

NONPROFIT INVESTOR

INDEPENDENT RESEARCH FOR PHILANTHROPY

One Economy Corporation

Nonprofit Investor Rating:

NEUTRAL

Mission Statement

One Economy Corporation's mission is to ensure that every person, regardless of income and location, can maximize the power of technology to improve the quality of his or her life and enter the economic mainstream.

Financial Overview

\$ in MM, Fiscal Year Ended December 31

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue and Support	\$7.2	\$10.2	\$14.0
Operating Expenses	\$12.6	\$15.3	\$22.4
% of Total:			
Program Expenses	90.8%	77.9%	92.1%
G&A	1.1%	12.4%	1.1%
Fundraising	8.1%	9.8%	6.8%

Year Founded: 2000

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SUMMARY

One Economy Corporation ("One Economy"), founded in 2000 in Washington, DC, is a nonprofit organization that focuses on the use of technology, and the Internet in particular, to allow people who are disadvantaged to better their lives.

STRENGTHS

▲ **High-level impact figures are encouraging.** The organization has a significant scope and reach, having served tens of thousands of people throughout its history.

▲ **Organization has formed a number of important partnerships.** These partnerships are with both corporations and government entities, thus increasing impact, credibility, and efficiency of major programs.

CAUTIONS

▼ **Ongoing financial stability threatened by three-year trend of expenses exceeding costs.** Despite increasing revenues from 2008-2010, One Economy's expenses have grown more quickly. Filings reveal annual expenses ranging from 150% to 175% of revenue on a yearly basis. This trend has driven a decrease in assets from \$22 million in 2007 to \$8.6 million in 2010.

▼ **Little-to-no in depth studies available on the impact of various programs.** Impact measurement is limited, relying mainly on anecdotes and a small number of case studies. While high-level results are encouraging, there is little clear evidence that the programs run by One Economy truly generate the desired economic impact for their target populations.

● **Poor transparency of financials and strategy.** Form 990s are not available on the One Economy website, and only one annual report is available. In addition, no context is provided to explain large recent fluctuations in administrative expenses.

RECOMMENDATION: NEUTRAL

One Economy's services have impacted a number of people and have gained the support of players ranging from government to corporations. However, actual impact of the services is unclear, and expenditures consistently exceed revenues, throwing sustainability into doubt.

OVERVIEW OF ONE ECONOMY'S ACTIVITIES

History

One Economy was founded in 2000 in Washington, DC with the goal of utilizing technology to help underserved and disadvantaged members of the American population.

Within two years of launch, One Economy had launched two of its key flagship programs: The Beehive – a content distribution service, and Digital Connectors – a service to train youth in technology. It had also begun advocacy for legislation that would incentivize broadband access in low-income housing, a third key pillar of One Economy's programs.

Over the next few years, One Economy continued to grow and expand its efforts and its impact. The Beehive reached one million page views soon after creation, and by 2004 was being utilized by both presidential candidates in that year's election as a way to reach low-income voters. Digital Connector programs expanded throughout the country, and public advocacy helped change policy in most states to further incentivize broadband access for low-income homes. Finally, in 2005, One Global Economy was launched, which would focus on global initiatives in line with One Economy's domestic priorities.

In 2006, One Economy announced a \$100 million partnership with AT&T to directly provide broadband access to more than 100,000 low income people, including providing services in a number of Habitat for Humanity homes. Over the next few years, One Economy would expand these efforts, while continuing to develop content for The Beehive both domestically and abroad. This same year, One Economy also launched the Public Internet Channel, with Congressional support.

The last few years of the decade were characterized by continued increase in the impact of One Economy's current programs. In particular, One Economy utilized a tax tool on The Beehive to help provide tax refunds to low-income Americans and continued to push for and provide broadband access for low-income homes. Moving into the second decade of the millennium, One Economy continued to align its priorities along the path set over the previous decade: content creation, broadband access, technology training, and a burgeoning group focusing on global initiatives.

Program overview

Over the 12 years of its existence, One Economy has launched a variety of programs and initiatives. However, three in particular (as described above) have had the majority of the focus.

