



One Economy Corporation

Audited Financial Statements

*Years ended December 31, 2007 and 2006
with Report of Independent Auditors*

One Economy Corporation

Audited Financial Statements

Years ended December 31, 2007 and 2006

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Report of Independent Auditors

Board of Directors
One Economy Corporation
Washington, D.C.

We have audited the accompanying statements of financial position of One Economy Corporation (OEC) as of December 31, 2007 and 2006, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of OEC'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 OEC at December 31, 2007 and 2006, 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.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included at page 12 is presented for the purpose of additional analysis and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Johnson Lambert & Co LLP

Falls Church, Virginia
April 18, 2008

One Economy Corporation
Statements of Financial Position

	December 31,	
	2007	2006
Assets		
Cash and cash equivalents	\$ 5,273,853	\$ 2,006,108
Cash held as collateral	173,094	99,559
Accounts receivable, net	1,657,312	1,253,804
Investments	47,842	21,167
Contributions and grants receivable, net	14,558,282	9,147,372
Prepaid expenses	76,602	53,498
Deposits	27,459	18,452
Total assets	\$ 21,814,444	\$ 12,599,960
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 428,593	\$ 277,780
Deferred revenue	42,471	12,282
Total liabilities	471,064	290,062
Net assets:		
Unrestricted net assets (deficit)	292,823	(570,181)
Temporarily restricted net assets	21,050,557	12,880,079
Total net assets	21,343,380	12,309,898
Total liabilities and net assets	\$ 21,814,444	\$ 12,599,960

See accompanying notes to the financial statements.

One Economy Corporation

Statements of Activities

	Year ended December 31,	
	2007	2006
Change in unrestricted net assets		
Revenue and support:		
Grants and contributions	\$ 1,348,585	\$ 854,918
In-kind contributions	505,533	151,346
Services revenue	2,766,335	2,847,934
Other income	105,728	15,045
Investment earnings, net	149,944	80,003
Total revenue	4,876,125	3,949,246
Net assets released from restriction	7,273,972	5,387,329
Total unrestricted revenue and support	12,150,097	9,336,575
 Expenses:		
Program services		
Digital Community	3,262,862	3,806,963
Web Properties	4,556,342	2,524,931
Special Projects	2,173,856	1,731,329
Digital Connectors	207,021	228,215
Total program services	10,200,081	8,291,438
 Support services		
Fundraising	812,892	456,725
General and administrative	274,120	302,010
Total support services	1,087,012	758,735
 Total expenses	11,287,093	9,050,173
 Change in unrestricted net assets	863,004	286,402
 Change in temporarily restricted net assets		
Grants and contributions	15,444,450	5,210,287
Net assets released from restriction	(7,273,972)	(5,387,329)
Change in temporarily restricted net assets	8,170,478	(177,042)
 Net change in net assets	9,033,482	109,360
 Net assets, beginning of year	12,309,898	12,200,538
Net assets, end of year	\$ 21,343,380	\$ 12,309,898

See accompanying notes to the financial statements.

One Economy Corporation

Statements of Cash Flows

	Year ended December 31,	
	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 9,033,482	\$ 109,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in market value of investments	(25,942)	2,984
Donation of stock	(2,344,563)	(57,697)
Allowance for uncollectible accounts	107,670	-
Discount on contributions	208,935	(30,512)
Changes in operating assets and liabilities:		
Accounts receivable	(511,178)	(978,665)
Contributions and grants receivable	(5,619,845)	1,703,105
Deposits	(9,007)	(38,748)
Prepaid expenses	(23,104)	(13,452)
Accounts payable and accrued liabilities	150,813	(5,917)
Deferred revenue	30,189	(37,718)
Cash flows provided by operating activities	997,450	652,740
Cash flows from investing activities		
Reinvested interest	(733)	-
Proceeds from sale of donated stock	2,344,563	50,196
Cash flows provided by investing activities	2,343,830	50,196
Cash flows from financing activities		
Payments on revolving line of credit	-	1,460,000
Proceeds from revolving line of credit	-	(1,460,000)
Cash flows from financing activities	-	-
Change in cash and cash equivalents	3,341,280	702,936
Cash and cash equivalents, beginning of year	2,105,667	1,402,731
Cash and cash equivalents, end of period	\$ 5,446,947	\$ 2,105,667
Cash and cash equivalents		
Cash and cash equivalents	\$ 5,273,853	\$ 2,006,108
Cash held as collateral	173,094	99,559
	\$ 5,446,947	\$ 2,105,667

See accompanying notes to the financial statements.

