



One Economy Corporation

Audited Financial Statements

*Years ended December 31, 2008 and 2007
with Report of Independent Auditors*

One Economy Corporation

Audited Financial Statements

Years ended December 31, 2008 and 2007

Contents

Report of Independent Auditors.....	1
Audited Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 11
Other Financial Information	
Statements of Functional Expense	12

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, 2008 and 2007, 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, 2008 and 2007, 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
August 10, 2009

One Economy Corporation
Statements of Financial Position

	December 31,	
	2008	2007
Assets		
Cash and cash equivalents	\$ 272,473	\$ 5,373,497
Cash held as collateral	19,177	73,450
Accounts receivable, net	1,792,500	1,657,312
Investments	4,524,307	47,842
Contributions and grants receivable, net	8,947,977	14,558,282
Film production costs	346,355	-
Prepaid expenses & other assets	422,539	76,602
Deposits	61,306	27,459
	<u>\$ 16,386,634</u>	<u>\$ 21,814,444</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 396,643	\$ 428,593
Deferred revenue	65,272	42,471
	<u>461,915</u>	<u>471,064</u>
Net assets:		
Unrestricted net (deficit) assets	(1,318,090)	292,823
Temporarily restricted net assets	17,242,809	21,050,557
	<u>15,924,719</u>	<u>21,343,380</u>
	<u>\$ 16,386,634</u>	<u>\$ 21,814,444</u>

See accompanying notes to the financial statements.

One Economy Corporation

Statements of Activities

	Year ended December 31,					
	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Change in unrestricted net assets						
Revenue and support:						
Contributions	\$ 411,438	\$ 3,942,639	\$ 4,354,077	\$ 1,365,491	\$ 15,444,450	\$ 16,809,941
Access services revenue	1,956,256	-	1,956,256	999,446	-	999,446
Other fee for service revenue	773,383	-	773,383	1,749,983	-	1,749,983
In-kind contributions	342,223	-	342,223	505,533	-	505,533
Other income	62,235	-	62,235	105,728	-	105,728
Investment earnings, net	82,998	-	82,998	149,944	-	149,944
Total revenue	3,628,533	3,942,639	7,571,172	4,876,125	15,444,450	20,320,575
Net assets released from restriction	7,750,387	(7,750,387)	-	7,273,972	(7,273,972)	-
Total unrestricted revenue and support	11,378,920	(3,807,748)	7,571,172	12,150,097	8,170,478	20,320,575
Expenses:						
Program services						
Community Impact	3,982,207	-	3,982,207	3,262,862	-	3,262,862
Web Properties	4,285,230	-	4,285,230	4,556,342	-	4,556,342
Access Services	1,868,279	-	1,868,279	1,584,081	-	1,584,081
International Services	823,768	-	823,768	589,775	-	589,775
Digital Connectors	813,512	-	813,512	207,021	-	207,021
Total program services	11,772,996	-	11,772,996	10,200,081	-	10,200,081
Support services						
Fundraising	1,025,146	-	1,025,146	812,892	-	812,892
General and administrative	191,691	-	191,691	274,120	-	274,120
Total support services	1,216,837	-	1,216,837	1,087,012	-	1,087,012
Total expenses	12,989,833	-	12,989,833	11,287,093	-	11,287,093
Change in unrestricted net assets	(1,610,913)	(3,807,748)	(5,418,661)	863,004	8,170,478	9,033,482
Net assets (deficit), beginning of year	292,823	21,050,557	21,343,380	(570,181)	12,880,079	12,309,898
Net (deficit) assets, end of year	\$ (1,318,090)	\$ 17,242,809	\$ 15,924,719	\$ 292,823	\$ 21,050,557	\$ 21,343,380

See accompanying notes to the financial statements.

One Economy Corporation

Statements of Cash Flows

	Year ended December 31,	
	2008	2007
Cash flows from operating activities		
Change in net assets	\$ (5,418,661)	\$ 9,033,482
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in market value of investments	(26,210)	(25,942)
Donation of stock	-	(2,344,563)
Allowance for uncollectible accounts	(81,162)	107,670
Discount on contributions	(829,968)	208,935
Changes in operating assets and liabilities:		
Accounts receivable	(54,026)	(511,178)
Contributions and grants receivable	6,440,273	(5,619,845)
Deposits	(33,847)	(9,007)
Film production costs	(346,355)	-
Prepaid expenses and other assets	(345,937)	(23,104)
Accounts payable and accrued liabilities	(31,950)	150,813
Deferred revenue	22,801	30,189
Cash flows (used in) provided by operating activities	(705,042)	997,450
Cash flows from investing activities		
Purchase of treasury bills and reinvested interest	(7,800,000)	(733)
Sale of treasury bills	3,349,745	-
Proceeds from sale of donated stock	-	2,344,563
Cash flows (used in) provided by investing activities	(4,450,255)	2,343,830
Change in cash and cash equivalents	(5,155,297)	3,341,280
Cash and cash equivalents, beginning of year	5,446,947	2,105,667
Cash and cash equivalents, end of year	\$ 291,650	\$ 5,446,947
Cash and cash equivalents		
Cash and cash equivalents	272,473	\$ 5,373,497
Cash held as collateral	19,177	73,450
	\$ 291,650	\$ 5,446,947

See accompanying notes to the financial statements.

