



One Economy Corporation

Audited Financial Statements

*Years ended December 31, 2006 and 2005  
with Report of Independent Auditors*

One Economy Corporation

Audited Financial Statements

Years ended December 31, 2006 and 2005

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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, 2006 and 2005, 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, 2006 and 2005, 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 11 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  
June 11, 2007

One Economy Corporation  
 Statements of Financial Position

	December 31,	
	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 2,006,108	\$ 1,287,142
Cash held as collateral	99,559	115,589
Accounts receivable	1,253,804	275,139
Investments	21,167	16,650
Contributions and grants receivable, net	9,147,372	10,819,965
Prepaid expenses	53,498	14,750
Deposits	18,452	5,000
Total assets	\$ 12,599,960	\$ 12,534,235
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 277,780	\$ 283,697
Deferred revenue	12,282	50,000
Total liabilities	290,062	333,697
Net assets:		
Unrestricted net (deficit) assets	(570,181)	(856,583)
Temporarily restricted net assets	12,880,079	13,057,121
Total net assets	12,309,898	12,200,538
Total liabilities and net assets	\$ 12,599,960	\$ 12,534,235

*See accompanying notes to the financial statements.*

# One Economy Corporation

## Statements of Activities

	Years ended December 31,	
	2006	2005
<b>Change in unrestricted net assets</b>		
Revenue and support:		
Grants and contributions	\$ 854,918	\$ 1,194,335
In-kind contributions	151,346	-
Services revenue	2,847,934	2,530,839
Other income	15,045	48,638
Investment earnings, net	80,003	23,258
Total revenue	3,949,246	3,797,070
Net assets released from restriction	5,387,329	2,424,868
Total unrestricted revenue and support	9,336,575	6,221,938
 Expenses:		
Program services		
Digital Community	3,806,963	2,375,906
Web Properties	2,524,931	2,061,109
Special Projects	1,731,329	1,590,443
Digital Connectors	228,215	222,425
Total program services	8,291,438	6,249,883
 Support services		
Fundraising	456,725	297,672
General and administrative	302,010	561,333
Total support services	758,735	859,005
 Total expenses	9,050,173	7,108,888
 Change in unrestricted net assets	286,402	(886,950)
 <b>Change in temporarily restricted net assets</b>		
Grants and contributions	5,210,287	13,268,624
Net assets released from restriction	(5,387,329)	(2,424,868)
Change in temporarily restricted net assets	(177,042)	10,843,756
 Net change in net assets	109,360	9,956,806
 Net assets, beginning of year	12,200,538	2,243,732
 Net assets, end of year	\$ 12,309,898	\$ 12,200,538

*See accompanying notes to the financial statements.*

# One Economy Corporation

## Statements of Cash Flows

	Years ended December 31,	
	2006	2005
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 109,360	\$ 9,956,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in market value of investments	2,984	(9,327)
Donation of stock	(57,697)	(156,290)
Changes in operating assets and liabilities:		
Accounts receivable	(978,665)	(275,139)
Contributions and grants receivable	1,703,105	(9,949,982)
Discount on contributions	(30,512)	793,303
Prepaid expenses	(38,748)	(14,750)
Deposits	(13,452)	-
Accounts payable and accrued liabilities	(5,917)	266,405
Deferred revenue	(37,718)	50,000
Cash flows provided by operating activities	652,740	661,026
<b>Cash flows from investing activities</b>		
Proceeds from sale and reinvested earnings of investments	50,196	183,936
Cash flows provided by investing activities	50,196	183,936
<b>Cash flows from financing activities</b>		
Payments on revolving line of credit	1,460,000	(800,000)
Proceeds from revolving line of credit	(1,460,000)	800,000
Cash flows from financing activities	-	-
Change in cash and cash equivalents	702,936	844,962
Cash and cash equivalents, beginning of year	1,402,731	557,769
Cash and cash equivalents, end of period	\$ 2,105,667	\$ 1,402,731
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	\$ 2,006,108	\$ 1,287,142
Cash held as collateral	99,559	115,589
	\$ 2,105,667	\$ 1,402,731

*See accompanying notes to the financial statements.*

# One Economy Corporation

## Notes to Financial Statements

*Years ended December 31, 2006 and 2005*

### **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 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 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, 2006 and 2005 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)

### **Note A - 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 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, 2006 and 2005.

#### *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.

#### *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.

# One Economy Corporation

## Notes to Financial Statements (Continued)

### Note B - Investments

Investments carried at market value consisted of equity securities of \$21,167 and the Prime Obligation Fund of \$16,650 at December 31, 2006 and 2005, respectively.

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

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 76,216	\$ 4,691
Unrealized (loss) gain, net	(2,984)	9,327
Realized gain, net	<u>6,771</u>	<u>9,240</u>
Net investment earnings	<u>\$ 80,003</u>	<u>\$ 23,258</u>

### Note C - Contributions and Grants Receivable

Contributions and grants receivable represent unconditional promises to give by donors. Discount rates are based upon the rates of applicable Treasury bills as of the end of the year in which 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>2006</u>	<u>2005</u>
Receivable within one year	\$ 5,668,907	\$ 4,385,450
Receivable in one to three years	<u>4,293,168</u>	<u>7,279,730</u>
	9,962,075	11,665,180
Discount to present value	<u>(814,703)</u>	<u>(845,215)</u>
Net contributions and grants receivable	<u>\$ 9,147,372</u>	<u>\$ 10,819,965</u>

### Note D - Conditional Contributions

During 2006, OEC received conditional contributions in the amount of \$225,000 from the Blank Family Foundation. OEC will receive these contributions upon meeting certain conditions. It is expected that these conditions will be met during 2007 and 2008. At December 31, 2006 conditional promises have not been recorded in the accompanying financial statements.

