



Welch & Company LLP
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Billing and Collection Agent Report

To NANC

March 15, 2005

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**NANPA FUND
STATEMENT OF FINANCIAL POSITION
FEBRUARY 28, 2005**

Assets

Cash Balance in bank account	\$		67,481
Dreyfus Government Cash Management Fund			8,401,000
Receivable from US Carriers		166,590	
Receivable from Canada		-	
Receivable from Caribbean countries		2,304	
Receivables forwarded to FCC for collection (Over 90 days)		49,794	218,688
Interest receivable			12,751
Total assets			8,699,920
Less: Accrued liabilities (see below for makeup)			1,436,452
Fund balance			\$ 7,263,468

Makeup of Accrued Liabilities (see following page for additional details)

NEUSTAR - NANPA Administration contract	\$		229,544
NEUSTAR - Block Pooling contract		1,114,923	
Data Collection Agent		20,162	
Welch & Company LLP - Billing & Collection Agent		18,635	
NBANC - Billing & Collection Agent		3,111	
Overpayments due to US carriers		47,829	
WithumSmith+Brown		2,248	
			\$ 1,436,452

Other items of note

In February 2005, the Dreyfus Government Cash Management Fund earned a rate of return of 1.94%.

Payment of \$1,880.09 was made to Neustar under the Pooling contract for change order 29. Neustar identifies the changes to PAS necessitated by industry amendments to the INC Thousands-Block Pooling Administration Guidelines.

There are additional change orders approved by the FCC for the 1K Block Pooling Administration contract totalling \$28,282.04. It is anticipated by Neustar that these costs will be billed in May 2005.

**NANPA FUND
FORECASTED STATEMENT OF CHANGES IN FUND BALANCE
OCTOBER 2004 TO FEBRUARY 2006**

		<u>Actual</u>												
		<u>Oct 2004 - Feb</u>												
		<u>2005</u>	<u>Mar-05</u>	<u>Apr-05</u>	<u>May-05</u>	<u>Jun-05</u>	<u>Jul-05</u>	<u>Aug-05</u>	<u>Sep-05</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>Jan-06</u>	<u>Feb-06</u>
Revenue														
International Contributions														
Canada	(1)	28,069	5,614	5,614	5,614	5,614	5,863	5,863	5,863	5,863	5,863	5,863	5,863	5,863
Caribbean countries	(1)	-	-	-	-	-	13,692	-	-	-	-	-	-	-
Total International Contributions		28,069	5,614	5,614	5,614	5,614	19,555	5,863	5,863	5,863	5,863	5,863	5,863	5,863
Domestic Contributions - US carriers	(1)	1,033,797	205,720	205,720	205,720	205,720	2,657,498	205,720	205,720	205,720	205,720	205,720	205,720	205,720
Interest income	(2)	64,122	12,000	11,500	11,000	10,000	12,500	12,500	12,500	12,000	12,000	12,000	12,000	12,000
Total revenue		1,125,988	223,334	222,834	222,334	221,334	2,689,553	224,083	224,083	223,583	223,583	223,583	223,583	223,583
Expenses														
NANPA Administration	(3), (7)	565,966	116,634	116,634	140,008	116,634	119,835	119,835	119,835	119,835	119,835	119,835	119,835	119,835
1K Block Pooling Administration	(3), (6)	1,404,004	278,731	278,731	307,013	278,731	291,778	291,778	291,778	291,778	291,778	291,778	291,778	291,778
Carrier Audits	(8)	-	-	-	-	700,000	-	-	-	-	-	-	-	
Billing and Collection														
NBANC Billing		29,119	-	-	-	-	-	-	-	-	-	-	-	
Welch & Company LLP	(3)	113,011	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	
Data Collection Agent	(4)	3,625	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	
Annual Operations Audit	(5)	-	-	28,725	-	-	-	-	-	-	40,000	-	-	
Total expenses		2,115,725	423,598	452,323	475,254	1,123,598	439,846	439,846	439,846	439,846	479,846	439,846	439,846	439,846
Net revenue (expenses)		(989,737)	(200,264)	(229,489)	(252,920)	(902,264)	2,249,707	(215,763)	(215,763)	(216,263)	(256,263)	(216,263)	(216,263)	(216,263)
Opening fund balance		8,253,205	7,263,468	7,063,204	6,833,715	6,580,795	5,678,531	7,928,238	7,712,475	7,496,712	7,280,449	7,024,186	6,807,923	6,591,660
Closing fund balance		7,263,468	7,063,204	6,833,715	6,580,795	5,678,531	7,928,238	7,712,475	7,496,712	7,280,449	7,024,186	6,807,923	6,591,660	6,375,397
Fund balance makeup:														
Contingency		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Surplus		6,263,468	6,063,204	5,833,715	5,580,795	4,678,531	6,928,238	6,712,475	6,496,712	6,280,449	6,024,186	5,807,923	5,591,660	5,375,397
		7,263,468	7,063,204	6,833,715	6,580,795	5,678,531	7,928,238	7,712,475	7,496,712	7,280,449	7,024,186	6,807,923	6,591,660	6,375,397