One Economy Corporation

Notes to Financial Statements

Years ended December 31, 2008 and 2007

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, 2008 and 2007 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. Bad debt expense of \$59,525 and \$137,670 was recorded in the statement of activities for 2008 and 2007, respectively. An allowance was established for \$26,508 and \$107,870 for 2008 and 2007, respectively 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.

In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, Fair Value Measurements (FAS 157), which defines fair value, establishes a framework and hierarchy for measuring fair value, and expands disclosures about fair value measurements. FAS 157 applies to other accounting pronouncements that require or permit fair value measurements. FAS 157 was adopted by One Economy in 2008. For non-financial assets and non-financial liabilities, FAS 157 has been delayed for an additional year, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis, at least annually.

FAS No. 157 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

One Economy Corporation

Notes to Financial Statements (Continued)

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

Film Production Costs

The costs incurred related to the development and production of “Diaries of a Single Mom” are capitalized. Costs will be amortized over the useful life of the video which is estimated to be three years.

Prepaid expenses & other assets

Prepaid expenses primarily include bulk purchases for routers used to provide last mile connection to access services customers. Router inventory totaled \$249,670 and \$0 for the years ended December 31, 2008 and 2007, respectively.

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.

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, 2008 and 2007.

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.

Reclassifications

Certain 2007 balances have been reclassified to conform with the 2008 presentation.

New Accounting Pronouncements – Uncertain Tax Positions

On December 30, 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FIN 48-3, deferring the effective date of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (FIN 48), for certain non-public entities for an additional year. The amended effective date for non-public entities is for fiscal years beginning after December 15, 2008. OEC has elected to defer its adoption of FIN 48 in accordance with FSP FIN 48-3. OEC is currently evaluating the potential impact of the adoption of FIN 48 on its financial statements.

Note B - Investments

Investments are carried at market value and consisted of the following at December 31, all of which were classified as Level 1 in accordance with FAS 157:

Investment	2008	2007
Equity securities	\$ 21,647	\$ 47,842
Treasury bills	4,502,660	-
Total	\$ 4,524,307	\$ 47,842

One Economy Corporation

Notes to Financial Statements (Continued)

Note B - Investments (Continued)

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

	2008	2007
Interest and dividends	\$ 56,788	\$ 124,002
Change in fair market value, net	26,210	25,942
Net investment earnings	\$ 82,998	\$ 149,944

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:

	2008	2007
Receivable within one year	\$ 5,587,437	\$ 11,276,322
Receivable in one to three years	3,554,212	4,305,600
	9,141,649	15,581,922
Discount to present value	(193,672)	(1,023,640)
Net contributions and grants receivable	\$ 8,947,977	\$ 14,558,282

There were no conditional contributions received in 2007 or 2008.

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, 2008 and 2007 are attributable to expenses incurred related to these specific programs.

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

	2008	2007
Digital community	\$ 15,341,761	\$ 19,198,788
Web properties	650,264	1,578,756
International Services	1,250,784	273,013
	\$ 17,242,809	\$ 21,050,557

One Economy Corporation

Notes to Financial Statements (Continued)

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, 2008 and 2007 deposits held with financial institutions totaled \$139,739 and \$173,094, respectively. The remaining loans outstanding totaled \$19,177 and \$73,450, as of December 31, 2008 and 2007, respectively.

Note F - Employee Benefit Plan

OEC sponsors a safe-harbor 401(k) plan for its employees. Employees may elect to defer up to 75% of their compensation up to the IRS maximum, determined annually. OEC matches 100% of the first 3% of the employee contribution and matches 50% of amounts exceeding 3%, up to 5%, for a maximum match of 4%. Immediate vesting occurs with the safe-harbor employer match. Employer contributions made under the 401(k) plan were \$93,543 and \$67,956 in 2008 and 2007, respectively.

Note G - Commitments

OEC leases its office space in Washington, DC under a non-cancelable operating lease which expires in 2015. OEC also subleases office space in Atlanta, Georgia, Chicago, Illinois, Los Angeles and San Francisco, California, Kansas City, Missouri, New Orleans, Louisiana, Portland, Oregon, and Winston-Salem, North Carolina 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, 2008 are approximately as follows:

2009	\$	624,424
2010		522,246
2011		417,701
2012		423,208
Thereafter		941,543
Total	\$	<u>2,929,122</u>

OEC incurred total rent expense of \$531,702 and \$458,145 for the years ended December 31, 2008 and 2007, respectively.

