

OneCommunity
Statement of Financial Position
December 31, 2009 and 2008

| | Unaudited 12/31/09 | Audited 12/31/08 | Difference |
|--|-----------------------|----------------------|-------------------------|
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash - Operating | \$ 56,648 | \$ 328,184 | \$ (271,536) |
| Cash - Restricted | 252,509 | 937,108 | (684,599) |
| Accounts Receivable, net | 438,169 | 980,964 | (542,795) |
| Prepaid Expenses | 58,976 | 137,500 | (78,524) |
| Unconditional promise to give fiber access, net. | 508,392 | 508,392 | - |
| Assets Held for Sale | 179,626 | - | 179,626 |
| Grants Receivable | 11,765,446 | 12,003,446 | (238,000) |
| | 13,259,766 | 14,895,594 | (1,635,828) |
| Property and Equipment | | | |
| Office Furniture & Equipment | 397,866 | 388,633 | 9,233 |
| Leasehold Improvements | 314,257 | 284,434 | 29,823 |
| Computer Equipment & Software | 877,855 | 705,375 | 172,480 |
| Discovery Portal | 250,000 | 250,000 | - |
| Voice over IP and Shared Services | 1,217,574 | 1,203,895 | 13,679 |
| Fiber Equipment & Installation | 3,574,645 | 3,695,542 | (120,897) |
| Network - Sun Equipment Donation | 1,872,197 | 1,872,197 | - |
| Fiber | 6,952,812 | 6,539,108 | 413,704 |
| Wireless Network | 815,675 | 419,989 | 395,686 |
| | 16,272,881 | 15,359,173 | 913,708 |
| Less Accumulated Depreciation | 5,205,015 | 3,555,445 | 1,649,570 |
| | 11,067,866 | 11,803,728 | (735,862) |
| Other Assets | | | |
| Long-term unconditional promise to give fiber access, net. | 3,661,324 | 3,969,973 | (308,649) |
| Deposits | 45,217 | 24,433 | 20,784 |
| | 3,706,541 | 3,994,406 | (287,865) |
| Total Assets | \$ 28,034,173 | \$ 30,693,728 | \$ (2,659,555) |

LIABILITIES AND NET ASSETS

| | | | |
|--|----------------------|----------------------|-------------------------|
| Current Liabilities | | | |
| Accounts Payable | \$ 1,975,591 | \$ 2,165,063 | \$ (189,472) |
| Accrued Expenses | 127,451 | - | 127,451 |
| Deferred Revenue | 433,636 | 77,627 | 356,009 |
| Deferred Revenue - IRU | 25,535 | 25,535 | - |
| Customer Deposit | 164,000 | - | 164,000 |
| Line of Credit | 6,483,889 | 3,797,382 | 2,686,507 |
| Current Portion of Notes Payable | - | 798,414 | (798,414) |
| | 9,210,102 | 6,864,021 | 2,346,081 |
| Long-Term Liabilities | | | |
| Notes Payable, net of Current Portion | | 619,116 | (619,116) |
| Long-Term Deferred Revenue | 421,979 | 447,514 | (25,535) |
| | 421,979 | 1,066,630 | (644,651) |
| Total Liabilities | 9,632,081 | 7,930,651 | 1,701,430 |
| Net Assets | | | |
| Unrestricted | | | |
| Operation | (5,938,354) | (2,413,182) | (3,525,172) |
| Donated Assets | 5,409,632 | 5,600,000 | (190,368) |
| Temporarily Restricted | | | |
| Grants & Sponsorships | 14,761,098 | 2,842,520 | 11,918,578 |
| Capital Grants & Appropriations | | 12,255,374 | |
| Unconditional Promise to Give Fiber Access | 4,169,716 | 4,478,365 | (308,649) |
| | 18,402,092 | 22,763,077 | (4,360,985) |
| Total Liabilities and Net Assets | \$ 28,034,173 | \$ 30,693,728 | \$ (2,659,555) |

OneCommunity
Statement of Cash Flows
For the Period Ended December 31, 2009 and 2008

| | Unaudited 12/31/09 | Audited 12/31/08 |
|---|-----------------------|---------------------|
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ (4,360,985) | \$ 11,209,005 |
| Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities | | |
| Depreciation | 1,967,781 | 1,805,749 |
| Bad Debt Expense/(write off of bad debt) | - | - |
| Loss on sale of Asset | - | 1,197,785 |
| Donated Revenues | (199,744) | (5,839,423) |
| Use of Donated Fiber & Equipment | 190,368 | 508,392 |
| Change in Deferred Revenue - IRU | (25,535) | (25,534) |
| (Increase) decrease in assets | | |
| Accounts receivable | 542,795 | (460,624) |
| Grants receivable | 238,000 | (6,380,446) |
| Prepaid expenses | 78,524 | (84,067) |
| Deposit | | |
| Increase (decrease) in liabilities | | |
| Accounts payable | (189,472) | 1,089,728 |
| Accrued expenses | 127,451 | (629,281) |
| | (1,630,817) | 2,391,284 |
| Net cash provided/(used) by operating activities | (1,630,817) | 2,391,284 |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of property and equipment | (913,708) | (3,744,722) |
| Assets held for sale | (179,626) | |
| Proceeds Received on Sale of Assets | | 360,000 |
| Deposit on Equipment | (20,784) | 61,108 |
| | (1,114,118) | (3,323,614) |
| Net Cash Used in Investing Activities | (1,114,118) | (3,323,614) |
| <u>Cash Flows From Financing Activities</u> | | |
| Deferred Revenue-Connections | 355,822 | (641,768) |
| Customer Deposit | 164,000 | |
| Proceeds/Repayments from Line of Credit | 2,686,507 | 3,452,382 |
| Proceeds/Repayments of Demand Notes Payable | | |
| Proceeds/Repayments of Notes Payable | (619,116) | 639,302 |
| Repayment of Notes Payable | (798,414) | (707,417) |
| Repayments of Capital Lease | | (1,038,523) |
| | 1,788,799 | 1,703,976 |
| Net cash provided by financing | 1,788,799 | 1,703,976 |
| Net increase (decrease) in cash | (956,135) | 771,646 |
| Cash balance at beginning of period | 1,265,292 | 493,646 |
| Cash balance at end of period | \$ 309,157 | \$ 1,265,292 |

OneCommunity
Statement of Changes in Net Assets
For the Period Ended December 31, 2009 and 2008 with Budget

| | Actual - December 31, 2009 | | | | Budget | (Under)/Over Budget | Actual - December 31, 2008 | | | |
|--|----------------------------|--------------------|--------------------|----------------------|----------------------|------------------------|----------------------------|-------------------|--------------------|-------------------|
| | Unrestricted | Donated Assets | Temp Restricted | Total | | | Unrestricted | Donated Assets | Temp Restricted | Total |
| Revenue | | | | | | | | | | |
| Broadband Technology Revenue | \$ 3,351,897 | \$ - | \$ 79,800 | \$ 3,431,697 | \$ 3,863,180 | \$ (431,483) | \$ 3,467,641 | \$ - | \$ - | \$ 3,467,641 |
| Equipment & Fiber Sales | 184,500 | - | - | 184,500 | - | 184,500 | 7,141,167 | - | - | 7,141,167 |
| Contributions & Sponsorship | 214,421 | - | - | 214,421 | 76,500 | 137,921 | 44,200 | - | - | 44,200 |
| Grants | 157,000 | - | 3,634,377 | 3,791,377 | 4,165,800 | (374,423) | 85,000 | - | 11,826,200 | 11,911,200 |
| Non-cash Donations | - | - | - | - | - | - | - | 5,600,000 | - | - |
| Amortization of Discounts - Fiber Access | 199,744 | - | - | 199,744 | 199,744 | (0) | 239,423 | - | - | 239,423 |
| Miscellaneous Income | 2,063 | - | - | 2,063 | 8,996 | (6,933) | 115,344 | - | - | 115,344 |
| Revenue Released from Restriction | 4,359,622 | - | (4,359,622) | - | - | - | 3,944,531 | - | (3,944,531) | - |
| Total Revenues | 8,469,247 | - | (645,445) | 7,823,802 | 8,314,220 | (490,418) | 15,037,306 | 5,600,000 | 7,881,669 | 28,518,975 |
| Expense | | | | | | | | | | |
| Personnel Expenses | 4,251,555 | - | - | 4,251,555 | 4,618,504 | (366,949) | 3,125,423 | - | - | 3,125,423 |
| Capitalized Salary Costs | (136,383) | - | - | (136,383) | (227,692) | 91,309 | (202,618) | - | - | (202,618) |
| Printing, Advertising & Sponsorships | 167,630 | - | - | 167,630 | 368,662 | (201,032) | 93,228 | - | - | 93,228 |
| Professional fees | 1,011,150 | - | - | 1,011,150 | 1,412,142 | (400,992) | 1,045,333 | - | - | 1,045,333 |
| Business Events, Meals and Travel | 278,797 | - | - | 278,797 | 429,853 | (151,056) | 325,498 | - | - | 325,498 |
| Office Expense | 671,536 | - | - | 671,536 | 491,149 | 180,387 | 501,489 | - | - | 501,489 |
| Bad Debt Expense | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous Expense | 2,604 | - | - | 2,604 | 74,173 | (71,569) | 7,942 | - | - | 7,942 |
| Interest | 249,316 | - | - | 249,316 | 327,712 | (78,396) | 248,237 | - | - | 248,237 |
| Property Tax | - | - | - | - | - | - | - | - | - | - |
| Project Management | 34,600 | - | - | 34,600 | 164,000 | (129,400) | 362,737 | - | - | 362,737 |
| Installation Costs | 208,392 | - | - | 208,392 | 152,791 | 55,601 | 193,406 | - | - | 193,406 |
| Network operations | 3,095,876 | - | - | 3,095,876 | 3,262,044 | (166,168) | 1,840,494 | - | - | 1,840,494 |
| Equipment and Fiber Costs | 191,566 | - | - | 191,566 | - | 191,566 | 6,256,875 | - | - | 6,256,875 |
| Depreciation | 1,967,781 | 190,368 | - | 2,158,149 | 2,295,829 | (137,680) | 1,778,171 | 535,970 | - | 2,314,141 |
| Total Expenses before One Time Sale | 11,994,419 | 190,368 | - | 12,184,787 | 13,369,167 | (1,184,380) | 15,576,215 | 535,970 | - | 16,112,185 |
| Net Revenue/(Expenses) before One Time Sale | | | | | | | | | | |
| | (3,525,173) | (190,368) | (645,445) | (4,360,985) | (5,054,947) | (693,962) | (538,909) | 5,064,030 | 7,881,669 | 12,406,790 |
| <i>Net Sale of CMSD Equipment</i> | - | - | - | - | - | - | (1,197,785) | - | - | (1,197,785) |
| Net Revenue/(Expenses) | (3,525,173) | (190,368) | (645,445) | (4,360,985) | (5,054,947) | (693,962) | (1,736,694) | 5,064,030 | 7,881,669 | 11,209,005 |
| Net Assets at beginning of period | (2,413,182) | 5,600,000 | 19,576,259 | 22,763,077 | | | (676,488) | 535,970 | 11,694,590 | 11,554,072 |
| Net Assets at end of period | \$ (5,938,354) | \$ 5,409,632 | \$ 18,930,814 | \$ 18,402,092 | | | \$ (2,413,182) | \$ 5,600,000 | \$ 19,576,259 | \$ 22,763,077 |

Notes: Preliminary as of 12/31/2009



onecommunity

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

ONECOMMUNITY

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INDEPENDENT AUDITORS' REPORT

August 11, 2009

The Board of Directors
OneCommunity
Cleveland, Ohio

We have audited the accompanying statements of financial position of OneCommunity as of December 31, 2008 and 2007 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 the 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 OneCommunity as of 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.

Barnes Wendling CPAs, Inc.