Reconciliation of Forecast to Budget

Forecasted fund balance at June 30/05	5,678,531
Additional PA expenses not budgeted	30,162
Additional NANPA Admin expenses not budgeted	23,374
Pre-transition costs of Welch & Company LLP not budgeted	13,510
Excess budget amount for NECA	(29,839)
Excess budget amount for NBANC not included in forecast	(79,353)
Original budgeted fund balance	5,636,385

Assumptions:

- (1) The US carrier contributions for the period from July 2005 to February 2006 is based upon 2004 budget. The International carrier revenue is based on actual for 2005.
- (2) Interest income projections are estimates
- (3) The expenses for the NANPA Administration, Pooling Administration and Welch & Company LLP are based on contracts in force.
- (4) The expense for the Data Collection Agent is based on the 2004 budget.
- (5) The amount showing in November 2005 for the annual operations audit has not yet been negotiated. Amount recorded is based on prior year.
- (6) The May forecasted amount includes the forecasted monthly billing of \$278,731 plus the cost of the approved change orders of \$28,282
- (7) The May forecasted amount includes the forecasted monthly billing of \$116,634 plus the cost of approved change orders of \$23,374
- (8) The budget allowed \$700,000 for 16 carrier audits, of which 6 are either done or in progress. FCC would like to complete another 6 audits by June 2005.

**NANPA FUND
CURRENT AND FORECASTED LIABILITIES**

	Current	Future Commitments					
		Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05
NEUSTAR - NANPA Administration contract	229,544	116,634	116,634	140,008	116,634	119,835	119,835
- Payment authorized by the FCC on January 14, 2005							
December 2004	112,407						
- Authorization by the FCC has not been received for payment							
January 2004 - estimate				114,772			
Februaru 2005 - estimate				114,772			
				<u>\$ 229,544</u>			
NEUSTAR - Block Pooling contract	1,114,923	278,731	278,731	307,013	278,731	291,778	291,778
- Payment authorized by the FCC on January 11, 2005							
December 2004	293,823						
Change order #29	1,880						
- Authorization by the FCC has not been received for payment							
September 2004 - estimate				278,731			
October 2004 - estimate				278,731			
January 2005 - estimate				278,731			
February 2005 - estimate				278,730			
				<u>\$ 1,114,923</u>			
Welch & Company LLP - Billing & Collection Agent	18,635	19,900	19,900	19,900	19,900	19,900	19,900
- Authorization by the FCC has not been received for payment							
February 2005	18,635						
NBANC - Billing & Collection Agent	3,111	-	-	-	-	-	-
- Authorization by the FCC has not been received for paymen							
November - December 2004	3,111						
NECA - Data Collection Agent	3,495	-	-	-	-	-	-
- Authorization by the FCC has not been received for payment							
December 2004	3,495						
USAC - Data Collection Agent	16,667	8,333	8,333	8,333	8,333	8,333	8,333
- Authorization by the FCC has not been received for payment							
January 2005 - estimate				8,334			
February 2005 - estimate				8,333			
				<u>\$ 16,667</u>			
Clifton Gunderson LLP - Carrier audits	-	-	-	-	700,000	-	-
- Authorization by the FCC has not been received for paymen							
- 6 audits are either done or in progress and FCC would like to complete another 6 prior to end of June 2005							
Overpayments due to US carriers	47,829	2,500	-	-	-	-	-
Refunds to be sent out over the next several months. Welch & Company LLP can issue refunds as long as the carrier is not listed on the Redlight Report.							
WithumSmith+Brown - Annual operations audit	2,248	-	28,725	-	-	-	-
- Represents a balance of an accrual for interim audit fees for the 2003/04 fiscal year of NANPA by NBANC and estimate of the final invoice based on a total fee of \$40,000							
Total	<u>1,436,452</u>	<u>426,098</u>	<u>452,323</u>	<u>475,254</u>	<u>1,123,598</u>	<u>439,846</u>	<u>439,846</u>