Content creation (31% of Program Expenses in 2008/9)

One Economy creates a variety of online content, accessible to the general public, with the goal of sharing life-enhancing knowledge with those who may otherwise not have exposure to these ideas. This includes information on managing money, finding a job, or buying a home.

The majority of this content is disseminated between one of two channels. The first is The Beehive, (<http://www.thebeehive.org>), which provides helpful information in both English and Spanish in the following areas:

- Money – Help with finances, free tax filing, home budgets, and more
- Health – Free health tips on living a balanced and healthy life
- Jobs – Help with unemployment benefits, finding a job, and building resumes
- School – Free homework help for all ages in English and Spanish
- Housing – Foreclosure and first time home buying help

The second channel is the Public Internet Channel (<http://www.pic.tv>). The Internet equivalent of a public access TV channel, the network features blogs and videos aimed to help people improve their lives. Some examples of the content are “Diary of a Single Mom”, an web series that details challenges faced by single mothers, and “Los Americans”, a video series about a Latino family in Los Angeles and the challenges that they face.

Broadband Internet access (13% of total Program Expenses in 2008/9)

The second of the key initiatives of One Economy is providing broadband Internet access to low-income or otherwise disadvantaged communities. The base idea is that broadband Internet drives access to a huge variety of services and knowledge, which provide for upward mobility. One Economy works to provide this service by partnering with a variety of relevant organizations, including housing owners, government entities, and technology companies. The provision of these services range from low-cost provision of broadband services to free wireless Internet.

The effort began in earnest in 2002 and has now been pursued across the country in more than 50 cities. Current plans involve connecting 40,000 households to broadband Internet by 2012.

Digital Connectors (42% of program expenses in 2008/9)

One Economy also works to train people to use technology with the goal of improving their own lives and those of their families. There are a number of initiatives run by One Economy towards this goal, but the flagship program is “Digital Connectors”.

The Digital Connectors program trains young people to use technology, while also retaining a community service and leadership focus. The overall curriculum for the program is 156 hours of training, which trains young people in areas including personal development, financial literacy, and advanced technology skills. By the time they graduate from the program, those participating in Digital Connectors should have a robust skill set that allows them to achieve success in today’s workforce.

The impact of the Digital Connectors program, however, goes beyond the classroom. One Economy hosts a close alumni network, allowing members to stay connected with each other after the program finishes. In addition, they emphasize community service and leadership, ensuring both that Digital Connectors give hours of community service as well as identifying opportunity for them help out their communities.

Digital Connectors works through partnerships with and support from a variety of sponsors, most significantly Comcast.

Other initiatives

In addition to the three flagship programs listed above, One Economy also leads or supports another of other initiatives, primarily with a global focus.

On the content side, One Economy has adapted it’s flagship Beehive website to a variety of different nations – Beehives now operate out of 12 countries (Ethiopia, Nigeria, Turkey, Cameroon, Rwanda, Kenya, Jordan, South Africa, Israel, and Mexico), with visitors from over 170. In addition, One Economy has begun hosting Community Knowledge Centers, which are localized social networks that allow managers of computer centers to share content. One Economy also provides technology training globally, with particular focus in Durban, South Africa.

PROGRAM RESULTS AND EFFECTIVENESS

While there is no doubt that One Economy’s efforts reach a large number of people, the overall measurement of impact is somewhat limited, and relies heavily on anecdotes and a few case studies. There is not much publicly available information on the impact of One Economy programs, and it is not clear that any comprehensive impact studies have been completed.

The overall lack of transparency or information regarding program impact is one of two primary drivers for NPI’s “Neutral” rating for One Economy (the other being expenses as they relate to costs). There are high-level results that are encouraging, but a number of questions that remain – both are detailed below.

The Beehive / Content

As of the most recent available figures, content created by One Economy had been accessed over 21 million times. Using the figures from 2008-2010, this works out to about one dollar of expenses per each visit. More information is needed to determine whether this is efficient impact.

In particular, while the Beehive is targeted toward low-income people, there is little information regarding who actually uses the website – specifically, whether it is reaching the targeted population.

Furthermore, there have been no publicly available studies analyzing the actual usefulness of the website, or whether users have been able to better their own lives as is the goal, aside from a few select success stories. Use of a survey or solicited visitor feedback could take major steps towards answering these questions.