ONECOMMUNITY

Statements of Financial Position

ASSETS

| | December 31, | |
|--|-----------------------------|-----------------------------|
| | 2008 | 2007 |
| Current Assets | | |
| Cash | \$ 328,184 | \$ 493,646 |
| Cash - Restricted | 937,108 | -0- |
| Accounts Receivable, net | 980,964 | 520,340 |
| Prepaid Expenses | 137,500 | 53,433 |
| Unconditional promise to give fiber access | 508,392 | 508,392 |
| Grants receivable - current portion | 5,350,000 | 5,083,000 |
| | <u>8,242,148</u> | <u>6,658,811</u> |
| Property and Equipment | | |
| Office Furniture & Equipment | 388,633 | 147,556 |
| Leasehold Improvements | 284,434 | -0- |
| Computer Equipment & Software | 705,375 | 146,273 |
| Discovery Portal | 250,000 | 250,000 |
| Voice over IP and Shared Services | 1,203,895 | 94,092 |
| Fiber Equipment & Installation | 3,695,542 | 5,987,149 |
| Network - Sun Equipment Donation | 1,872,197 | 1,872,197 |
| Fiber | 6,539,108 | 629,504 |
| Wireless Network | 419,989 | -0- |
| | <u>15,359,173</u> | <u>9,126,771</u> |
| Less Accumulated Depreciation | 3,555,445 | 3,304,658 |
| | <u>11,803,728</u> | <u>5,822,113</u> |
| Other Assets | | |
| Long-term unconditional promises to give fiber access, Net | 3,969,973 | 4,238,942 |
| Grants receivable - net of current portion | 6,653,446 | 540,000 |
| Deposit | 24,433 | 85,541 |
| | <u>10,647,852</u> | <u>4,864,483</u> |
| Total Assets | <u><u>\$ 30,693,728</u></u> | <u><u>\$ 17,345,407</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-----------------------------|-----------------------------|
| Current Liabilities | | |
| Accounts Payable | \$ 2,165,063 | \$ 1,075,337 |
| Accrued Expenses | -0- | 629,281 |
| Deferred Revenue - Connections | 77,627 | 718,966 |
| Deferred Revenue - IRU | 25,535 | 26,191 |
| Line of Credit | 3,797,382 | 345,000 |
| Current Portion of Notes Payable | 798,414 | 615,926 |
| Current Portion of Capital Lease | -0- | 1,038,523 |
| | <u>6,864,021</u> | <u>4,449,224</u> |
| Long-Term Liabilities | | |
| Notes Payable, net of current portion | 619,116 | 869,719 |
| Deferred Revenue - IRU, net of current portion | 447,514 | 472,392 |
| | <u>1,066,630</u> | <u>1,342,111</u> |
| Total Liabilities | <u>7,930,651</u> | <u>5,791,335</u> |
| Net Assets | | |
| Unrestricted | | |
| Operation | (2,413,182) | (676,488) |
| Donated Assets | 5,600,000 | 535,970 |
| | <u>3,186,818</u> | <u>(140,518)</u> |
| Temporarily Restricted | | |
| Grants | 2,842,520 | 5,817,439 |
| Capital Grants & Appropriations | 12,255,374 | 1,129,817 |
| Unconditional promise to give fiber access | 4,478,365 | 4,747,334 |
| | <u>19,576,259</u> | <u>11,694,590</u> |
| Total Net Assets | <u>22,763,077</u> | <u>11,554,072</u> |
| Total Liabilities & Net Assets | <u><u>\$ 30,693,728</u></u> | <u><u>\$ 17,345,407</u></u> |

ONECOMMUNITY

Statements of Activities and Changes in Net Assets Years Ended December 31, 2008 and 2007

| | Year Ended December 31, 2008 | | | | |
|--|------------------------------|---------------------|---------------------|------------------------|----------------------|
| | Unrestricted | Donated Assets | Total Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | |
| <i>Technical Program</i> | | | | | |
| Community Network Connection Revenue | \$ 3,467,641 | \$ -0- | \$ 3,467,641 | \$ -0- | \$ 3,467,641 |
| Equipment & Fiber Sales | 7,141,167 | -0- | 7,141,167 | -0- | 7,141,167 |
| Federal Grants | -0- | -0- | -0- | 11,286,200 | 11,286,200 |
| Foundation Grants | -0- | -0- | -0- | 60,000 | 60,000 |
| Amortization of Discount - Fiber Access | 239,423 | -0- | 239,423 | -0- | 239,423 |
| Donated Assets | -0- | 5,600,000 | 5,600,000 | -0- | 5,600,000 |
| <i>Foundation & Sponsorship</i> | | | | | |
| Contributions & Sponsorships | 44,200 | -0- | 44,200 | -0- | 44,200 |
| Foundation Grants | 85,000 | -0- | 85,000 | 480,000 | 565,000 |
| <i>Other</i> | | | | | |
| Miscellaneous | 115,344 | -0- | 115,344 | -0- | 115,344 |
| Total Revenues and Support | 11,092,775 | 5,600,000 | 16,692,775 | 11,826,200 | 28,518,975 |
| Net assets released from restriction | 3,944,531 | -0- | 3,944,531 | (3,944,531) | -0- |
| | 15,037,306 | 5,600,000 | 20,637,306 | 7,881,669 | 28,518,975 |
| Expenses | | | | | |
| Management and General | 1,564,060 | -0- | 1,564,060 | -0- | 1,564,060 |
| Community Network Connection | 10,669,299 | 535,970 | 11,205,269 | -0- | 11,205,269 |
| Community Computing Program | 1,133,411 | -0- | 1,133,411 | -0- | 1,133,411 |
| Universal Access | 2,209,445 | -0- | 2,209,445 | -0- | 2,209,445 |
| Total Expenses Before One Time Sale of CMSD Equipment | 15,576,215 | 535,970 | 16,112,185 | -0- | 16,112,185 |
| Change in Net Assets Before Sale of CMSD Equipment | (538,909) | 5,064,030 | 4,525,121 | 7,881,669 | 12,406,790 |
| Loss on Sale of CMSD Equipment | (1,197,785) | -0- | (1,197,785) | -0- | (1,197,785) |
| Change in Net Assets | (1,736,694) | 5,064,030 | 3,327,336 | 7,881,669 | 11,209,005 |
| Net Assets Beginning Balance | (676,488) | 535,970 | (140,518) | 11,694,590 | 11,554,072 |
| Net assets Ending Balance | \$ (2,413,182) | \$ 5,600,000 | \$ 3,186,818 | \$ 19,576,259 | \$ 22,763,077 |
| Year Ended December 31, 2007 | | | | | |
| | Unrestricted | Donated Assets | Total Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | |
| <i>Technical Program</i> | | | | | |
| Community Network Connection Revenue | \$ 1,398,374 | \$ -0- | \$ 1,398,374 | \$ -0- | \$ 1,398,374 |
| Cleveland Metropolitan School District | 1,537,358 | -0- | 1,537,358 | -0- | 1,537,358 |
| State Appropriation | -0- | -0- | -0- | 250,000 | 250,000 |
| Amortization of Discount - Fiber Access | 334,532 | -0- | 334,532 | -0- | 334,532 |
| <i>Foundation & Sponsorship</i> | | | | | |
| Contributions & Sponsorships | 169,743 | -0- | 169,743 | -0- | 169,743 |
| Foundation Grants | 1,040,000 | -0- | 1,040,000 | 4,150,000 | 5,190,000 |
| <i>Special Funding</i> | | | | | |
| Broadband digital center of excellence | -0- | -0- | -0- | 736,995 | 736,995 |
| Cleveland Clinic K-12 program | -0- | -0- | -0- | 1,986,000 | 1,986,000 |
| <i>Other</i> | | | | | |
| Miscellaneous | 12,866 | -0- | 12,866 | -0- | 12,866 |
| Total Revenues and Support | 4,492,873 | -0- | 4,492,873 | 7,122,995 | 11,615,868 |
| Net assets released from restriction | 879,819 | -0- | 879,819 | (879,819) | -0- |
| | 5,372,692 | -0- | 5,372,692 | 6,243,176 | 11,615,868 |
| Expenses | | | | | |
| Management and General | 732,698 | -0- | 732,698 | -0- | 732,698 |
| Community Network Connection | 3,852,105 | 624,066 | 4,476,171 | -0- | 4,476,171 |
| Community Computing Program | 537,452 | -0- | 537,452 | -0- | 537,452 |
| Universal Access | 472,075 | -0- | 472,075 | -0- | 472,075 |
| Total Expenses | 5,594,330 | 624,066 | 6,218,396 | -0- | 6,218,396 |
| Change in Net Assets | (221,638) | (624,066) | (845,704) | 6,243,176 | 5,397,472 |
| Net Assets Beginning Balance | (454,850) | 1,160,036 | 705,186 | 5,451,414 | 6,156,600 |
| Net assets Ending Balance | \$ (676,488) | \$ 535,970 | \$ (140,518) | \$ 11,694,590 | \$ 11,554,072 |

ONECOMMUNITY

Statements of Functional Expenses

Years Ended December 31, 2008 and 2007

| | Year Ended December 31, 2008 | | | | |
|---|------------------------------|------------------------------------|-----------------------------------|--------------------------------|----------------------|
| | Management And General | Community Network Connection | Community Computing Program | Universal Access Program | Total |
| Personnel | \$ 680,072 | \$ 568,687 | \$ 473,999 | \$ 1,200,047 | \$ 2,922,805 |
| Printing, promotion & sponsorships | 28,875 | 21,447 | 3,068 | 39,838 | 93,228 |
| Professional services | 341,760 | 38,731 | 73,533 | 591,309 | 1,045,333 |
| Office expense | 260,892 | 103,013 | 12,457 | 125,127 | 501,489 |
| Business events meals and travel | 55,233 | 36,137 | 11,677 | 222,451 | 325,498 |
| Interest | 103,543 | 144,694 | -0- | -0- | 248,237 |
| Project management | -0- | -0- | 362,737 | -0- | 362,737 |
| Installation & provisioning | -0- | 193,406 | -0- | -0- | 193,406 |
| Network operations | -0- | 1,808,291 | 32,203 | -0- | 1,840,494 |
| Miscellaneous | 7,011 | 605 | 326 | -0- | 7,942 |
| Equipment & Fiber Costs | -0- | 6,239,242 | 14,649 | 2,984 | 6,256,875 |
| Depreciation on donated equipment | -0- | 535,970 | -0- | -0- | 535,970 |
| Other depreciation expense and usage of IRU | 86,674 | 1,515,046 | 148,762 | 27,689 | 1,778,171 |
| Total expense | \$ 1,564,060 | \$ 11,205,269 | \$ 1,133,411 | \$ 2,209,445 | \$ 16,112,185 |

| | Year Ended December 31, 2007 | | | | |
|---|------------------------------|------------------------------------|-----------------------------------|--------------------------------|---------------------|
| | Management And General | Community Network Connection | Community Computing Program | Universal Access Program | Total |
| Personnel | \$ 334,735 | \$ 678,127 | \$ 462,103 | \$ 277,683 | \$ 1,752,648 |
| Printing, promotion & Subscriptions | 16,422 | 35,810 | -0- | -0- | 52,232 |
| Professional services | 89,659 | 76,171 | 44,386 | 170,790 | 381,006 |
| Office expense | 97,761 | 43,736 | 9,046 | 5,339 | 155,882 |
| Business events meals and travel | 84,862 | 8,607 | 3,866 | 1,835 | 99,170 |
| Interest | 48,714 | 258,007 | -0- | -0- | 306,721 |
| Project management | -0- | 7,500 | -0- | 15,000 | 22,500 |
| Installation & provisioning | 6,703 | 365,765 | 3,888 | 1,385 | 377,741 |
| Network operations | 1,587 | 1,140,783 | 14,163 | 43 | 1,156,576 |
| Bad debt expense | -0- | 141,075 | -0- | -0- | 141,075 |
| Property tax | -0- | 90,283 | -0- | -0- | 90,283 |
| Miscellaneous | 15,013 | -0- | -0- | -0- | 15,013 |
| Depreciation on donated equipment | -0- | 624,066 | -0- | -0- | 624,066 |
| Other depreciation expense and usage of IRU | 37,242 | 1,006,241 | -0- | -0- | 1,043,483 |
| Total expense | \$ 732,698 | \$ 4,476,171 | \$ 537,452 | \$ 472,075 | \$ 6,218,396 |