One Economy Corporation

Notes to Financial Statements (Continued)

Note H - Lines of Credit

On May 10, 2006 OEC entered into a revolving Line of Credit (LOC) with Wachovia Bank which expires on September 30, 2009. The LOC allows OEC to utilize up to \$1,500,000. Interest is due and payable monthly.

At December 31, 2008 and 2007 no amounts were outstanding relating to the Line of Credit. No interest was incurred for the years ended December 31, 2008 and 2007, respectively.

Note I – Related Party Transactions

OEC receives significant funding from Cisco Systems, Inc. A Senior Vice President of Worldwide Government Affairs with Cisco Systems, Inc. serves on the OEC board. Total funding received from Cisco was \$1,740,000 and \$680,250 in 2008 and 2007, respectively.

OEC receives funding from Allstate Foundation. A Senior Vice President at Allstate Insurance Company serves on the board of OEC and also serves as the Audit Committee Chair. Total funding received from Allstate was \$275,000 and \$270,000 in 2008 and 2007, respectively.

One Economy's Executive Vice President & Chief Operating Officer serves on the board of the National Equity Fund (NEF). NEF and One Economy have a joint venture agreement to raise equity funds for Housing Projects. NEF is a fund which invests in certain housing partnerships. No money was paid or received between NEF and One Economy in 2008 and 2007.

Note J– Net Equality Merger

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. The merger between OEC and Net Equality was effective December 31, 2008.

Note K – Subsequent Event

On October 30, 2008 OEC signed an acquisition agreement with Just Think, a California non-profit organization. The acquisition agreement provided for OEC to acquire all of Just Think's assets and assume all of its liabilities. Employees of Just Think became employees of OEC. The merger was effective February 1, 2009.

Supplemental Information

One Economy Corporation

Statements of Functional Expenses

Year ended December 31, 2008

	Community Impact	Web Properties	Access Services	Digital Connectors	International Services	Fundraising	General and Administrative	Total	2007 Total
Salaries	\$ 1,087,751	\$ 1,893,254	\$ 346,541	\$ 289,515	\$ 227,929	\$ 315,862	\$ 1,291,522	\$ 5,452,374	\$ 4,302,714
Employee benefits and payroll taxes	184,510	321,143	58,782	49,109	38,662	53,578	298,881	1,004,665	716,384
Consulting	23,697	506,214	746,086	37,503	238,588	100,979	333,715	1,986,782	2,089,592
Grants	1,092,366	622	298	151,600	-	4,551	786	1,250,223	552,893
Travel, entertainment and meals	325,843	201,692	93,880	34,444	159,761	81,502	23,460	920,582	788,622
Occupancy	244,406	18,878	18,057	19,216	-	-	243,596	544,153	462,745
Marketing & advertising	51,079	86,576	276,239	5,547	-	106,206	10,872	536,519	194,261
Office expense	81,369	35,828	16,749	22,763	14,431	21,371	81,617	274,128	605,793
Staff functions	5,056	1,116	308	97	1,319	138,469	115,072	261,437	316,602
Telephone	57,329	5,077	27,085	8,433	10	1,450	71,791	171,175	110,503
Web development, hosting and support	19,331	8,945	7,389	-	650	-	111,896	148,211	493,533
Equipment purchase, rental and service	66,100	15,399	-	7,954	-	(1,247)	34,516	122,722	155,452
Audit and accounting	5	-	-	-	-	-	73,319	73,324	88,391
Evaluations	52,421	10,449	-	-	-	-	-	62,870	87,209
Bad debt	-	-	59,525	-	-	-	-	59,525	137,670
Postage and shipping	12,400	3,194	1,664	3,530	862	317	13,553	35,520	18,734
Insurance	-	-	-	-	-	-	30,342	30,342	39,854
Legal	100	-	-	-	-	-	16,926	17,026	-
Membership & dues	1,041	645	593	88	157	679	13,335	16,538	9,198
Printing and publications	2,598	1,686	100	4,080	-	5,479	123	14,066	98,858
Board expenses	-	-	-	27	-	-	7,287	7,314	18,085
Interest	-	-	-	-	-	-	337	337	-
Overhead allocation	674,805	1,174,512	214,983	179,606	141,399	195,950	(2,581,255)	-	-
Total	\$ 3,982,207	\$ 4,285,230	\$ 1,868,279	\$ 813,512	\$ 823,768	\$ 1,025,146	\$ 191,691	\$ 12,989,833	\$ 11,287,093