Broadband Internet Access

Overall, there is more information available regarding the provision of broadband Internet access than the other One Economy initiatives. One Economy has provided low-cost Internet access to more than 50,000 households. This includes two years of free access to 35,000 households, followed by Internet access at 50% of market cost thereafter. One Economy is also currently working on a federal program to connect 27,000 more households to the Internet, with two years of free Internet followed by three years at \$10/month.

The overall initiative varies in cost, and publicly available information is relatively vague. However, the overall cost per beneficiary of this program has been low, under \$50 per household for the year – and in fact, in 2008, One Economy was able to generate net revenue through Internet access. This is likely due in part to the partnerships that One Economy has formed that allows it to be more efficient in delivering this service than otherwise would be the case. These figures are encouraging. One Economy has also done select impact studies ascertaining that once they provide wireless service to a community, Internet usage goes up significantly.

However, questions remain regarding the overall impact of this service. While there is inherent value in Internet access, and its provision helps One Economy provide other services such as technology training, there are no studies ascertaining the impact of this service for the beneficiaries, and whether Internet access makes an appreciable impact on increasing quality of life. A more robust study, potentially with a control community and a test community to measure the impact of broadband access would be very useful in determining the value of this service.

Digital Connectors and training programs

One Economy trains hundreds of youth a year to use technology and become community leaders. To date, over 6,000 youth in 32 cities throughout the United States have taken part in these programs, resulting in an estimated total impact of hundreds of thousands of community members being trained in technology. Furthermore, these 6,000 youth have given more than 200,000 hours service back to their communities and over 1/3 actively participate in an alumni network. The program cost varies between \$2,000 and \$4,000 per youth trainee (in the Digital Connector program) – and the overall impact is unclear. There is little information (besides a few anecdotes) following up on how the training affects the lives of the participants and their communities. A longitudinal study examining the long-term impact of the program for a number of participants would help ascertain the value of the program.

TRANSPARENCY

Despite hosting a variety of programs and a track record of over 10 years, One Economy's overall transparency is lacking. While there is good information regarding the ideas behind the program that One Economy runs, there is little easy access to information behind their operations.

Form 990s are not accessible on the website, making it difficult to fully understand the finances behind the company. Furthermore, One Economy does not regularly publish annual reports – currently, only one annual report is available for their 10th anniversary in 2010, which provides a high level view of finances and some selected anecdotes. It would be very useful if One Economy could provide a more comprehensive view of finances over the years so that potential donors could understand how reach has increased. One Economy also does not provide information that gives context to the reason for shifting degrees of administrative expenses over the years.

Finally, as previously mentioned, there is little information on impact. While the “what we are doing” page on the One Economy website is regularly updated, it does not give comprehensive details regarding company operations.

To attain a “buy” rating, easily accessible and more in depth information about the organization and its activities needs to be available to funders and supporters.

FINANCIAL OVERVIEW

One Economy’s financials are available in its Form 990s. For this report, data from 2007 through 2010 was analyzed.

Overall, most of One Economy’s financials are encouraging. The asset base is a healthy mix of cash and cash equivalents, receivables, and a few investments, and a significant portion of expenses is allocated to program expenses. Executive compensation tends to be in line with industry standards, although a \$400,000 CEO salary in 2009, and rising compensation for other executives is notable. However, there is one major trend in One Economy finances that causes the most concern: that expenses are outpacing revenues – this is one of the two major reasons for the “neutral” rating (the other reason being limited impact studies).

Starting in 2008, likely due to the financial crisis, revenues for One Economy dropped over 60%. Specifically, in 2007, One Economy pulled in close to \$20 million dollars in grants, revenue, and other income. In 2008, this dropped to slightly over \$7 million dollars.

However, expenses of One Economy continued to rise – from \$10.7 million in 2007 to \$12.6 million in 2008. Notably, this means that expenses went from being close to half of revenue in 2007 to 175% of revenue in 2008.

It is troubling that this trend has continued in the years since. While revenues have risen from their 2008 low – to \$10 million in 2009 and \$14 million in 2010 – One Economy continues to outspend its means. In 2009, expenses were 150% of revenue, and in 2010, they rose to 160%. Unsurprisingly, this trend has been accompanied by a depletion of assets. An asset base close to \$22 million in 2007 has since dwindled to \$8.6 million by 2010.