ONECOMMUNITY

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

| | Years Ended December 31, | |
|--|--------------------------|--------------------|
| | 2008 | 2007 |
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ 11,209,005 | \$ 5,397,472 |
| Adjustment to reconcile change in net assets to net cash provided by provided by operating activities: | | |
| Depreciation | 1,805,749 | 1,159,157 |
| Bad debt expense | -0- | 141,075 |
| Loss on sale of equipment | 1,197,785 | -0- |
| Amortization of discount | (239,423) | (334,532) |
| Donated assets | (5,600,000) | -0- |
| Use of donated fiber & equipment | 508,392 | 508,392 |
| (Increase)/decrease in assets: | | |
| Accounts receivable | (460,624) | 636,488 |
| Grants receivable | (6,380,446) | (5,573,000) |
| Prepaid expenses | (84,067) | (32,786) |
| Increase in liabilities: | | |
| Accounts payable | 1,089,728 | (232,772) |
| Accrued expenses | (629,281) | 424,479 |
| Net Cash Provided by Operating Activities | 2,416,818 | 2,093,973 |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of property & equipment | (3,745,150) | (2,029,204) |
| Proceeds received on sale of assets | 360,000 | 60,567 |
| Increase (decrease) in deposit | 61,108 | (85,541) |
| Net Cash Used in Investing Activities | (3,324,042) | (2,054,178) |
| <u>Cash Flows From Financing Activities</u> | | |
| Deferred revenue-connections | (641,339) | 230,832 |
| Deferred revenue-IRU | (25,535) | -0- |
| Customer deposit for fiber IRU | -0- | 498,583 |
| Proceeds/repayments from line of credit | 3,452,382 | (145,000) |
| Proceeds/repayments of demand notes payable | -0- | (488,340) |
| Proceeds from notes payable | 639,302 | 1,685,842 |
| Repayment of notes payable | (707,417) | (355,902) |
| Repayments of capital lease | (1,038,523) | (1,038,523) |
| Net Cash Used in Financing Activities | 1,678,870 | 387,492 |
| Net Increase in Cash | 771,646 | 427,287 |
| Cash, beginning of year | 493,646 | 66,359 |
| Cash, end of year | \$ 1,265,292 | \$ 493,646 |
| Supplemental Information | | |
| Cash paid for interest | \$ 300,192 | \$ 351,501 |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

OneCommunity (the Organization) is a nonprofit organization dedicated to advancing economic and civic progress by leveraging technology to address Northeast Ohio's social priorities. OneCommunity fosters innovation by connecting nearly one thousand (1,000) public, education, health care and non-profit institutions via its fiber-optic broadband network -- one of the largest and fastest in the world. In addition, OneCommunity works with government and community leaders to identify and develop broadband technology solutions that use the fiber optic network to address government and community social priorities by forming private/public partnerships in support of 21st-century programs. OneCommunity's goal is to lessen the burden of government by advancing the mission and quality of our community's education, health care, government, and workforce which in turn will transform Northeast Ohio into a globally competitive region.

OneCommunity also operates the Akron-based Knight Center of Digital Excellence, dedicated to creating "Connected Communities" by developing strategies, educating and coaching community leaders about how to utilize information technologies to drive civic progress within the twenty-six (26) Knight communities.

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS Nos. 116 and 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2008 and 2007, the Organization did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Short term investments with an original maturity of 3 months or less (unless held for reinvestment in a long term portfolio) are considered to be cash or cash equivalents. The organization maintains cash and cash equivalent balances at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Restricted cash is amounts received with a donor specified segregation of cash. The cash is maintained in a separate account and only used for the purposes specified by the donor.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance totaled \$-0- and \$136,796 at December 31, 2008 and 2007, respectively.

Grants Receivable

Grants receivable are comprised primarily of monies committed from various funding agencies for use in the Organization's activities. Total grants receivable as of December 31, 2008 and 2007 were \$12,003,446 and \$5,623,000, respectively.

Property and Equipment

Property and equipment is recorded at historical cost or fair market value in case of donations. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which is 3 years for computer equipment and Sun donated equipment, 5 years for Data Center Equipment and Office Furniture and Equipment and 30 years for Fiber. The Organization capitalizes all long-lived assets that cost more than \$2,500 and have a useful life in excess of one year. Depreciation expense for the years ended December 31, 2008 and 2007 was \$1,805,749 and \$1,159,157, respectively. During 2008, the Organization began substantially expanding its network and as a result, capitalized \$51,955 of interest expense related to the construction.

Deposit

During 2008 the Organization paid a deposit of \$24,433 for office lease space. During 2007 the Organization paid a deposit of \$85,541 for construction of a wireless mesh around the University Circle area.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue - Connections

The Organization contracts with its customers for contract periods up to 5 years. Customers may pay in advance for each year's services, resulting in deferred revenue. As the services are provided, the Organization recognizes the revenue. For the years ended December 31, 2008 and 2007, deferred revenue totaled \$77,627 and \$718,966, respectively.

Deferred Revenue - IRU

During 2007 the Organization received an advance payment from a customer to have a 20 year Indefeasible Rights of Use (IRU) of the Organizations fiber.

Classification of Net Assets

Revenues and net assets are presented on the basis of unrestricted and temporarily restricted.

Unrestricted net assets are assets that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are assets with a donor imposed restriction that allows the Organization to use the assets as specified either upon the passage of time or by actions of the Organization.

Contributions

Contributions of cash and other assets are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the contribution are reported as unrestricted support. Other restricted contributions are temporarily reported as restricted support and temporarily restricted net assets.

Donated Asset

During 2008 the Organization received a donation of constructed fiber. This donation was valued at fair market value based upon an independent appraisal paid for by the donor.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Indirect costs have been allocated between the various programs and support services. Although the methods of allocation used are considered appropriate, other methods could be used that would produce a different result.

Tax Status

OneCommunity is a nonprofit organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is required to report unrelated business income to the Internal Revenue Service. The Organization earns unrelated business income on its subscriber services and reported no unrelated business income tax liability for the year ended December 31, 2008 and 2007 as expenses exceeded revenues.

NOTE B - UNCONDITIONAL PROMISES TO GIVE FIBER ACCESS

In 2005 the Organization received two donations of Indefeasible Rights of Use (IRU) of certain dark fibers over a 20 year period. In 2006 the Organization received another IRU of fiber over a 10 year period. The value of these dark fibers has been recorded at net present value of the original contract value. The original contract value represents the fair market value at the date of donation. The discount rate used in the calculation was 4.9, 4.6 and 5.5 percent for each IRU, respectively. The discount is being amortized using the effective interest method over the contract period. The annual use of the fibers is recorded as expense on a straight-line basis over the contract period and totaled \$508,392 as of December 31, 2008 and 2007.

Schedule of future fiber access is as follows:

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| Fiber access granted within one year | \$ 508,392 | \$ 508,392 |
| Fiber access granted within one to five years | 2,541,960 | 2,541,960 |
| Fiber access granted after five years | 2,650,012 | 3,158,404 |
| Present value discount | <u>(1,221,999)</u> | <u>(1,461,422)</u> |
| Total Unconditional Promises to Give at NPV | <u>\$ 4,478,365</u> | <u>\$ 4,747,334</u> |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE C – CONDITIONAL PROMISES TO GIVE

In accordance with SFAS No. 116 the Organization does not record conditional promises to give until the period the conditions are met. During 2007, the Organization received a conditional promise to give from the Knight Foundation for \$15.2 million. For the years ended December 31, 2008 and 2007, \$4.5 million was recorded in temporarily restricted revenue as the conditions stipulated in the contract have been met but the monies have not yet been spent for its intended purpose.

NOTE D – ACCOUNTING CHANGE

As a result of utilizing higher quality fiber technology equipment in the data centers the Organization increased its estimate of the useful life of the equipment. The effect of this change was to decrease depreciation expense and increase net income for 2007 by approximately \$558,000.

NOTE E – LINE OF CREDIT

The Organization has a working capital line of credit with a bank with a maximum borrowing of \$5,000,000 and interest at prime rate (3.25% as of December 31, 2008). The line is secured by substantially all assets of the Organization. At December 31, 2008 and 2007, \$3,797,382 and \$345,000, respectively, had been borrowed against the line of credit.

The Organization also has an equipment line of credit with a maximum borrowing of \$1,600,000. The line is secured by specific pieces of equipment and borrowings against the line are payable on demand until termed into 36 month term notes payable. The total outstanding balance of notes payable at December 31, 2008 and 2007 was \$1,417,530 and \$1,485,645, respectively. Interest ranges from 7.25% to 8.25% depending on date the note was termed, interest is both fixed and variable based on the banks prime lending rate (3.25% as of December 31, 2008).

NOTE F –NOTES PAYABLE

Notes payable consists of the following at December 31, 2008 and 2007:

| | 2008 | 2007 |
|---|-----------|-----------|
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. The note with interest at 7.25% is payable in monthly installments of \$6,467 including interest through March 2009. | \$ 13,417 | \$ 87,122 |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE F –NOTES PAYABLE (CONTINUED)

| | | |
|--|-------------------|-------------------|
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2007. The note with interest at 7.25% is payable in monthly installments of \$24,776 including interest through April 2010. | \$ 364,747 | \$ 631,078 |
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2007. The note with variable interest is payable in monthly installments of \$8,333 plus interest through January 2010. | 116,667 | 216,667 |
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2007. The note with interest at 8.23% is payable in monthly installments of \$18,704 including interest through September 2010. | 374,889 | 550,778 |
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2008. The note with interest at prime plus or approximately 7.25% is payable in monthly installments of \$7,256 plus interest through January 2011. | 188,654 | -0- |
| Note Payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2008. The note with interest at 7.22% is payable in monthly installments of \$11,712 including interest through September 2011. | <u>359,156</u> | <u>-0-</u> |
| Total long-term debt | 1,417,530 | 1,485,645 |
| Less: current portion | <u>(798,414)</u> | <u>(615,926)</u> |
| Long-term debt, net of current portion | <u>\$ 619,116</u> | <u>\$ 869,719</u> |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE F –NOTES PAYABLE (CONTINUED)

Future principal payments on long-term debt are as follows:

| <u>Years Ended December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2009 | \$ 798,414 |
| 2010 | 491,267 |
| 2011 | <u>127,849</u> |
| Total | <u>\$ 1,417,530</u> |

NOTE G - OBLIGATIONS DUE UNDER CAPITAL LEASES

The Organization leases various pieces of office equipment under a capital lease expiring in 2008. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated useful lives. At December 31, 2008, capital lease assets of \$3,115,570 with a net accumulated depreciation of \$1,246,228 were included in fiber networks and equipment. During 2008 this asset was sold for a loss. The asset had a net book value of \$1,557,785 at the date of sale. Cash proceeds were \$360,000 this resulted in a loss of \$1,197,785.

NOTE H – DEFERRED REVENUE - IRU

During 2007, the Organization received an advance payment from a customer to have a 20 year Indefeasible Rights of Use (IRU) of the Organizations fiber.

Schedule of future fiber access is as follows:

| | <u>2009</u> |
|---|-------------------|
| Fiber access granted within one year | \$ 25,535 |
| Fiber access granted within one to five years | 102,140 |
| Fiber access granted after five years | <u>345,374</u> |
| Total fiber access granted | <u>\$ 473,049</u> |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Net assets as of December 31, 2008 and 2007 were temporarily restricted for the following purposes:

| | <u>2008</u> | <u>2007</u> |
|---|----------------------|----------------------|
| FCC – Fiber Construction Project | \$ 11,286,800 | \$ -0- |
| Time restriction | 5,386,940 | 5,877,151 |
| Knight Digital Center of Excellence | 1,291,470 | 3,485,733 |
| Akron wireless project | 141,771 | 117,191 |
| Cuyahoga County service performance | 103,183 | 250,000 |
| OneClassroom | 1,145,526 | 1,935,362 |
| Community computing | 1,736 | 4,153 |
| School infrastructures | 163,833 | -0- |
| Health Care Program | 55,000 | -0- |
| Regional expansion | <u>-0-</u> | <u>25,000</u> |
| Total temporarily restricted net assets | <u>\$ 19,576,259</u> | <u>\$ 11,694,590</u> |

NOTE J - 401(k) PLAN

The Organization has a defined contribution retirement plan for all of its employees after three months of employment. An employee may elect to contribute an amount of up to 96% of compensation during the plan year but not to exceed Federal maximum levels. The Organization may contribute discretionary amounts as determined by the Board of Directors. The Organization matches 100% of employee contributions to the Plan up to the first 3% of compensation and then 50% of contributions thereafter up to 5%. Expense for this plan was \$43,424 and \$39,642, respectively, for the year ended December 31, 2008 and 2007.

NOTE K – OPERATING LEASES

In 2008 the Organization entered into two leases for office space. One location is in Cleveland and the other location is in Akron. The Cleveland lease is a 10 year lease with an option to renew for another 5 years. The lease is due to expire in October 2018. The Akron lease is a 5 year lease with no renewal options however there is a mutual right to cancel lease with 90 day written notice between the 15th and 18th lease month. The lease commenced August 2008 and expires July 2013. Prior to entering into the lease the organization rented space on a month to month basis. Total rent expense on all leases for the year ended December 31, 2008 and 2007 was approximately \$110,933 and \$15,600, respectively.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2008 and 2007

NOTE K – OPERATING LEASES (CONTINUED)

The minimum future rental payments under all non-cancelable leases are:

| <u>Years Ended December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2009 | \$ 187,600 |
| 2010 | 199,600 |
| 2011 | 206,600 |
| 2012 | 206,600 |
| 2013 | 168,575 |
| Thereafter | <u>591,842</u> |
| | <u>\$ 1,560,817</u> |

NOTE L – FIN 48

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN 48 became effective January 1, 2007 for public companies and nonpublic companies that are consolidated with public companies. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 which allows deferral of FIN 48 for nonpublic enterprises included within this FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer implementation of FIN 48 under the provisions of the FSP to its first annual consolidated financial statements ending on December 31, 2009.