One Economy Corporation

Notes to Financial Statements

Years ended December 31, 2007 and 2006

Note A - Organization and Summary of Significant Accounting Policies

One Economy Corporation (OEC) is a nonprofit organization incorporated on February 16, 2000 in the District of Columbia. The mission and purpose of OEC is to maximize the potential of technology to help low-income people build assets and raise their standard of living. These objectives are accomplished by providing web-based products and services focusing on finances, education, employment, healthcare, and home ownership through its web properties. OEC creates initiatives and partnerships to build digital communities in select geographic areas to increase the aptitude of participating individuals with the internet culture.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

OEC is exempt from the payment of taxes on income other than unrelated business income under Internal Revenue Code Section 501(c)(3). For the years ended December 31, 2007 and 2006 no provision for income taxes was made, as there was no net unrelated business income.

Cash and Cash Equivalents

Cash and cash equivalents include funds in checking accounts and money market funds. During the year, OEC had deposits in financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. Management does not consider such deposits over the FDIC insured limits to be a significant risk.

Accounts Receivable

Accounts receivable are presented at net realizable value. Management periodically reviews the status of all accounts receivable balances for collectability. In 2007, bad debt expense of \$137,670 was recorded in the statement of activities and an allowance was established for \$107,670 based on management's knowledge of and relationship with the customer and the age of the receivable balance at year-end.

One Economy Corporation

Notes to Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at fair market value. Gains and losses, realized and unrealized, are reported in the statement of activities.

Classification of Net Assets

OEC presents its financial statements in accordance with accounting principles generally accepted in the United States of America. OEC reports information regarding its financial position and activities according to the following classes of net assets:

Unrestricted Net Assets - This classification is used to record all assets that are not required to be reported as either temporarily or permanently restricted. This category is used to record activity which has not been restricted by a donor or funding source.

Temporarily Restricted Net Assets - This classification is used to record contributions that have been specifically restricted by time or purpose by the donor. Restricted contributions are recorded as revenue when the donor has made a gift rather than when the cash is received. Once the restriction has been satisfied, a transfer is made from temporarily restricted net assets to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Permanently Restricted Net Assets - This classification is used for net assets subject to donor imposed stipulations that they be maintained permanently by OEC. Generally the donors of these assets permit OEC to use all or part of the income earned on related investments for general or specific purposes. OEC has no permanently restricted net assets at December 31, 2007 and 2006.

Revenue Recognition

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Amounts received that are designed for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted. When a temporary restriction expires or has been satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Revenue from fee for service activity is recognized when milestones are reached and is recorded as unrestricted revenue and support in the statement of activities.

One Economy Corporation

Notes to Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

In-kind Contributions

OEC receives significant contributed services from volunteers to help accomplish its program objectives. Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. In-kind contributions consist primarily of donated labor, website support and software and are recorded at fair value as determined by the contributor.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services to which they relate based on actual time devoted by OEC's personnel.

Note B - Investments

Investments carried at market value consisted of equity securities of \$47,842 and the Prime Obligation Fund of \$21,167 at December 31, 2007 and 2006, respectively.

OEC's total return on cash, cash equivalents and investments is comprised of the following at December 31:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 124,002	\$ 76,216
Unrealized gain (loss), net	25,942	(2,984)
Realized gain, net	-	6,771
Net investment earnings	<u>\$ 149,944</u>	<u>\$ 80,003</u>

Note C - Contributions and Grants Receivable

Contributions and grants receivable represent unconditional promises to give by donors. Contributions and grants receivable due in excess of one year are discounted at an interest rate in effect the year the contribution was made. Amortization of the discount is included in grants and contribution revenue. At December 31, the receivables are comprised as follows:

	<u>2007</u>	<u>2006</u>
Receivable within one year	\$ 11,276,322	\$ 5,668,907
Receivable in one to three years	<u>4,305,600</u>	<u>4,293,168</u>
	15,581,922	9,962,075
Discount to present value	<u>(1,023,640)</u>	<u>(814,703)</u>
Net contributions and grants receivable	<u>\$ 14,558,282</u>	<u>\$ 9,147,372</u>

One Economy Corporation

Notes to Financial Statements (Continued)

Note C - Contributions and Grants Receivable (Continued)

During 2006, OEC received a conditional contribution in the amount of \$225,000 from the Blank Family Foundation, and will receive this contribution upon meeting certain conditions. Accordingly, at December 31, 2006 this conditional promise had not been recorded in the accompanying financial statements. There were no conditional contributions received in 2007.

Note D - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use in programs specified by donors. The net assets released from donor restrictions for the years ended December 31, 2007 and 2006 are attributable to expenses incurred related to these specific programs.

Temporarily restricted net assets were available for the following at December 31:

	<u>2007</u>	<u>2006</u>
Digital community	\$ 19,198,788	\$ 11,373,278
Web properties	1,578,756	1,269,634
Special projects	<u>273,013</u>	<u>237,167</u>
	<u>\$ 21,050,557</u>	<u>\$ 12,880,079</u>

Note E - Cash Held as Collateral

OEC guarantees several loans to higher risk customers. The terms of the loans were negotiated between the financial institution and the borrowers and were entered into for the purchase of computer equipment. Under the terms of the agreements, OEC placed cash on deposit with various financial institutions to cover the full amount of the loans guaranteed in the event of a default. At December 31, 2007 and 2006 deposits held with financial institutions totaled \$173,094 and \$99,559, respectively. The remaining loans outstanding totaled \$73,458 and \$72,308, as of December 31, 2007 and 2006, respectively.