NANP FUND BUDGET AND CONTRIBUTION FACTOR FOR JULY 2005 TO JUNE 2006

Budget

The budget for the year July 2005 to June 2006 was prepared to determine the funding requirements and the contribution factor for the upcoming year. The budget was generally prepared based on contract amounts. The specifics are listed in the section titled Assumptions on the budget page. The budget figures for the previous year have been included to allow comparison by line item. Net projected disbursements after considering contributions from International Participants and projected interest income are \$5.819 million. This figure is very similar to the budget for 2004/05 when net disbursements were budgeted at \$5.945 million.

US Carrier Contribution Factor

Based on the budget, we have provided five options for the contribution factor for your consideration. All of the options were reviewed with the Billing & Collection Agent Working Group.

Options 1A and 1B use up the entire projected fund surplus at June 30, 2005. The only difference between the two options is the amount of the contingency. These options bring the surplus down to the contingency amount. The two contingency amounts considered were \$600,000 and \$1,000,000. The amount of \$600,000 is based on 10% of expenditures for the year. The amount of \$1,000,000 is the amount used in the past and provides a larger buffer for the Fund should conditions change. Option 1A uses a contingency amount of \$600,000 and Option 1B uses \$1,000,000. The respective contribution factors are .0000030 and .0000046. These options are valid as there is no reason to keep a large surplus in the fund.

Option 2 keeps the contribution amount in dollars the same as the previous year. This option has a factor of .0000200 and leaves a projected surplus of \$4,779,841. The surplus would be used up over the next two to three years. This option was presented to enable carriers to facilitate their own budget process by having a stable contribution amount over the next few years.

Option 3 keeps the contribution factor the same as the previous year. This option uses the factor of .000021 and leaves a projected surplus of \$5,025,738. The surplus would be used up over the next two to three years. Again, this option was presented to enable carriers to facilitate their own budget process by having a stable contribution factor over the next few years.

Option 4 does not use the projected surplus to fund this year's funding requirements. This option has a factor of .0000261 and leaves a surplus of \$6,278,531. This option provides the carriers with the factor that would have been charged if there was no surplus balance. This gives an indication as to what the factor might be in the following year.

Discussion Points

- Which option should be adopted
- Amount of contingency fund

**NANPA FUND BUDGET
July 2005 to June 2006**

	2005/06	2004/05
Projected Disbursements		
NANPA Administration		
NANPA Administration (69%per Neustar)	\$ 992,232	\$ 949,898
NANPA CO Code Administration (31% per Neustar)	445,785	426,766
1 Total NANPA Administration	1,438,017	1,376,664
Less NANPA Administration costs funded by International Participants		
Canada	70,358	67,366
Caribbean countries	13,692	13,102
Total Contributions by International Participants	84,050	80,468
Net total NANPA Administration Costs	\$ 1,353,967	\$ 1,296,196
1 1K Block Pooling Administration	3,501,341	3,356,062
2 Carrier Audits	700,000	700,000
3 Billing & Collections Agent	238,800	453,287
4 Data Collection Agent	100,000	100,000
5 Annual Operations Audit	45,000	40,000
6 Interest income	(120,000)	-
Total net projected disbursements for July 2005 to June 2006	\$ 5,819,108	\$ 5,945,545