The determination of uncertain tax positions for financial statements prior to the implementation of FIN 48 uses the tax judgments reported on the Company's tax returns which were based on the requirements for filing tax returns under the various taxing authority requirements for the applicable fiscal period. These filings may be subject to amendment or change during an examination by the various taxing authorities, which has not been considered in the determination of the Company's tax assets or liabilities included in those financial statements.

The Company does not expect that the adoption of FIN 48 during 2009 will have a material effect on its consolidated financial position, results of operations or cash flows.



onecommunity

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

ONECOMMUNITY

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INDEPENDENT AUDITORS' REPORT

October 15, 2008

The Board of Directors
OneCommunity
Cleveland, Ohio

We have audited the accompanying statements of financial position of OneCommunity as of December 31, 2007 and 2006 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 the 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 OneCommunity as of 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.

Barnes Wendling CPAs, Inc.

ONECOMMUNITY

Statements of Financial Position

ASSETS

| | December 31, | |
|--|----------------------|----------------------|
| | 2007 | 2006 |
| Current Assets | | |
| Cash | \$ 493,646 | \$ 66,359 |
| Accounts Receivable, net | 520,340 | 1,322,903 |
| Prepaid Expenses | 53,433 | 20,647 |
| Unconditional promise to give fiber access, Net | 508,392 | 508,392 |
| Assets Held for Sale | -0- | 60,567 |
| Grants Receivable | 5,623,000 | 25,000 |
| | <u>7,198,811</u> | <u>2,003,868</u> |
| Property and Equipment | | |
| Office Furniture & Equipment | 147,556 | 15,820 |
| Computer Equipment & Software | 490,365 | 132,658 |
| Fiber Equipment & Installation | 5,987,149 | 4,728,957 |
| Network - Sun Equipment Donation | 1,872,197 | 1,872,197 |
| Fiber | 629,504 | 94,250 |
| | <u>9,126,771</u> | <u>6,843,882</u> |
| Less Accumulated Depreciation | <u>3,304,658</u> | <u>2,145,501</u> |
| | <u>5,822,113</u> | <u>4,698,381</u> |
| Other Assets | | |
| Long-term unconditional promises to give fiber access, Net | 4,238,942 | 4,412,802 |
| Deposit | 85,541 | 253,686 |
| | <u>4,324,483</u> | <u>4,666,488</u> |
| Total Assets | <u>\$ 17,345,407</u> | <u>\$ 11,368,737</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------|----------------------|
| Current Liabilities | | |
| Accounts Payable | \$ 1,075,337 | \$ 1,308,112 |
| Accrued Expenses | 629,281 | 204,801 |
| Deferred Revenue - Connections | 718,966 | 325,418 |
| Deferred Revenue - IRU | 26,191 | -0- |
| Customer Deposit for Fiber IRU | -0- | 162,715 |
| Line of Credit | 345,000 | 490,000 |
| Current Portion of Notes Payable | 615,926 | 68,583 |
| Demand Notes Payable | -0- | 488,340 |
| Current Portion of Capital Lease | 1,038,523 | 1,038,523 |
| | <u>4,449,224</u> | <u>4,086,492</u> |
| Long-Term Liabilities | | |
| Notes Payable, net of current portion | 869,719 | 87,122 |
| Capital Lease, net of current portion | -0- | 1,038,523 |
| Deferred Revenue - IRU, net of current portion | 472,392 | -0- |
| | <u>1,342,111</u> | <u>1,125,645</u> |
| Total Liabilities | <u>5,791,335</u> | <u>5,212,137</u> |
| Net Assets | | |
| Unrestricted | | |
| Operation | (676,488) | (454,850) |
| Donated Assets | 535,970 | 1,160,036 |
| | <u>(140,518)</u> | <u>705,186</u> |
| Temporarily Restricted | | |
| Grants | 5,817,439 | 56,570 |
| Capital Grants & Appropriations | 1,129,817 | 473,650 |
| Unconditional promise to give fiber access | 4,747,334 | 4,921,194 |
| | <u>11,694,590</u> | <u>5,451,414</u> |
| Total Net Assets | <u>11,554,072</u> | <u>6,156,600</u> |
| Total Liabilities & Net Assets | <u>\$ 17,345,407</u> | <u>\$ 11,368,737</u> |

ONECOMMUNITY

Statements of Activities and Changes in Net Assets

Years Ended December 31, 2007 and 2006

| | Year Ended December 31, 2007 | | | | |
|---|------------------------------|-------------------|---------------------|------------------------|----------------------|
| | Unrestricted | Donated Assets | Total Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | |
| <i>Technical Program</i> | | | | | |
| Community Network Connection Revenue | \$ 1,398,374 | \$ -0- | \$ 1,398,374 | \$ -0- | \$ 1,398,374 |
| Cleveland Metropolitan School District | 1,537,358 | -0- | 1,537,358 | -0- | 1,537,358 |
| State Appropriation | -0- | -0- | -0- | 250,000 | 250,000 |
| Amortization of Discount - Fiber Access | 334,532 | -0- | 334,532 | -0- | 334,532 |
| <i>Foundation & Sponsorship</i> | | | | | |
| Contributions & Sponsorships | 169,743 | -0- | 169,743 | -0- | 169,743 |
| Foundation Grants | 1,040,000 | -0- | 1,040,000 | 4,150,000 | 5,190,000 |
| <i>Special Funding</i> | | | | | |
| Broadband digital center of excellence | -0- | -0- | -0- | 736,995 | 736,995 |
| Cleveland Clinic K-12 program | -0- | -0- | -0- | 1,986,000 | 1,986,000 |
| <i>Other</i> | | | | | |
| Miscellaneous | 12,866 | -0- | 12,866 | -0- | 12,866 |
| Total Revenues and Support | 4,492,873 | -0- | 4,492,873 | 7,122,995 | 11,615,868 |
| Net assets released from restriction | 879,819 | -0- | 879,819 | (879,819) | -0- |
| | 5,372,692 | -0- | 5,372,692 | 6,243,176 | 11,615,868 |
| Expenses | | | | | |
| Management and General | 732,698 | -0- | 732,698 | -0- | 732,698 |
| Community Network Connection | 3,852,105 | 624,066 | 4,476,171 | -0- | 4,476,171 |
| Community Computing Program | 537,452 | -0- | 537,452 | -0- | 537,452 |
| Universal Access | 472,075 | -0- | 472,075 | -0- | 472,075 |
| Total Expenses | 5,594,330 | 624,066 | 6,218,396 | -0- | 6,218,396 |
| Change in Net Assets | (221,638) | (624,066) | (845,704) | 6,243,176 | 5,397,472 |
| Net Assets Beginning Balance | (454,850) | 1,160,036 | 705,186 | 5,451,414 | 6,156,600 |
| Net assets Ending Balance | \$ (676,488) | \$ 535,970 | \$ (140,518) | \$ 11,694,590 | \$ 11,554,072 |

| | Year Ended December 31, 2006 | | | | |
|---|------------------------------|---------------------|--------------------|------------------------|---------------------|
| | Unrestricted | Donated Assets | Total Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | |
| <i>Technical Program</i> | | | | | |
| Community Network Connection Revenue | \$ 1,197,728 | \$ -0- | \$ 1,197,728 | \$ -0- | \$ 1,197,728 |
| Cleveland Metropolitan School District | 1,513,994 | -0- | 1,513,994 | -0- | 1,513,994 |
| State Appropriation | -0- | -0- | -0- | 474,828 | 474,828 |
| Amortization of Discount - Fiber Access | 4,156 | -0- | 4,156 | -0- | 4,156 |
| <i>Foundation & Sponsorship</i> | | | | | |
| Contributions & Sponsorships | 278,911 | -0- | 278,911 | -0- | 278,911 |
| Foundation Grants | -0- | -0- | -0- | 25,000 | 25,000 |
| <i>Donated Support</i> | | | | | |
| Personnel & Resources | 55,283 | -0- | 55,283 | -0- | 55,283 |
| Fiber & Equipment | -0- | -0- | -0- | 2,602,527 | 2,602,527 |
| <i>Other</i> | | | | | |
| Miscellaneous | 36,064 | -0- | 36,064 | -0- | 36,064 |
| Total Revenues and Support | 3,086,136 | -0- | 3,086,136 | 3,102,355 | 6,188,491 |
| Net assets released from restriction | 905,714 | -0- | 905,714 | (905,714) | -0- |
| | 3,991,850 | -0- | 3,991,850 | 2,196,641 | 6,188,491 |
| Expenses | | | | | |
| Management and General | 617,095 | -0- | 617,095 | -0- | 617,095 |
| Community Network Connection | 3,390,918 | 624,066 | 4,014,984 | -0- | 4,014,984 |
| Community Computing Program | 449,401 | -0- | 449,401 | -0- | 449,401 |
| Total Expenses | 4,457,414 | 624,066 | 5,081,480 | -0- | 5,081,480 |
| Change in Net Assets | (465,564) | (624,066) | (1,089,630) | 2,196,641 | 1,107,011 |
| Net Assets Beginning Balance | 10,714 | 1,784,102 | 1,794,816 | 3,254,773 | 5,049,589 |
| Net assets Ending Balance | \$ (454,850) | \$ 1,160,036 | \$ 705,186 | \$ 5,451,414 | \$ 6,156,600 |

ONECOMMUNITY

Statements of Functional Expenses

Years Ended December 31, 2007 and 2006

| | Year Ended December 31, 2007 | | | | |
|------------------------------------|------------------------------|------------------------------------|-----------------------------------|--------------------------------|---------------------|
| | Management And General | Community Network Connection | Community Computing Program | Universal Access Program | Total |
| Personnel | \$ 334,735 | \$ 678,127 | \$ 462,103 | \$ 277,683 | \$ 1,752,648 |
| Printing, promotion & sponsorships | 16,422 | 35,810 | -0- | -0- | 52,232 |
| Professional services | 89,659 | 76,171 | 44,386 | 170,790 | 381,006 |
| Office expense | 97,761 | 43,736 | 9,046 | 5,339 | 155,882 |
| Business events meals and travel | 84,862 | 8,607 | 3,866 | 1,835 | 99,170 |
| Interest | 48,714 | 258,007 | -0- | -0- | 306,721 |
| Project management | -0- | 7,500 | -0- | 15,000 | 22,500 |
| Installation & provisioning | 6,703 | 365,765 | 3,888 | 1,385 | 377,741 |
| Network operations | 1,587 | 1,140,783 | 14,163 | 43 | 1,156,576 |
| Bad Debt expense | -0- | 141,075 | -0- | -0- | 141,075 |
| Property tax | -0- | 90,283 | -0- | -0- | 90,283 |
| Miscellaneous | 15,013 | -0- | -0- | -0- | 15,013 |
| Depreciation on donated equipment | -0- | 624,066 | -0- | -0- | 624,066 |
| Other depreciation expense | 37,242 | 1,006,241 | -0- | -0- | 1,043,483 |
| Total expense | \$ 732,698 | \$ 4,476,171 | \$ 537,452 | \$ 472,075 | \$ 6,218,396 |

| | Year Ended December 31, 2006 | | | | |
|-------------------------------------|------------------------------|------------------------------------|-----------------------------------|--------------------------------|---------------------|
| | Management And General | Community Network Connection | Community Computing Program | Universal Access Program | Total |
| Personnel | \$ 231,756 | \$ 401,227 | \$ 308,144 | \$ -0- | \$ 941,127 |
| Printing, promotion & Subscriptions | 88,587 | 132 | 300 | -0- | 89,019 |
| Professional services | 146,885 | 83,726 | -0- | -0- | 230,611 |
| Office expense | 63,855 | 3,775 | 2,545 | -0- | 70,175 |
| Business events meals and travel | 40,666 | 13,008 | 1,949 | -0- | 55,623 |
| Interest | 45,346 | 276,191 | -0- | -0- | 321,537 |
| Project management | -0- | 15,215 | -0- | -0- | 15,215 |
| Installation & provisioning | -0- | 488,339 | 80,034 | -0- | 568,373 |
| Network operations | -0- | 750,098 | 55,623 | -0- | 805,721 |
| Bad debt expense | -0- | 18,909 | -0- | -0- | 18,909 |
| Miscellaneous | -0- | 213 | -0- | -0- | 213 |
| Depreciation on donated equipment | -0- | 624,066 | -0- | -0- | 624,066 |
| Other depreciation expense | -0- | 1,340,085 | 806 | -0- | 1,340,891 |
| Total expense | \$ 617,095 | \$ 4,014,984 | \$ 449,401 | \$ -0- | \$ 5,081,480 |