Note F - Employee Benefit Plan

OEC sponsors a 401(k) plan for its employees. Employees may contribute up to 15% of their base salary to a maximum amount determined annually based on the tax code. OEC matches 50% of the employee contribution up to 6% of their annual salary. There is a one-year vesting period on the employer match. Employer contributions made under the 401(k) plan were \$67,956 and \$48,321 in 2007 and 2006, respectively.

One Economy Corporation

Notes to Financial Statements (Continued)

Note G - Commitments

OEC leases its office space in Washington, DC under a non-cancelable operating lease which expires in 2013. OEC also subleases office space in California, Portland, Georgia, New York and Chicago under non-cancelable lease agreements that expire between 2008 and 2012. The future minimum lease payments under the above described operating leases as of December 31, 2007 are approximately as follows:

2008	\$ 373,227
2009	344,350
2010	267,824
2011	271,404
2012	278,638
Thereafter	<u>286,063</u>
Total	<u>\$ 1,821,506</u>

OEC incurred total rent expense of \$458,145 and \$315,583 for the years ended December 31, 2007 and 2006, respectively.

Note H - Lines of Credit

On May 10, 2006 OEC entered into a revolving Line of Credit (LOC) with Wachovia Bank. The LOC allows OEC to utilize up to \$1,500,000. Interest is due and payable monthly.

OEC had a revolving line of credit with Eagle Bank, which allowed OEC to utilize up to \$750,000 to provide short-term working capital. This line of credit was closed in May of 2006.

At December 31, 2007 and 2006 no amounts were outstanding relating to the Lines of Credit. The interest incurred was \$0 and \$11,224 for the years ended December 31, 2007 and 2006, respectively.

Note I - Subsequent Event

On February 1, 2008 OEC signed an acquisition agreement with Net Equality, an Oregon non-profit organization. The acquisition agreement provides for OEC to become the sole voting member of Net Equality and a transfer of all assets from Net Equality to OEC among other operational terms.

Supplemental Information

One Economy Corporation
Statements of Functional Expenses

Year ended December 31, 2007

	Digital Community	Web Properties	Special Projects	Digital Connectors	Fundraising	General and Administrative	2007 Total	2006 Total
Salaries	\$ 1,025,792	\$ 1,892,594	\$ 397,510	\$ 41,304	\$ 377,152	\$ 568,362	\$ 4,302,714	\$ 3,325,336
Payroll taxes	-	-	-	-	-	310,198	310,198	252,760
Employee benefits	95,941	185,963	37,222	3,896	36,055	47,109	406,186	241,909
Promotion	147,201	1,638	-	-	27,074	18,348	194,261	239,957
Access work (including in kind)	268,382	760,813	1,044,905	3,810	11,682	-	2,089,592	1,960,937
Grants	414,895	-	2,384	135,614	-	-	552,893	1,304,379
Occupancy	163,861	53,026	56,117	-	-	185,140	458,144	315,583
Travel and entertainment & meals	314,019	111,589	182,282	925	57,371	122,436	788,622	470,827
Web development, hosting and support (including in kind)	-	493,533	-	-	-	-	493,533	48,456
Equipment purchase, rental, and service	26,991	255	63,447	-	-	64,759	155,452	116,768
Telephone	44,649	2,596	8,388	-	744	54,126	110,503	76,148
Office expense	112,335	37,879	75,976	795	16,663	362,145	605,793	108,077
Audit and accounting	-	-	-	-	-	88,391	88,391	86,841
Staff functions	-	83,007	5,418	-	105,429	122,748	316,602	162,603
Insurance	-	-	-	-	-	39,854	39,854	38,907
Evaluations	87,209	-	-	-	-	-	87,209	-
Board expenses	-	-	-	-	-	18,085	18,085	36,414
Postage and shipping	4,760	2,824	3,120	1,411	345	6,274	18,734	14,897
Printing and publications	49,031	13,315	552	-	2,216	33,744	98,858	215,317
Membership	550	565	-	-	2,650	5,433	9,198	11,858
Legal	-	-	-	-	-	-	-	2,452
Utilities	4,601	-	-	-	-	-	4,601	6,184
Interest	-	-	-	-	-	-	-	11,224
Repairs and maintenance	-	-	-	-	-	-	-	2,339
Bad debt	30,000	-	107,670	-	-	-	137,670	-
Overhead allocation	472,645	916,745	188,865	19,266	175,511	(1,773,032)	-	-
Total	\$ 3,262,862	\$ 4,556,342	\$ 2,173,856	\$ 207,021	\$ 812,892	\$ 274,120	\$ 11,287,093	\$ 9,050,173