Assumptions

- 1 The cost of the Neustar contracts for NANPA Administration and 1K Block Pooling are provided for as per the existing contracts in place. Neustar does not anticipate any additional costs over the contract value for any proposed change orders at the FCC that would impact upon the budget. Change orders to the contract may arise during the upcoming funding year, should there be any changes to the system.
- 2 The FCC has indicated to us that during the 2005/2006 year, they anticipate conducting 12 carrier audits at an estimated cost of \$50,000 to \$60,000 per audit which yields our budgeted expenditure of \$700,000.
- 3 The cost for the Billing & Collection Agent (Welch & Company LLP) is provided for as per the contract. Additional costs are not anticipated.
- 4 The cost for the Data Collection Agent is provided for on the same basis as last year. USAC has indicated that the cost should be the same or possibly less than the prior year. The Fund is charged 8% of the monthly cost that the Data Collection Agent incurs with respect to data collection.
- 5 The cost for the annual operation audit for the Fund has been estimated at the same rate as last year with an increase to cover general cost increases.
- 6 Interest was estimated based on amount earned during 2004/05

**NANPA FUND CONTRIBUTION FACTOR
July 2005 to June 2006**

	<u>Option 1A</u>	<u>Option 1B</u>	<u>Option 2</u>	<u>Option 3</u>	<u>Option 4</u>	<u>2004/05</u>
Total net projected disbursements for July 2005 to June 2006	\$ 5,819,108	\$ 5,819,108	\$ 5,819,108	\$ 5,819,108	\$ 5,819,108	\$ 5,945,545
Desired contingency provision	600,000	1,000,000	600,000	600,000	600,000	1,000,000
Balance to be funded through reduction in surplus and US carrier contributions	6,419,108	6,819,108	6,419,108	6,419,108	6,419,108	6,945,545
Portion of projected surplus to be used for 2005/2006 year	(5,678,531)	(5,678,531)	(1,498,690)	(1,252,793)	0	(2,025,127)
Net US Carrier Contribution requirement	\$ 740,577	\$ 1,140,577	\$ 4,920,418	\$ 5,166,315	\$ 6,419,108	\$ 4,920,418
Resulting Contribution Factor	0.0000030	0.0000046	0.0000200	0.0000210	0.0000261	0.0000210
Fund Balance Projection						
Projected fund balance at June 30, 2005	\$ 5,678,531	\$ 5,678,531	\$ 5,678,531	\$ 5,678,531	\$ 5,678,531	
Portion of surplus to be used for 2005/06 fiscal year	(5,678,531)	(5,678,531)	(1,498,690)	(1,252,793)	0	
Contingency provision	600,000	1,000,000	600,000	600,000	600,000	
Projected fund balance at June 30, 2006	\$ 600,000	\$ 1,000,000	\$ 4,779,841	\$ 5,025,738	\$ 6,278,531	

Notes

Contribution Base

Estimate for 2005 based on 5% increase in revenues over 2004 \$246,015,000,000
Actual for 2004/05 \$234,305,625,709

- Option 1A - Subsidize funding requirement by using up all fo the surplus fund with \$600,000 contingency
- Option 1B - Subsidize funding requirement by using up all fo the surplus fund with \$1,000,000 contingency
- Option 2 - Subsidize funding requirement by reducing the surplus to be extent that the total contribution required stays the same as last year
- Option 3 - Subsidize funding requirement by reducing the surplus to the extent that the contribution factor stays the same as last year
- Option 4 - The funding requirement is not reduced by the surplus