ONECOMMUNITY

Statements of Cash Flows

For the Years Ended December 31, 2007 and 2006

| | Years Ended December 31, | |
|--|--------------------------|---------------------|
| | 2007 | 2006 |
| <u>Cash Flows From Operating Activities</u> | | |
| Change in net assets | \$ 5,397,472 | \$ 1,107,011 |
| Adjustment to reconcile change in net assets to net cash (used in) provided by provided by operating activities: | | |
| Depreciation | 1,159,157 | 1,969,587 |
| Bad debt expense | 141,075 | 18,909 |
| Donated revenues | (334,532) | (2,661,966) |
| Donated support | -0- | 55,283 |
| Use of donated fiber & equipment | 508,392 | 249,892 |
| (Increase)/decrease in assets: | | |
| Accounts receivable | 636,488 | (1,132,503) |
| Grants receivable | (5,573,000) | 674,413 |
| Prepaid expenses | (32,786) | 2,792 |
| Increase in liabilities: | | |
| Accounts payable | (232,772) | 815,325 |
| Accrued expenses | 424,479 | 139,456 |
| Net Cash Provided by Operating Activities | 2,093,973 | 1,238,199 |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of property & equipment | (2,029,204) | (1,208,651) |
| Proceeds received on sale of assets | 60,567 | -0- |
| Deposit on equipment | (85,541) | (253,686) |
| Net Cash Used in Investing Activities | (2,054,178) | (1,462,337) |
| <u>Cash Flows From Financing Activities</u> | | |
| Deferred revenue-connections | 230,832 | 210,849 |
| Customer deposit for fiber IRU | 498,583 | 162,715 |
| Proceeds/repayments from line of credit | (145,000) | 390,000 |
| Proceeds/repayments of demand notes payable | (488,340) | 350,315 |
| Proceeds from notes payable | 1,685,842 | 203,895 |
| Repayment of notes payable | (355,902) | (48,190) |
| Repayments of capital lease | (1,038,523) | (1,038,523) |
| Net Cash Used in Financing Activities | 387,492 | 231,061 |
| Net Increase in Cash | 427,287 | 6,923 |
| Cash, beginning of year | 66,359 | 59,436 |
| Cash, end of year | \$ 493,646 | \$ 66,359 |
| Supplemental Information | | |
| Cash paid for interest | \$ 351,501 | \$ 192,561 |
| Equipment acquired through capital lease | \$ -0- | \$ 3,115,570 |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

OneCommunity (the Organization) is a nonprofit organization dedicated to advancing economic and civic progress by leveraging technology to address Northeast Ohio's social priorities. OneCommunity fosters innovation by connecting nearly one thousand (1,000) public, education, health care and non-profit institutions via its fiber-optic broadband network -- one of the largest and fastest in the world. In addition, OneCommunity works with government and community leaders to identify and develop broadband technology solutions that use the fiber optic network to address government and community social priorities by forming private/public partnerships in support of 21st-century programs. OneCommunity's goal is to lessen the burden of government by advancing the mission and quality of our community's education, health care, government, and workforce which in turn will transform Northeast Ohio into a globally competitive region.

OneCommunity also operates the Akron-based Knight Center of Digital Excellence, dedicated to creating "Connected Communities" by developing strategies, educating and coaching community leaders about how to utilize information technologies to drive civic progress within the twenty-six (26) Knight communities.

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS Nos. 116 and 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2007, the Organization did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Short term investments with an original maturity of 3 months or less (unless held for reinvestment in a long term portfolio) are considered to be cash or cash equivalents. The organization maintains cash and cash equivalent balances at financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance totaled \$136,796 and \$41,997 at December 31, 2007 and 2006, respectively.

Grants Receivable

Grants receivable are comprised primarily of monies committed from various funding agencies for use in the Organization's activities. Total grants receivable as of December 31, 2007 were \$5,623,000 and \$25,000, respectively.

Assets Held for Sale

The assets held for sale consist of equipment that was purchased in September 2006 with the intent of selling it to another not-for-profit organization. The sale of the assets took place in January 2007 and therefore the assets are considered held for sale as of December 31, 2006.

Property and Equipment

Property and equipment is recorded at historical cost or fair market value in case of donations. Depreciation is recorded on the straight-line method over the useful lives of the respective assets, which is 3 years for computer equipment and Sun donated equipment, 5 years for Data Center Equipment and Office Furniture and Equipment and 20 years for Fiber. The Organization capitalizes all long-lived assets that cost more than \$2,500 and have a useful life in excess of one year. Depreciation expense for the years ended December 31, 2007 and 2006 was \$1,159,157 and \$1,969,587, respectively.

Deposit

During 2007 the Organization paid a deposit of \$85,541 for construction of a wireless mesh around the University Circle area. During 2006 the Organization paid a deposit of \$253,686 to purchase fiber.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue - Connections

The Organization contracts with its customers for contract periods up to 5 years. Customers pay in advance for each year's services, resulting in deferred revenue. As the services are provided, the Organization recognizes the revenue. For the years ended December 31, 2007 and 2006, deferred revenue totaled \$718,966 and \$325,418, respectively.

Customer Deposit for Fiber IRU

During 2006 the Organization received a deposit of \$162,715 from a customer for an Indefeasible Rights of Use (IRU) of Fiber for 20 years.

Deferred Revenue - IRU

During 2007 the Organization received an advance payment from a customer to have a 20 year Indefeasible Rights of Use (IRU) of the Organizations fiber.

Classification of Net Assets

Revenues and net assets are presented on the basis of unrestricted and temporarily restricted.

Unrestricted net assets are assets that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are assets with a donor imposed restriction that allows the Organization to use the assets as specified either upon the passage of time or by actions of the Organization.

Contributions

Contributions of cash and other assets are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the contribution are reported as unrestricted support. Other restricted contributions are temporarily reported as restricted support and temporarily restricted net assets.

Donated Services

Donated services represent management and technology consulting services provided by various individuals. Donated services are valued based on a pre-determined hourly rate according to the type of service provided. These services are recorded as unrestricted revenue and expense in the statement of income and changes in net assets.

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Indirect costs have been allocated between the various programs and support services. Although the methods of allocation used are considered appropriate, other methods could be used that would produce a different result.

Tax Status

The Organization has completed its advance ruling period and received final determination from the IRS approving their tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization is required to report unrelated business income to the Internal Revenue Service. The Organization earns unrelated business income on its subscriber services and reported no unrelated business income tax liability for the year ended December 31, 2007 and 2006 as expenses exceeded revenues.

NOTE B - UNCONDITIONAL PROMISES TO GIVE FIBER ACCESS

In 2005 the Organization received two donations of Indefeasible Rights of Use (IRU) of certain dark fibers over a 20 year period. In 2006 the Organization received another IRU of fiber over a 10 year period. The value of these dark fibers has been recorded at net present value of the original contract value. The original contract value represents the fair market value at the date of donation. The discount rate used in the calculation was 4.9, 4.6 and 5.5 percent for each IRU, respectively. The discount is being amortized using the effective interest method over the contract period. The annual use of the fibers is recorded as expense on a straight-line basis over the contract period and totaled \$508,392 and \$249,892 as of December 31, 2007 and 2006, respectively.

Schedule of future fiber access is as follows:

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Fiber access granted within one year | \$ 508,392 | \$ 508,392 |
| Fiber access granted within one to five years | 2,541,960 | 2,541,960 |
| Fiber access granted after five years | 3,158,404 | 3,666,796 |
| Present value discount | <u>(1,461,422)</u> | <u>(1,795,954)</u> |
| Total Unconditional Promises to Give at NPV | <u>\$ 4,747,334</u> | <u>\$ 4,921,194</u> |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE C – CONDITIONAL PROMISES TO GIVE

In accordance with SFAS No. 116 the Organization does not record conditional promises to give until the period the conditions are met. During 2007, the Organization received a conditional promise to give from the Knight Foundation for \$15.2 million. For the year ended December 31, 2007, \$4.5 million was recorded in temporarily restricted revenue as the conditions stipulated in the contract have been met but the monies have not yet been spent for its intended purpose.

NOTE D – ACCOUNTING CHANGE

As a result of utilizing higher quality fiber technology equipment in the data centers the Organization increased its estimate of the useful life of the equipment. The effect of this change was to decrease depreciation expense and increase net income for 2007 by approximately \$558,000.

NOTE E – LINE OF CREDIT

The Organization has a working capital line of credit with a bank with a maximum borrowing of \$500,000 and interest at prime rate (7.25% as of December 31, 2007). The line is secured by substantially all assets of the Organization. At December 31, 2007 and 2006, \$345,000 and \$490,000, respectively, had been borrowed against the line of credit. During May of 2008 this line of credit was increased to \$5,000,000.

NOTE F – DEMAND and NOTES PAYABLE

The Organization also has an equipment line of credit with a maximum borrowing of \$1,600,000. The line is secured by specific pieces of equipment and borrowings against the line are payable on demand until termed into 36 month term notes payable. The total outstanding balance of notes payable at December 31, 2007 and 2006 was \$1,485,645 and \$155,705, respectively. The total of demand notes payable at December 31, 2006 was \$488,340 which was subject to a term note in 2007. Interest ranges from 7.25% to 8.25% depending on date the note was termed, interest is both fixed and variable based on the banks prime lending rate (7.25% as of December 31, 2007).

Notes payable consists of the following at December 31, 2007 and 2006:

| | 2007 | 2006 |
|--|-----------|------------|
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2006. The note with interest at 7.25% is payable in monthly installments of \$6,467 including interest through March, 2009. | \$ 87,122 | \$ 155,705 |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE F – DEMAND and NOTES PAYABLE (CONTINUED)

| | | |
|---|-------------------|------------------|
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2007. The note with interest at 7.25% is payable in monthly installments of \$24,776 including interest through April, 2010. | 631,078 | -0- |
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2007. The note with variable interest is payable in monthly installments of \$8,333 plus interest through January, 2010. | 216,667 | -0- |
| Note payable to National City Bank (NCB) a termed portion of the equipment operating line. This note was termed in 2007. The note with interest at 8.23% is payable in monthly installments of \$18,704 including interest through September, 2010. | <u>550,778</u> | <u>-0-</u> |
| Total long-term debt | 1,485,645 | 155,705 |
| Less: Current portion | (615,926) | (68,583) |
| Long-term debt, net of current portion | <u>\$ 869,719</u> | <u>\$ 87,122</u> |

Future principal payments on long-term debt are as follows:

| <u>Year Ended</u> | <u>Amount</u> |
|-------------------|---------------------|
| 2008 | \$ 615,926 |
| 2009 | 592,752 |
| 2010 | 276,967 |
| 2011 | <u>-0-</u> |
| Total | <u>\$ 1,485,645</u> |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE G - OBLIGATIONS DUE UNDER CAPITAL LEASES

The Organization leases various pieces of office equipment under a capital lease expiring in 2008. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated useful lives. At December 31, 2007, capital lease assets of \$3,115,570 with a net accumulated depreciation of \$1,246,228 were included in fiber networks and equipment. Subsequent to year end but after lease obligation was satisfied the assets are being held for sale. Total future minimum lease payments will be \$1,170,974, including interest of \$132,451.

NOTE H - DEFERRED REVENUE - IRU

During 2007 the Organization received an advance payment from a customer to have a 20 year Indefeasible Rights of Use (IRU) of the Organizations fiber.

Schedule of future fiber access is as follows:

| | <u>2007</u> |
|---|-------------------|
| Fiber access granted within one year | \$ 26,191 |
| Fiber access granted within one to five years | 102,139 |
| Fiber access granted after five years | <u>370,253</u> |
| Total fiber access granted | <u>\$ 498,583</u> |

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Net assets as of December 31, 2007 and 2006 were temporarily restricted for the following purposes:

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Time restriction | \$ 5,877,151 | \$ 5,394,844 |
| Knight Digital Center of Excellence | 3,485,733 | -0- |
| Akron wireless project | 117,191 | -0- |
| Cuyahoga County service performance | 250,000 | -0- |
| OneClassroom | 1,935,362 | -0- |
| Community computing | 4,153 | 6,570 |
| Regional expansion | <u>25,000</u> | <u>50,000</u> |
| Total temporarily restricted net assets | <u>\$11,694,590</u> | <u>\$ 5,451,414</u> |

ONECOMMUNITY

Notes to Financial Statements Years Ended December 31, 2007 and 2006

NOTE J - 401(k) PLAN

The Organization has a defined contribution retirement plan for all of its employees after three months of employment. An employee may elect to contribute an amount of up to 96% of compensation during the plan year but not to exceed Federal maximum levels. The Organization may contribute discretionary amounts as determined by the Board of Directors. The Organization matches 100% of employee contributions to the Plan up to the first 3% of compensation and then 50% of contributions thereafter up to 5%. Expense for this plan was \$39,642 and \$50,000, respectively, for the year ended December 31, 2007 and December 31, 2006.

