of prepaid wireless.

**13. PREPAID EXPENSES**

Projected prepaid expenses assumes a three-month advance purchase of amplified phones will be made to ensure timely distribution to eligible participants.

**14. PROPERTY AND EQUIPMENT**

Projected property and equipment is based on historical amounts and assumed estimated additions and retirements for the period. These estimates include additions related to software, furniture and fixtures, and computer equipment.

Projected depreciation expense is based on straight-line depreciation (utilizing a half-year convention) of the property and equipment assumed for the period.

**15. SPRINT – ACCOUNTS PAYABLE**

Projected Sprint accounts payable reflects the anticipated telecommunications relay service and captioned telephone relay service billings for November and December 2018, which are not expected to be paid by ITAC until after December 31, 2018.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS**  
**AND ACCOUNTING POLICIES – Continued**

---

**16. OTHER ACCOUNTS PAYABLE**

Projected other accounts payable is based on the following assumptions:

- Recurring expenses not paid until after year-end are expected to escalate at the same rate that administrative and operating expenses increase from 2017 to 2018.
- A one-month lag is expected in the payment of projected equipment distribution and maintenance expenses.

**17. INCOME TAXES**

ITAC has received a determination letter from the Internal Revenue Service that exempts ITAC from federal income tax under Section 501(c)(3) of the Internal Revenue Code. ITAC is also exempt from state income taxes and is not classified as a private foundation.

**18. ACCOUNTING POLICIES**

The accounting policies used in preparing the projection are the same as those used in ITAC's audited financial statements as of December 31, 2017, and for the year then ended.

*Subscriber Line Charge* – In accordance with Section 13-703(c) of the Illinois Public Utilities Act (220 ILCS 5/13-703) (Act), and as ordered by the ICC, each facilities-based LEC, VoIP and wireless service provider and retail vendors of wireless services are required to collect a monthly subscriber line charge and assessment to fund the telecommunications access program. The subscriber line charge and assessment established in 83 Ill. Adm. Code 755.500 is adjusted annually to ensure that revenues match expenses and that ITAC maintains a sufficient, but not excessive, cash balance. Under the line charge and assessment methodology, ITAC is required to increase or decrease the line charge and assessment annually to (1) “recover” or “refund” its current year results of operations from telephone subscribers, (2) match revenues to expected expenses for the subsequent year and (3) maintain a sufficient, but not excessive cash balance. ITAC receives the subscriber line charge and assessment remittances from all member telephone companies, VoIP service providers, wireless service providers and retail vendors of wireless service on a monthly basis.

*Cash* – Under an agreement with Illinois National Bank (INB), INB sweeps cash in excess of ITAC's daily operating requirements overnight. ITAC also utilizes one interest bearing savings account (Maximizer) to keep cash in excess of its daily operating requirements. The Maximizer account requires a minimum balance of \$50,000. The interest on this account earned by ITAC is based upon market conditions.

**ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION**  
**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS**  
**AND ACCOUNTING POLICIES – Continued**

---

**18. ACCOUNTING POLICIES (Continued)**

*Accounts Receivable* – Accounts receivable are stated at the amount management expects to collect and accounts are written off as deemed uncollectible. At December 31, 2018, management considers all balances collectible and establishment of an allowance for doubtful accounts was not considered necessary. Historically, ITAC has not experienced significant losses from uncollectable accounts receivable.

*Property and Equipment* – In accordance with an ICC order, ITAC capitalizes the cost of all CapTel Phones, Large Visual Displays (LVDs) and telebraille devices and depreciates such equipment on a straight-line basis (utilizing a half-year convention) over a five-year useful life. TTY's and amplified phones purchased under voucher programs are not considered ITAC equipment and are not capitalized. The cost of computer equipment and software and furniture and fixtures is also capitalized and depreciated on a straight-line basis (utilizing a half-year convention) over three and seven years, respectively.

*Equipment Distribution and Maintenance Expense* – ITAC manages distribution services through 45 regional centers located throughout Illinois. Payments made by ITAC for distribution, training and maintenance services associated with its TTYs and amplified phones are charged to equipment distribution and maintenance expense as incurred.

ITAC provides distribution and testing services of CapTel Phones at the centers. As a result of limited distribution, ITAC does not provide training services for LVDs. Pursuant to a Telebraille Device Distribution Training and Service Agreement effective July 1, 2016, Chicago Lighthouse for the Blind, an Illinois not-for-profit corporation, provides telebraille distribution and training services for ITAC. Payments to the Chicago Lighthouse for the Blind and are charged to distribution expense as incurred.

*Retirement Benefits* – ITAC participates in a 401(k) defined contribution plan for all salaried employees who meet certain age and service requirements. Contributions are at a rate of 8%.

*Financial Statement Presentation* – ITAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2018, all net assets are considered unrestricted.