



## Financial Statements

### One Economy Corporation

*For the years ended December 31, 2003 and 2002  
with Report of Independent Auditors*

One Economy Corporation

Financial Statements

Years ended December 31, 2003 and 2002

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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 as of December 31, 2003 and 2002, 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. 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 One Economy Corporation as of December 31, 2003 and 2002 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.

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 10 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.*

Reston, Virginia  
January 30, 2004

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One Economy Corporation  
Statements of Financial Position

	<b>December 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,163,051	\$ 964,724
Cash held as collateral	78,996	-
Accounts receivable	551	-
Investments	344,837	212,520
Contributions and grants receivable, net	1,826,431	91,250
Deposits	5,000	5,000
	<b>\$ 3,418,866</b>	<b>\$ 1,273,494</b>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 90,591	\$ 123,151
	90,591	123,151
Net assets:		
Unrestricted	173,030	284,518
Temporarily restricted	3,155,245	865,825
	<b>3,328,275</b>	<b>1,150,343</b>
Total net assets	<b>\$ 3,418,866</b>	<b>\$ 1,273,494</b>
Total liabilities and net assets	<b>\$ 3,418,866</b>	<b>\$ 1,273,494</b>

*See accompanying notes to financial statements.*

# One Economy Corporation

## Statements of Activities

	<b>Years ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Changes in unrestricted net assets</b>		
Revenue and support:		
Grants and contributions	\$ 2,720,017	\$ 651,540
Service revenue	725,842	307,882
In-kind contributions	228,369	-
Investment earnings, net	7,078	37,961
Other income	4,190	-
	3,685,496	997,383
Net assets released from restrictions	865,825	1,918,582
Total unrestricted revenue and support	4,551,321	2,915,965
Expenses:		
Program services		
Digital communities	1,404,599	1,106,272
Web properties	1,651,757	636,623
DC Grant	304,315	322,855
Special projects	729,408	170,899
Total program services	4,090,079	2,236,649
Supporting services		
Fundraising	278,445	234,268
General and administrative	294,285	178,616
Total supporting services	572,730	412,884
Total expenses	4,662,809	2,649,533
Change in unrestricted net assets	(111,488)	266,432
<b>Changes in temporarily restricted net assets</b>		
Grants and contributions	3,155,245	2,208,342
Net assets released from restrictions	(865,825)	(1,918,582)
Change in temporarily restricted net assets	2,289,420	289,760
Change in net assets	2,177,932	556,192
Net assets, beginning of year	1,150,343	594,151
Net assets, end of year	\$ 3,328,275	\$ 1,150,343

*See accompanying notes to financial statements.*

# One Economy Corporation

## Statements of Cash Flows

	<b>Years ended December 31,</b>	
	<b>2003</b>	<b>2002</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,177,932	\$ 556,192
Adjustments to reconcile change in net assets to net cash provided by operating:		
Change in fair market value of investments	3,815	(11,106)
Realized loss on investments	2,565	1,612
Changes in assets and liabilities:		
Contributions and grants receivable	(1,735,181)	96,104
Accounts receivable	(551)	10,000
Accounts payable	(32,560)	111,976
Net cash provided by operating activities	416,020	764,778
 <b>Cash flows from investing activities</b>		
Purchase of investments	(767,115)	(1,130,698)
Sale of investments	628,418	927,672
Net cash used in investing activities	(138,697)	(203,026)
 Net increase in cash and cash equivalents	277,323	561,752
 Cash and cash equivalents, beginning of year	964,724	402,972
 Cash and cash equivalents, end of year	\$ 1,242,047	\$ 964,724
 <b>Cash and cash equivalents</b>		
Cash and cash equivalents	\$ 1,163,051	\$ 964,724
Cash held as collateral	78,996	-
 Total cash and cash equivalents, end of year	\$ 1,242,047	\$ 964,724

*See accompanying notes to financial statements.*

# One Economy Corporation

## Notes to Financial Statements

December 31, 2003 and 2002

### **1. 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 website “beehive.org”. 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 (GAAP). Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.

#### **Estimates**

The preparation of the financials statements in conformity with accounting principles generally accepted in the United States require 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 net unrelated business income under Internal Revenue Code Section 501(c)(3). For the year ended December 31, 2003 and 2002 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.

#### **Investments**

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

# One Economy Corporation

## Notes to Financial Statements (Continued)

### 1. Organization and Summary of Significant Accounting Policies (Continued)

#### **Classification of Net Assets**

OEC presents its financial statements in accordance with accounting principles generally accepted in the United States. 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, 2003 and 2002.

#### **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. At December 31, 2003 in-kind contributions consist primarily of donated space, legal, internet and website services and are recorded at fair value. At December 31, 2002, the total of donated services received was not reasonably determinable.

#### **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 the OEC's personnel.

# One Economy Corporation

## Notes to Financial Statements (Continued)

### 2. Investment Earnings

The investment's carried at market value consisted of the following at December 31:

	<b>2003</b>	<b>2002</b>
Cash and equivalents:		
SDIT Prime Obligation Class H	\$ 29,435	\$ 103,895
Prime Obligation Fund	78,416	155
Fixed income:		
GNMA Fund	142,537	65,839
Core Fixed Income Fund	73,154	33,389
Short-Duration Government Fund	21,295	9,242
	\$ 344,837	\$ 212,520

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

	<b>2003</b>	<b>2002</b>
Interest and dividends	\$ 13,458	\$ 28,467
Unrealized (loss)/gain	(3,815)	11,106
Realized loss	(2,565)	(1,612)
Net investment earnings	\$ 7,078	\$ 37,961

### 3. Contributions and Grants Receivable

Contributions and grants receivable represent unconditional promises to give by donors. All multi-year receivables were discounted at a rate of 3 percent for 2003. Contributions receivable in 2002 were recorded at net realizable value.