U.S. Department of Commerce
Broadband Technology Opportunities Program
Authentication and Certifications

1. I certify that I am the duly Authorized Organization Representative (AOR) of the applicant organization, and that I have been authorized to submit the attached application on its behalf.
2. I certify that I have examined this application, that all of the information and responses in this application, including certifications, and forms submitted, all of which are part of this grant application, are material representations of fact and true and correct to the best of my knowledge, that the entity(ies) that is requesting grant funding pursuant to this application and any subgrantees and subcontractors will comply with the terms, conditions, purposes, and federal requirements of the grant program; that no kickbacks were paid to anyone; and that a false, fictitious, or fraudulent statements or claims on this application are grounds for denial or termination of a grant award, and/or possible punishment by a fine or imprisonment as provided in 18 U.S.C. §1001 and civil violations of the False Claims Act.
3. I certify that the entity(ies) I represent has and will comply with all applicable federal, state, and local laws, rules, regulations, ordinances, codes, orders and programmatic rules and requirements relating to the project. I acknowledge that failure to do so may result in rejection or deobligation of the grant or loan award. I acknowledge that failure to comply with all federal and program rules could result in civil or criminal prosecution by the appropriate law enforcement authorities.
4. I certify that the entity(ies) I represent has and will comply with all applicable administrative and federal statutory, regulatory, and policy requirements set forth in the Department of Commerce Pre-Award Notification Requirements for Grants and Cooperative Agreements (“DOC Pre-Award Notification”), published in the Federal Register on February 11, 2008 (73 FR 7696), as amended; DOC Financial Assistance Standard Terms and Conditions (Mar. 8, 2009); the Department of Commerce American Recovery and Reinvestment Act Award Terms (Apr. 9, 2009); and any Special Award Terms and Conditions that are included by the Grants Officer in the award.
5. I certify that any funds awarded to the entity(ies) I represent as a result of this application will not result in any unjust enrichment of such entity(ies) or duplicate any funds such entity(ies) receives under federal universal service support programs administered by the Universal Service Administrative Corporation (USAC).
6. I certify that the entity(ies) I represent has secured access to pay the 20% of total project cost or has petitioned the Assistant Secretary of NTIA for a waiver of the matching requirement.

March 25, 2010
Date



Authorized Organization Representative Signature

Charles Berry

Print Name

Chief Operating Officer

Title

THE OHIO MIDDLE MILE CONSORTIUM

Pre-ARRA Funding

*Middle Mile Points of Presence
with Network Inter-Connectivity*



Illustration A

Post-ARRA Funding

*Middle Mile Points of Presence
with Network Inter-Connectivity*



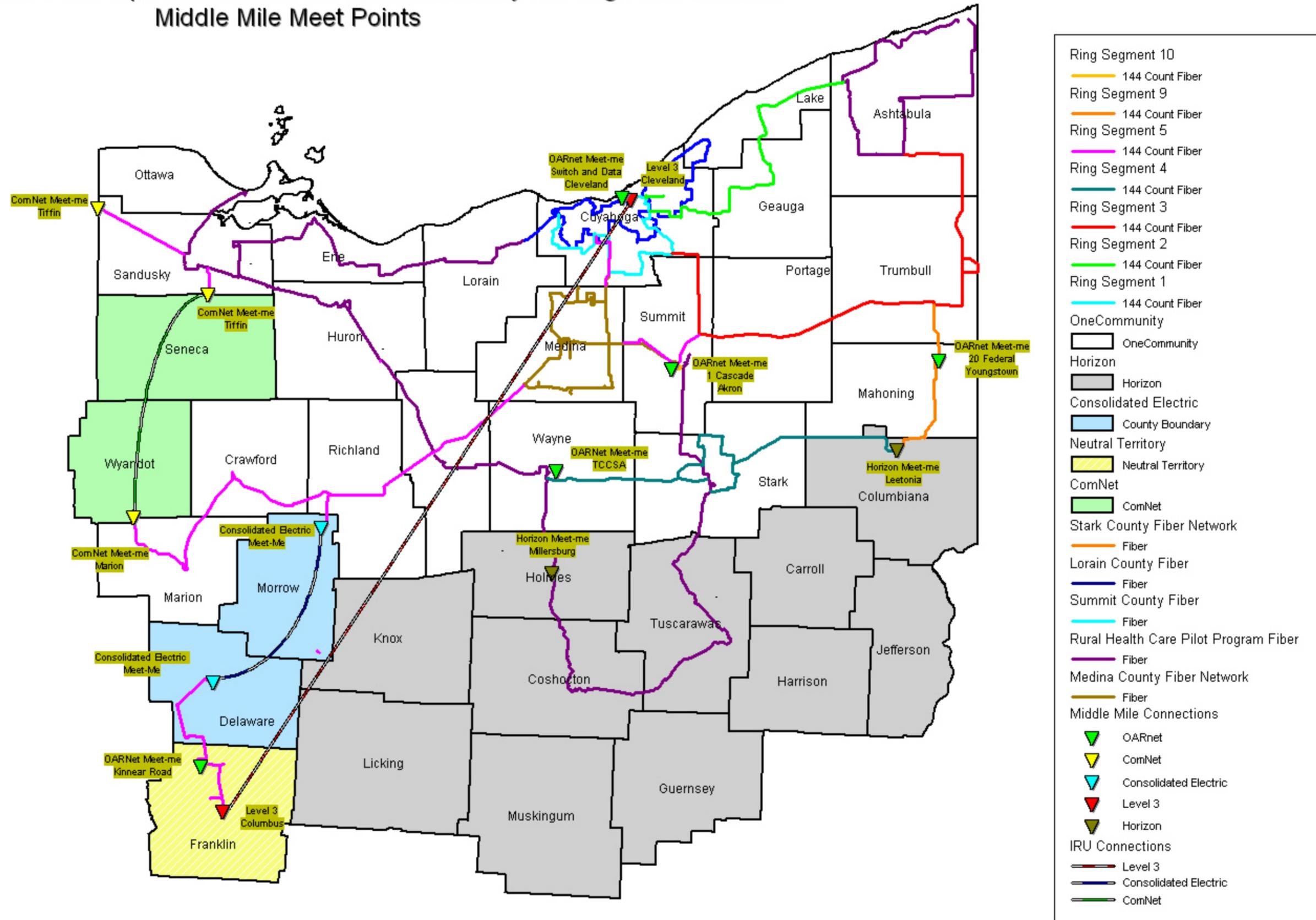
Illustration B

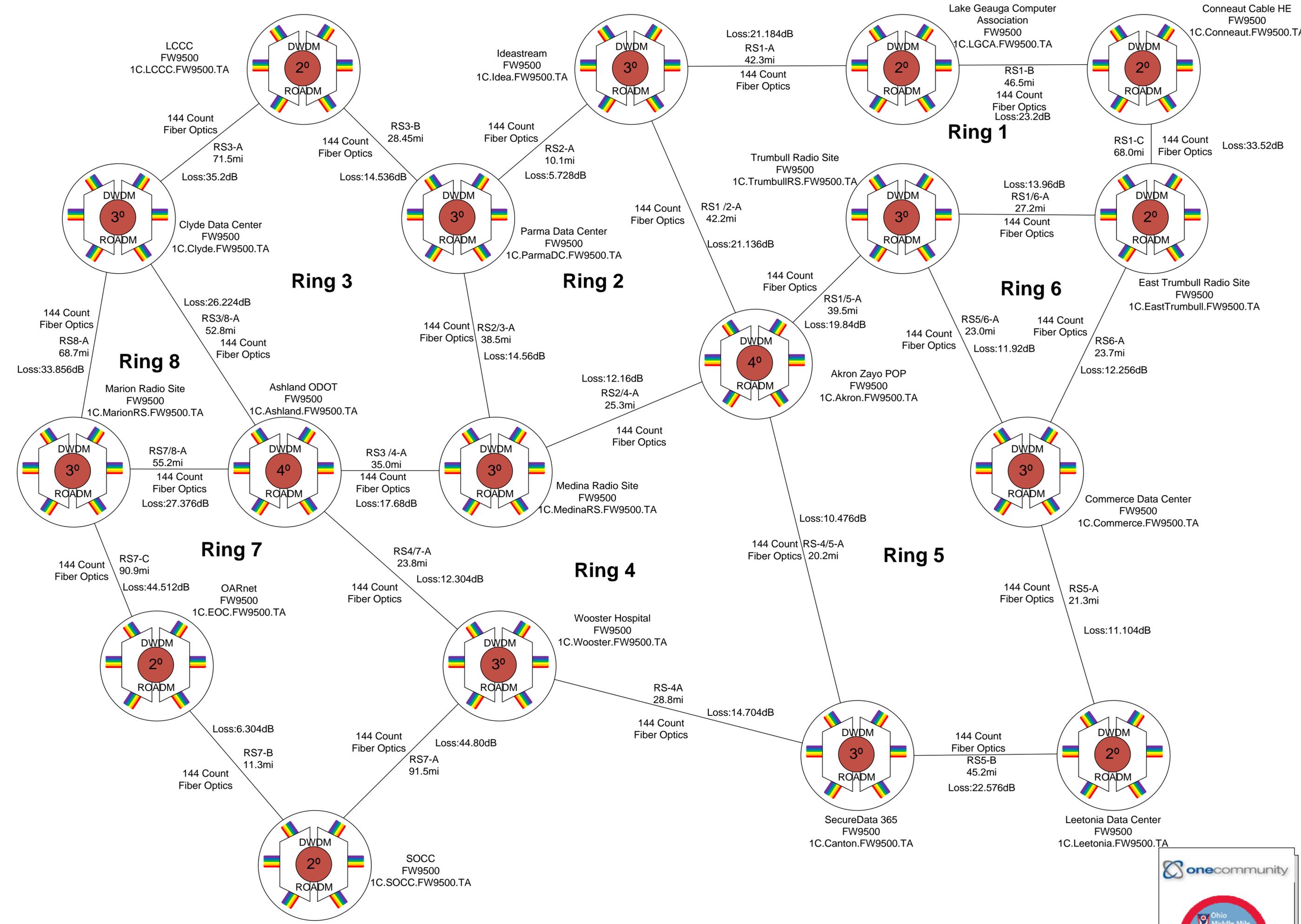
- OARnet Middle Mile PoPs
 - ARRA Middle Mile Expansion PoPs
 - OARnet/OMMC Middle Mile PoPs
-
- Connecting Appalachian Ohio
 - Transforming NE Ohio from Rust Belt to Tech Powerhouse
 - GigEPAC
 - Interconnection Counties (Large Urban Areas)
 - Consolidated Electric Area Round 1 Awardee