# One Economy Corporation

## Notes to Financial Statements (Continued)

### Note E - 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, 2006 and 2005 are attributable to expenses incurred related to these specific programs.

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

	<u>2006</u>	<u>2005</u>
Digital community	\$ 11,373,278	\$ 11,860,235
Web properties	1,269,634	691,256
Special projects	<u>237,167</u>	<u>505,630</u>
	<u>\$ 12,880,079</u>	<u>\$ 13,057,121</u>

### Note F - 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, 2006 and 2005 deposits held with financial institutions totaled \$99,559 and \$115,589, respectively. The remaining loans outstanding totaled \$72,308 and \$58,308, as of December 31, 2006 and 2005, respectively.

### Note G - 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 \$49,321 and \$37,461 in 2006 and 2005, respectively.

# One Economy Corporation

## Notes to Financial Statements (Continued)

### Note H - 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 2006 and 2009. The future minimum lease payments under the above described operating leases as of December 31, 2006 are approximately as follows:

2007	\$ 258,000
2008	209,000
2009	214,000
2010	188,000
2011	192,000
Thereafter	<u>399,000</u>
Total	<u>\$ 1,460,000</u>

OEC incurred total rent expense of \$315,583 and \$284,193 for the years ended December 31, 2006 and 2005, respectively.

### Note I - Line 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.

On May 26, 2005, OEC entered into a revolving Line of Credit (LOC) with Eagle Bank. The LOC allows OEC to utilize up to \$750,000 to provide short-term working capital. Interest is payable monthly. OEC closed this line of credit in May of 2006.

At December 31, 2006 and 2005 no amounts were outstanding relating to the Lines of Credit. The interest incurred was \$11,224 and \$16,299 for the years ended December 31, 2006 and 2005, respectively.

## **Supplemental Information**

One Economy Corporation  
Statements of Functional Expenses

*Year ended December 31, 2006*

	<b>Digital Community</b>	<b>Web Properties</b>	<b>Special Projects</b>	<b>Digital Connectors</b>	<b>Fundraising</b>	<b>General and Administrative</b>	<b>2006 Total</b>	<b>2005 Total</b>
Salaries	\$ 1,069,330	\$ 1,279,341	\$ 375,006	\$ 89,848	\$ 245,249	\$ 266,562	\$ 3,325,336	\$ 2,900,847
Payroll taxes	79,045	99,186	28,746	5,532	18,495	21,756	252,760	219,595
Employee benefits	75,651	94,927	27,512	5,294	17,701	20,824	241,909	237,139
Promotion (including in-kind)	10,597	222,537	215	-	993	5,615	239,957	280,058
Access work	365,143	553,365	936,827	-	105,602	-	1,960,937	1,506,791
Contributions/grants	1,194,516	-	-	106,862	-	3,001	1,304,379	524,502
Occupancy	165,672	-	5,594	-	-	144,317	315,583	284,193
Travel and entertainment & meals	247,802	35,412	144,830	-	25,581	17,202	470,827	296,572
Web development, hosting and support	-	711	-	-	-	47,745	48,456	154,761
Equipment purchase, rental, and service	19,187	20,730	11,168	-	-	65,683	116,768	120,629
Telephone	38,157	771	4,913	-	530	31,777	76,148	72,094
Office expense	58,301	13,619	8,527	472	3,656	23,502	108,077	91,204
Audit and accounting	-	-	-	-	-	86,841	86,841	81,450
Staff functions	137	3,580	3,395	-	-	155,491	162,603	94,283
Insurance	-	-	-	-	-	38,907	38,907	41,654
Evaluations	-	-	-	-	-	-	-	59,482
Board expenses	-	-	-	-	-	36,414	36,414	25,382
Postage and shipping	4,174	1,850	2,000	-	960	5,913	14,897	15,825
Printing and publications	188,572	6,099	516	-	227	19,903	215,317	34,097
Membership	1,626	5,090	840	-	682	3,620	11,858	2,856
Other expenses	-	-	-	-	-	-	-	5,937
Legal	-	-	-	-	-	2,452	2,452	7,090
Dues and subscriptions	-	-	-	-	-	-	-	2,251
Utilities	6,184	-	-	-	-	-	6,184	8,897
Interest	-	-	-	-	-	11,224	11,224	16,299
Repairs and maintenance	55	-	-	-	-	2,284	2,339	-
Bad debt	-	-	-	-	-	-	-	25,000
Overhead allocation	282,814	187,713	181,240	20,207	37,049	(709,023)	-	-
<b>Total</b>	<b><u>\$ 3,806,963</u></b>	<b><u>\$ 2,524,931</u></b>	<b><u>\$ 1,731,329</u></b>	<b><u>\$ 228,215</u></b>	<b><u>\$ 456,725</u></b>	<b><u>\$ 302,010</u></b>	<b><u>\$ 9,050,173</u></b>	<b><u>\$ 7,108,888</u></b>