	<b>2003</b>	<b>2002</b>
Receivable within one year	\$ 1,166,407	\$ 91,250
Receivable in one to three years	725,000	-
	1,891,407	91,250
Discount to present value	(64,976)	-
Net receivable	\$ 1,826,431	\$ 91,250

# One Economy Corporation

## Notes to Financial Statements (Continued)

### 4. 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, 2003 and 2002 are attributable to expenses incurred related to these specific programs.

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

	<u>2003</u>	<u>2002</u>
Digital communities	\$ 2,063,903	\$ 425,125
Web properties	945,282	440,700
Special project – Voices of Lower Manhattan	<u>146,060</u>	<u>-</u>
	<u>\$ 3,155,245</u>	<u>\$ 865,825</u>

### 5. Cash Held as Collateral

During 2003 OEC agreed to guarantee 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, 2003 deposits held with financial institutions totaled \$78,996 and the balance of the remaining loans outstanding totaled \$17,538.

### 6. 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 \$32,701 and \$23,036 in 2003 and 2002, respectively.

# One Economy Corporation

## Notes to Financial Statements (Continued)

### 7. Commitments

OEC leases its office space in Washington, DC under a non-cancelable operating lease that commenced on October 1, 2001 and expires on September 30, 2004. On October 1, 2002 OEC amended the lease for additional space. The lease provides for annual rent escalations of 3% over the term of the lease. OEC also subleases office space in California and Portland under non-cancelable lease agreements that expire in 2007. The future minimum lease payments required under these leases are as follows for the years ending December 31:

2004	\$	104,500
2005		34,000
2006		25,300
2007		<u>700</u>
Total	\$	<u>164,500</u>

OEC incurred total rent expense of \$172,308 and \$85,807 for the years ended December 31, 2003 and 2002, respectively.

## **Supplemental Information**

One Economy Corporation  
Schedule of Functional Expenses

Year ended December 31, 2003

	Program Services					Supporting Services			2003 Total	2002 Total
	Digital Communities	Web Properties	DC Grant	Special Projects	Total	Fundraising	General and Administrative	Total		
Salaries	\$ 529,736	\$ 813,357	\$169,570	\$210,224	\$ 1,722,887	\$ 95,701	\$ 75,175	\$170,876	\$1,893,763	\$1,176,437
Benefits	37,702	57,887	12,070	14,955	122,614	6,808	5,353	12,161	134,775	86,329
Payroll taxes	38,808	59,587	12,423	15,401	126,219	7,011	5,507	12,518	138,737	92,252
Consultant fees	124,286	352,435	9,604	290,514	776,839	5,420	4,257	9,677	786,516	526,753
Grant expense	361,646	65,296	62,839	68,722	558,503	5	4	9	558,512	234,584
Promotional	32,444	43,139	7,100	13,991	96,674	96,037	132,027	228,064	324,738	95,448
Rent	59,709	46,126	9,861	11,922	127,618	5,427	39,263	44,690	172,308	85,807
Travel	83,359	9,582	1,603	22,389	116,933	47,121	87	47,208	164,141	174,421
Equipment and technology	30,318	71,238	748	15,286	117,590	369	235	604	118,194	18,486
Telephone	22,211	24,070	2,966	5,076	54,323	1,404	1,062	2,466	56,789	33,506
Evaluation	20,313	36,000	-	-	56,313	-	-	-	56,313	-
Legal fees	3,116	12,867	2,517	7,563	26,063	563	26,254	26,817	52,880	11,042
Accounting fees	14,610	22,355	4,661	5,778	47,404	2,630	2,066	4,696	52,100	41,365
Office	14,269	6,353	2,413	5,575	28,610	636	497	1,133	29,743	42,676
Staff Functions	4,073	6,254	1,304	8,732	20,363	736	578	1,314	21,677	-
Printing	3,583	2,160	230	12,028	18,001	1,187	102	1,289	19,290	294
Meals/Entertainment	5,427	1,047	155	8,461	15,090	3,401	46	3,447	18,537	-
Board expense	5,141	7,893	1,646	2,040	16,720	929	730	1,659	18,379	17,943
Insurance	5,121	7,863	1,639	2,032	16,655	925	727	1,652	18,307	3,988
Postage	3,768	1,924	390	3,061	9,143	1,231	148	1,379	10,522	1,567
Publications/Subscriptions	1,642	1,372	220	5,461	8,695	298	98	396	9,091	-
Advertising	736	2,343	47	59	3,185	544	21	565	3,750	332
Membership/Dues	1,906	393	282	102	2,683	46	36	82	2,765	-
Bad Debt Expense	466	-	-	-	466	-	-	-	466	-
Other expense	173	202	24	32	431	14	11	25	456	5,953
Utilities	36	14	3	4	57	2	1	3	60	350
	<u>\$ 1,404,599</u>	<u>\$ 1,651,757</u>	<u>\$304,315</u>	<u>\$729,408</u>	<u>\$ 4,090,079</u>	<u>\$ 278,445</u>	<u>\$ 294,285</u>	<u>\$572,730</u>	<u>4,662,809</u>	<u>\$2,649,533</u>