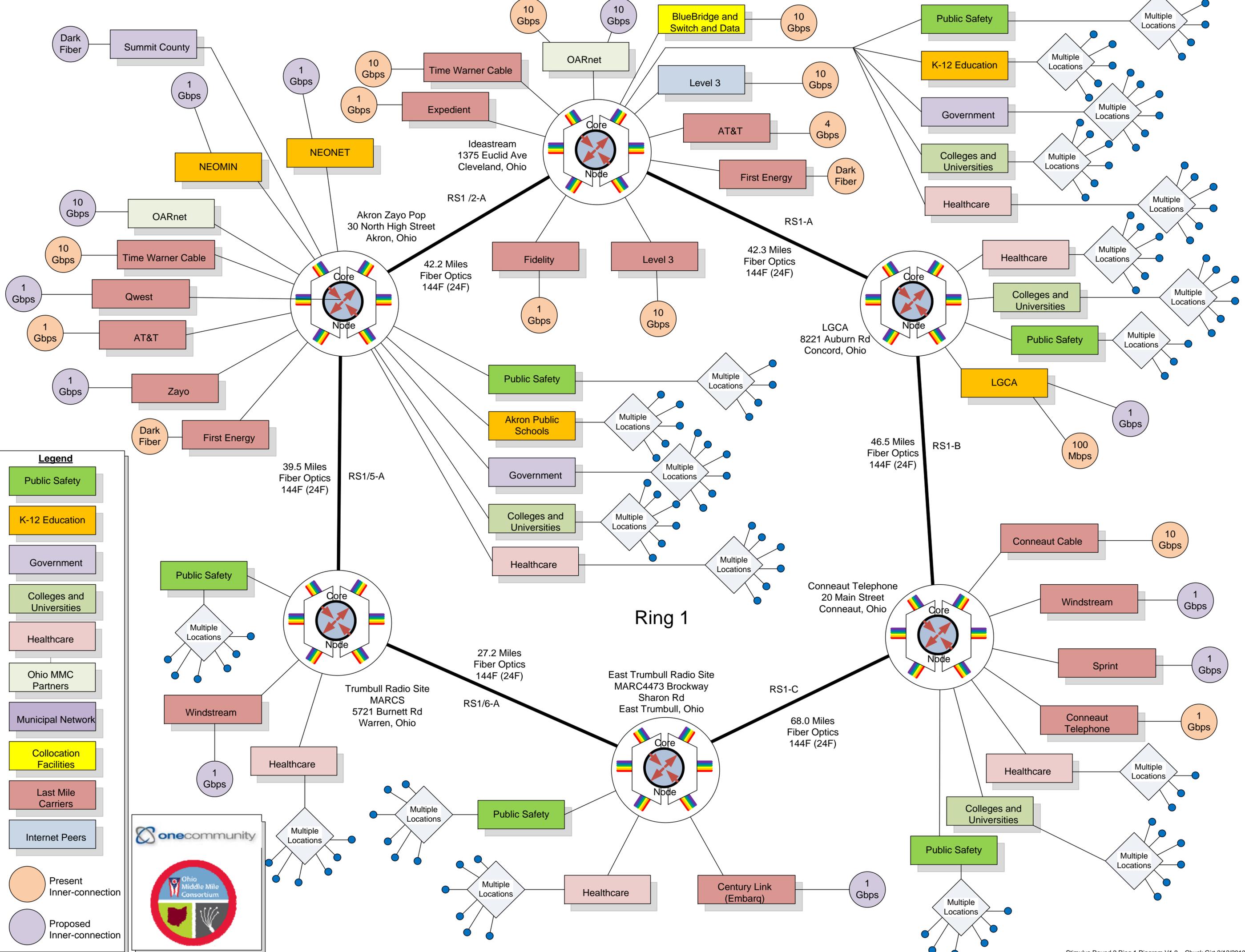
Transforming NE Ohio: From Rust Belt to Tech Powerhouse - An Ohio Middle Mile Consortium Project

Proposed Middle Mile Fiber Optics Network With OneCommunity Existing Fiber Network

Middle Mile Meet Points



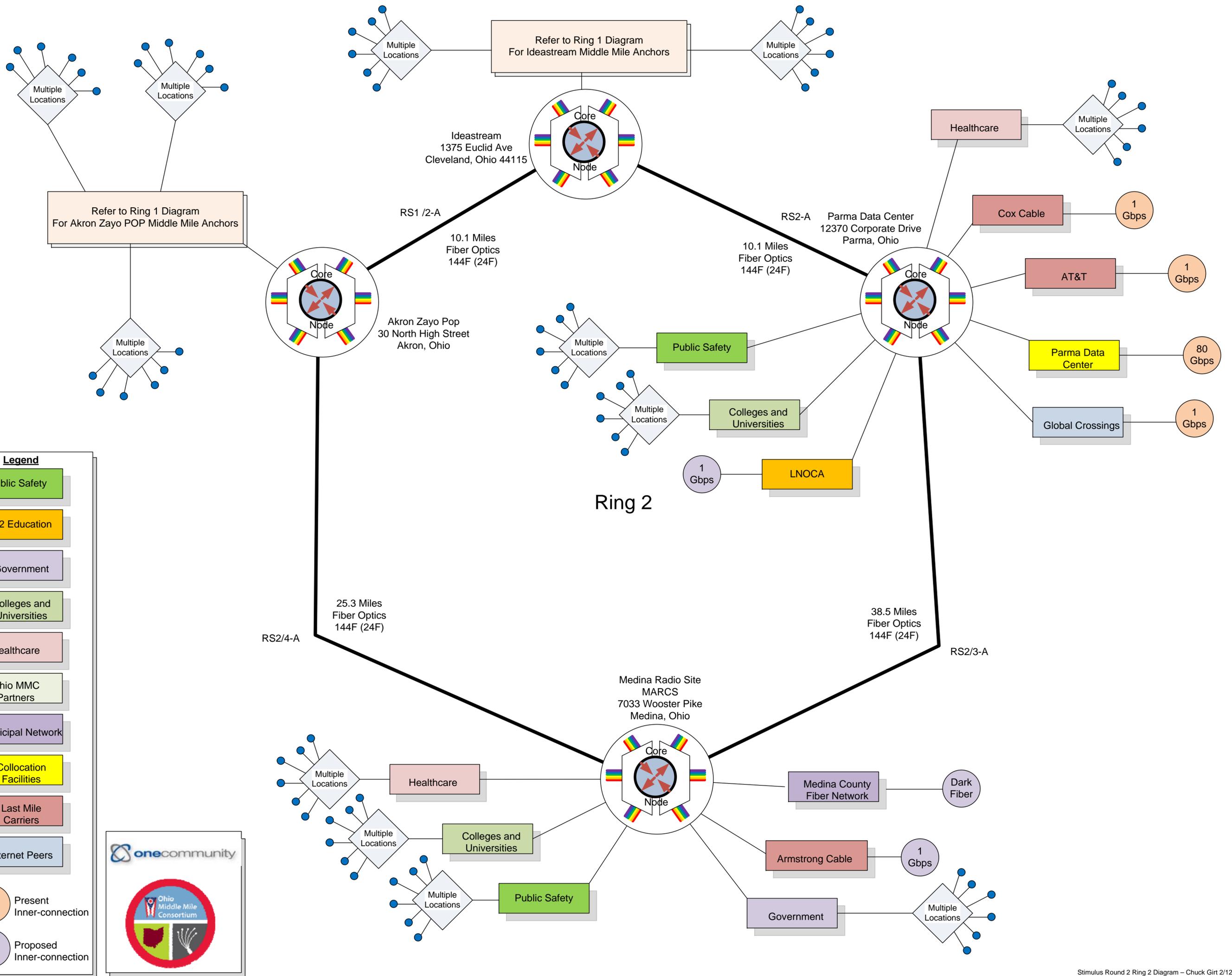




Legend

- Public Safety (Green box)
- K-12 Education (Yellow box)
- Government (Purple box)
- Colleges and Universities (Light Green box)
- Healthcare (Pink box)
- Ohio MMC Partners (Light Green box)
- Municipal Network (Purple box)
- Collocation Facilities (Yellow box)
- Last Mile Carriers (Red box)
- Internet Peers (Blue box)
- Present Inner-connection (Orange circle)
- Proposed Inner-connection (Purple circle)



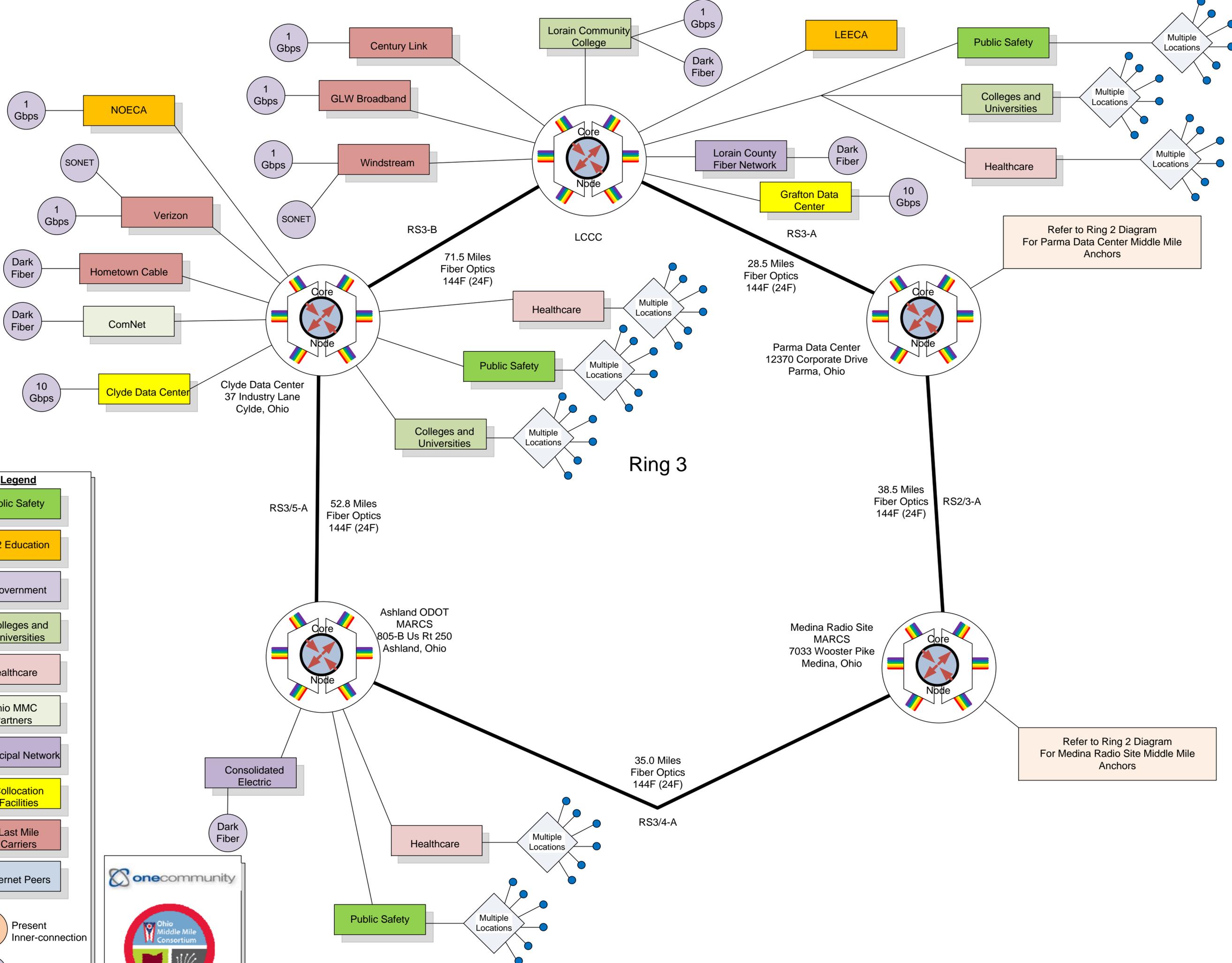


Legend

- Public Safety
- K-12 Education
- Government
- Colleges and Universities
- Healthcare
- Ohio MMC Partners
- Municipal Network
- Collocation Facilities
- Last Mile Carriers
- Internet Peers