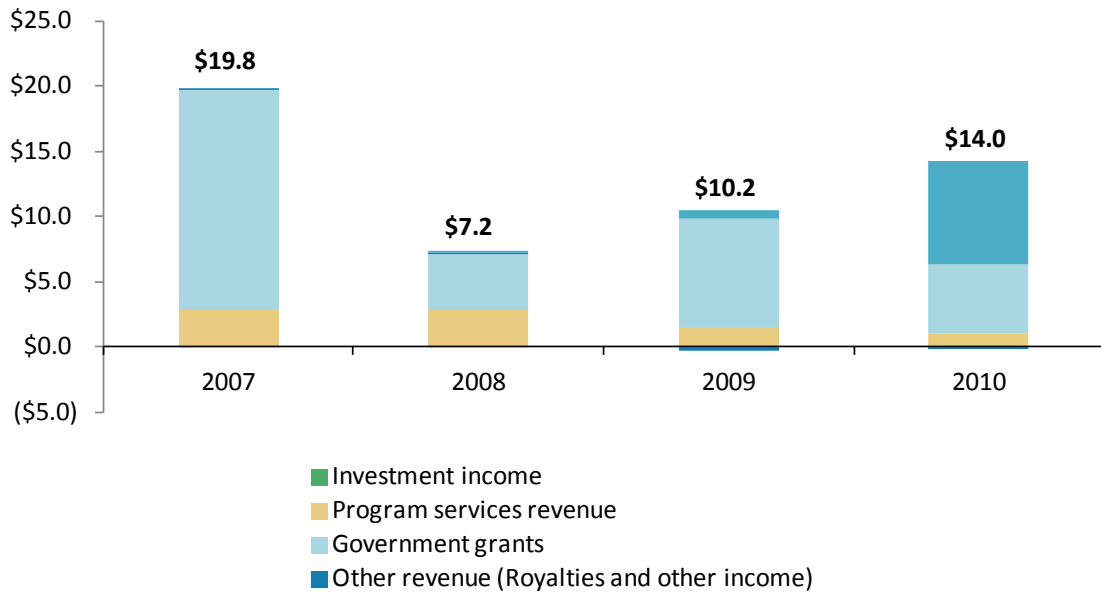
While spending down the asset base in times of less financing, such as immediately post the 2008 financial crisis, may be a viable strategy, the lack of a return to normalcy despite growing revenues in the years since is troubling and threatens the long term viability of the programs.

The financial filings of One Economy also highlight one other troubling trend. While at first glance, it has been spending a high degree of revenue on program expenses – between 78% and 92%, there is little detail behind this calculation. In both 2008 and 2010, One Economy re-allocated up to \$3 million dollars (over 10% of expenses) that had been listed as “Management and General Expenses” to be considered “Program Expenses”. In part due to this allocation, Management and General Expenses has been close to 1% of total expenses – a figure that seems quite low compared to industry standards and may not accurately reflect true expenses.

To maintain financial viability, One Economy needs to demonstrate a return to spending in line with revenue, as well as clarity regarding the small allocation of expenses to administrative activities.

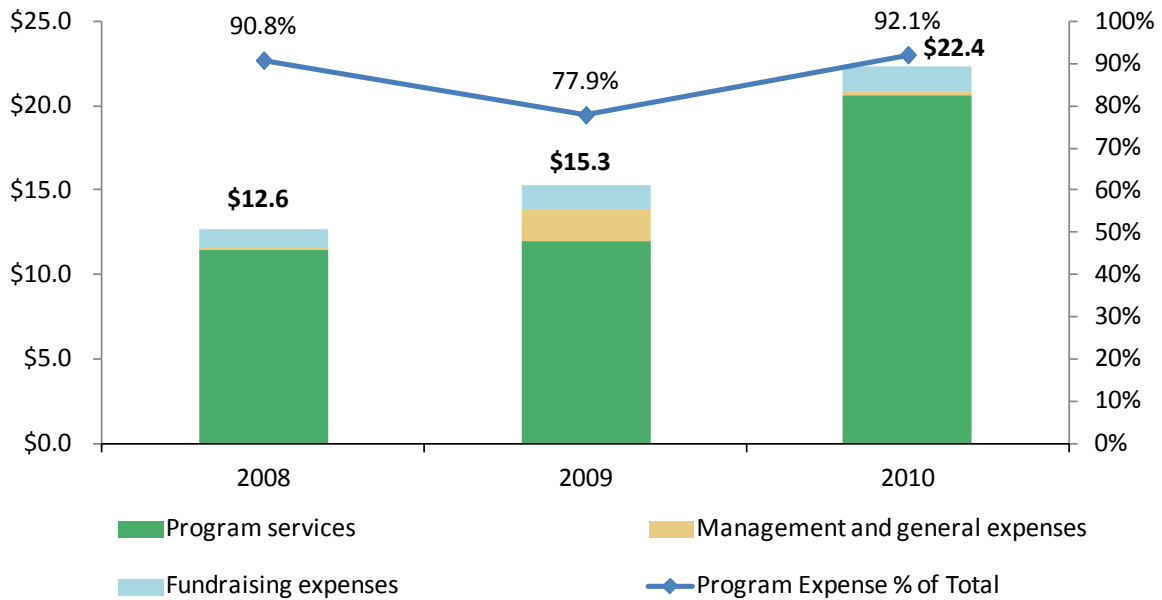
Revenue Mix and Change Over Time

\$ in MM



Expense Breakout Over Time

\$ in MM



Detailed Financial Information

Fiscal Year Ended December 31

	2008	2009	2010
Revenue and Expenses (Tax Accounting Basis)			
Operating Revenue:			
Contributions and grants	\$4,353,314	\$9,018,235	\$13,123,154
Program services revenue	2,735,402	1,485,919	1,075,316
Investment income	56,788	2,032	(714)
Other revenue (Royalties and other income)	57,235	(257,842)	(193,302)
Total Support and Revenues	\$7,202,739	\$10,248,344	\$14,004,454
<i>% Growth</i>	(63.6%)	42.3%	36.7%
Expenses:			
Grants and member benefits			
Compensation, salary, and benefits	\$6,457,041	\$7,936,487	\$8,857,748
Fees for non-employee services	90,350	2,382,736	5,859,787
Advertising/promotion	261,380	285,978	1,258,089
All other expenses	5,838,839	4,733,347	6,390,289
Total Expenses:	\$12,647,610	\$15,338,548	\$22,365,913
<i>% of Revenue</i>	175.6%	149.7%	159.7%
KEY BALANCE SHEET INFORMATION (end of year)			
Cash and Cash Equivalents	\$291,650	\$4,487,316	\$3,572,975
Investments	4,524,307	69,743	81,541
Total Assets	\$16,386,634	\$13,361,931	\$8,696,713
Expenses by Function (Tax Accounting Basis)			
Program services	\$11,487,712	\$11,944,763	\$20,605,438
Management and general expenses	134,751	1,896,676	245,457
Fundraising expenses	1,025,147	1,497,109	1,515,018
Total Expenses	\$12,647,610	\$15,338,548	\$22,365,913
Program Costs as a % of Total Expenses	90.8%	77.9%	92.1%
G&A as a % of Total Expenses	1.1%	12.4%	1.1%
Fundraising as a % of Total Expenses	8.1%	9.8%	6.8%

Source: IRS Form 990 (Tax Accounting Basis)

OTHER THIRD PARTY RATINGS

- Charity Navigator rates One Economy 4 out of 4 stars. Overall rating is based on 4 stars for accountability and transparency, and 3 stars for financials.
- GreatNonprofits rates One Economy 1 out of 5 stars based on 1 user review. User review focused on lack of accountability and transparency.

One Economy is not currently covered by:

- Philanthropedia
- GiveWell

GET INVOLVED

The primary way for individuals to support One Economy is through donation. They are also encouraged to increase engagement with the organization through connecting on Facebook and/or Twitter, and signing up for a monthly newsletter.

DISCLOSURES

Luke Pryor certifies that he does not have any affiliation with One Economy Corporation, and has never made a donation to the organization. Additionally, Luke has not supported directly competing organizations in a greater capacity than a nominal donation. NPI analysts and NPI as an organization do not receive any form of compensation from reviewed charities.

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