Present Inner-connection
 Proposed Inner-connection

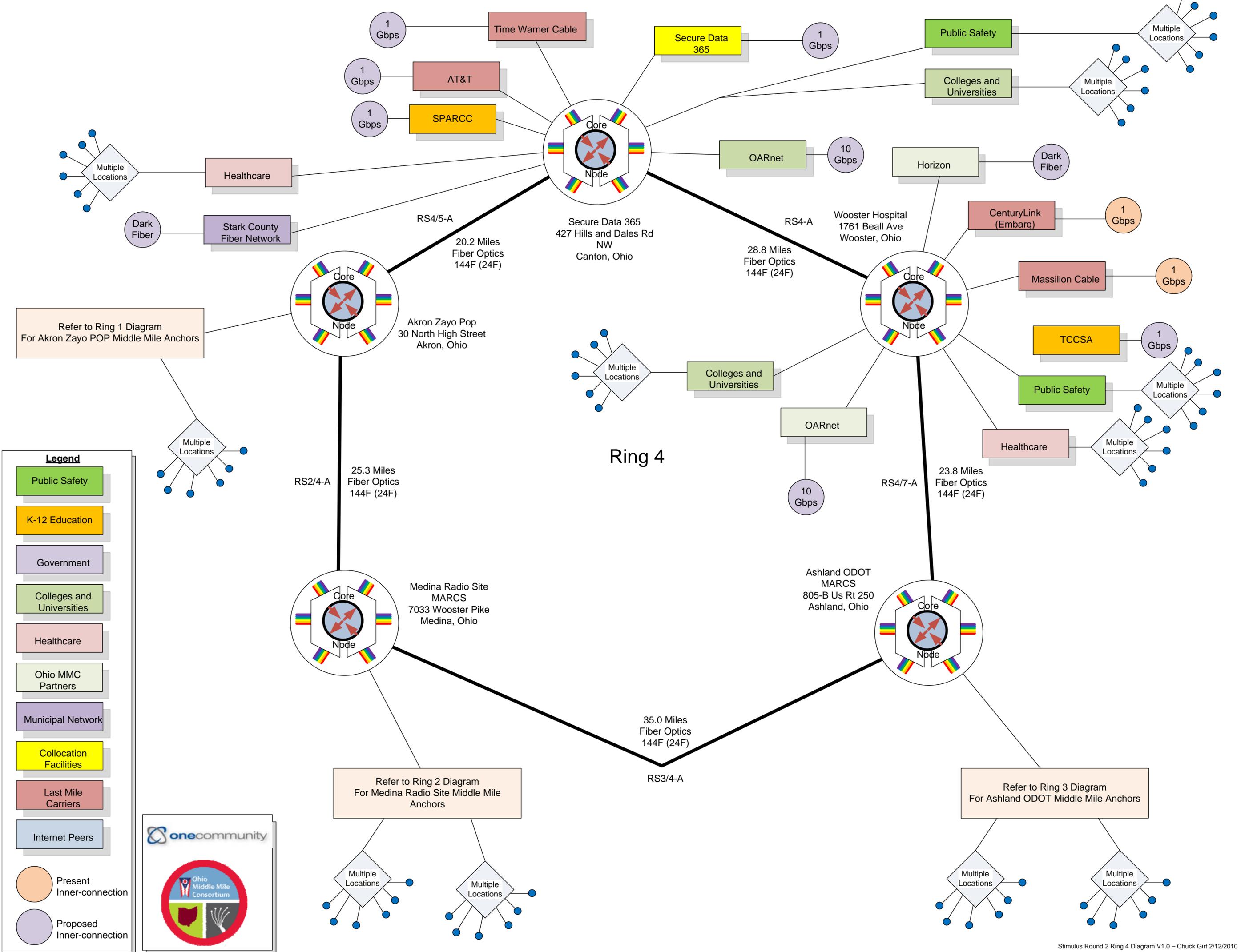




Legend

- Public Safety
- K-12 Education
- Government
- Colleges and Universities
- Healthcare
- Ohio MMC Partners
- Municipal Network
- Collocation Facilities
- Last Mile Carriers
- Internet Peers
- Present Inner-connection
- Proposed Inner-connection



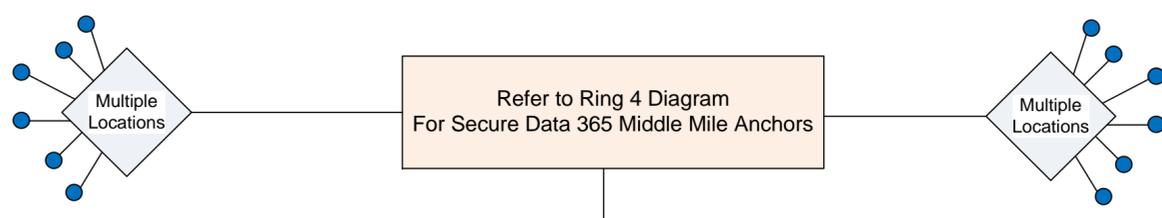


Refer to Ring 1 Diagram
For Akron Zayo POP Middle Mile Anchors

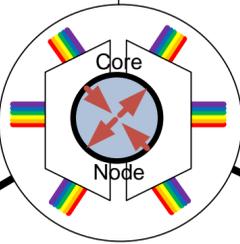
- Legend**
- Public Safety
 - K-12 Education
 - Government
 - Colleges and Universities
 - Healthcare
 - Ohio MMC Partners
 - Municipal Network
 - Collocation Facilities
 - Last Mile Carriers
 - Internet Peers



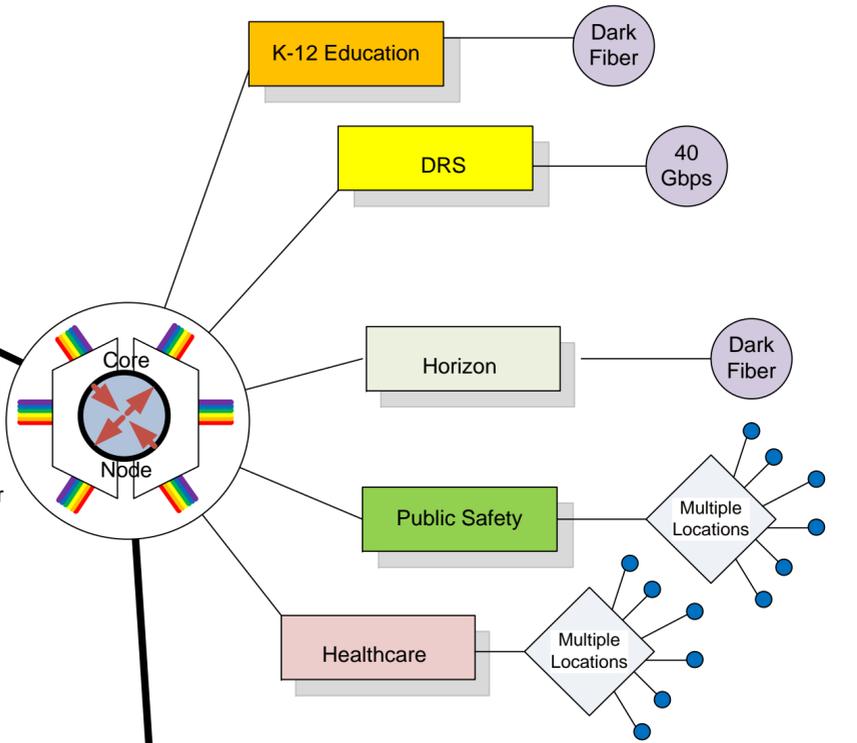
Ring 4



Refer to Ring 4 Diagram
For Secure Data 365 Middle Mile Anchors

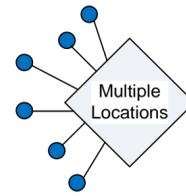


Secure Data 365
427 Hills and Dales Rd
NW
Canton, Ohio

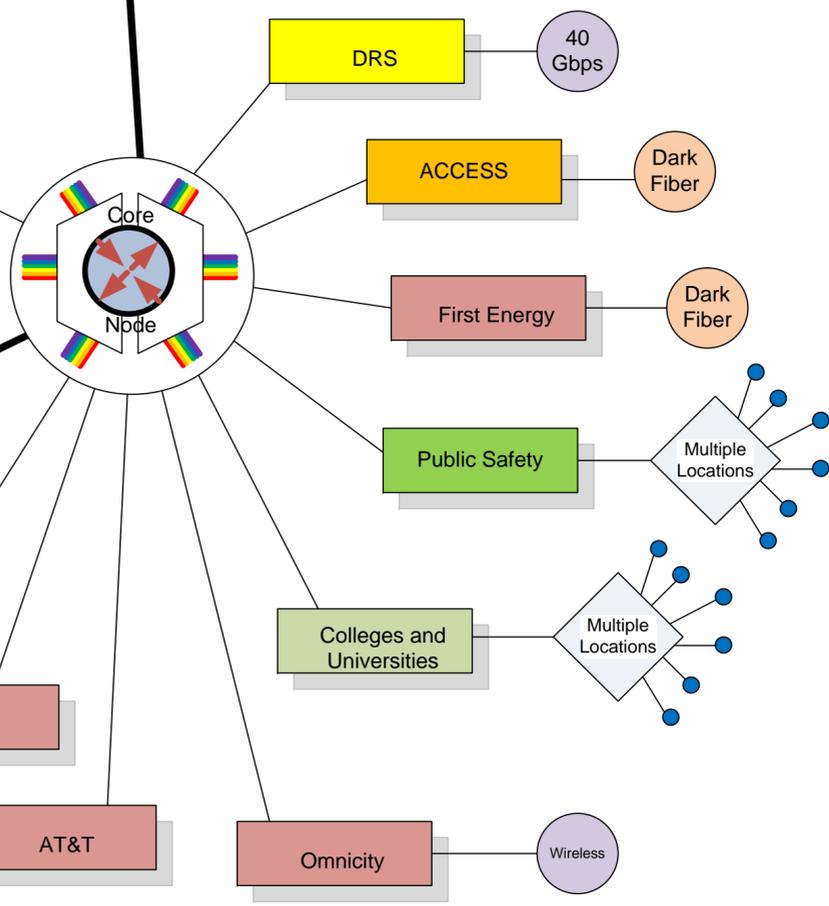


Leetonia Data Center
17 Industry Parkway
Leetonia, Ohio

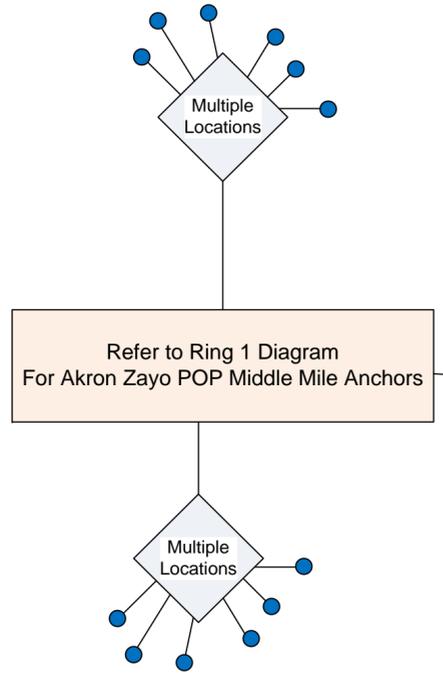
Ring 5



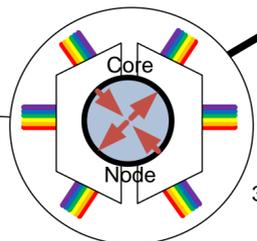
Healthcare



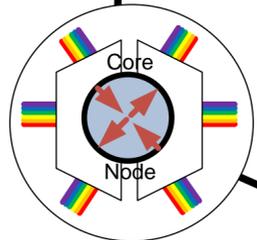
Commerce Plaza
20 Federal Plaza
Youngstown, Ohio



Refer to Ring 1 Diagram
For Akron Zayo POP Middle Mile Anchors



Akron Zayo Pop
30 North High Street
Akron, Ohio



Trumbull Radio Site
MARCS
5721 Burnett Rd
Warren, Ohio



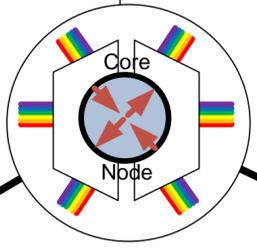
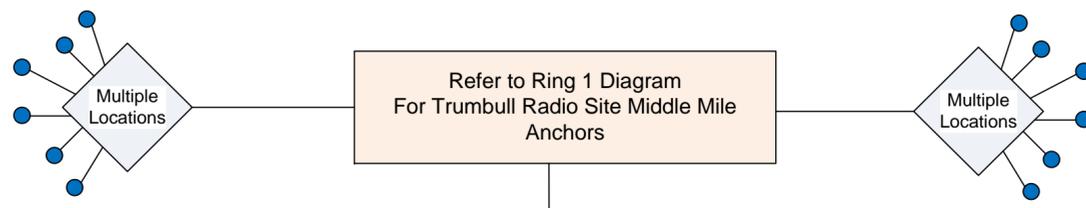
Refer to Ring 1 Diagram
For Trumbull Radio Site Middle Mile Anchors

Legend

- Public Safety
- K-12 Education
- Government
- Colleges and Universities
- Healthcare
- Ohio MMC Partners
- Municipal Network
- Collocation Facilities
- Last Mile Carriers
- Internet Peers

Present Inner-connection
 Proposed Inner-connection



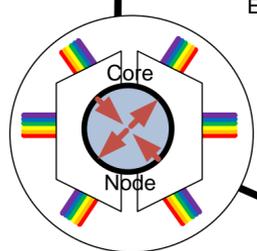


Trumbull Radio Site
MARCS
5721 Burnett Rd
Warren, Ohio

RS1/6-A
27.2 Miles
Fiber Optics
144F (24F)

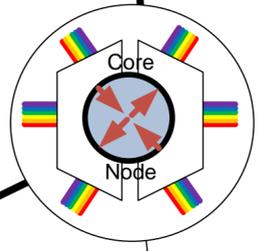
RS5/6-A
23.0 Miles
Fiber Optics
144F (24F)

Ring 6

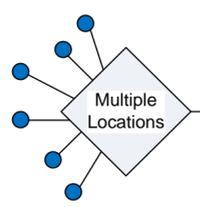


East Trumbull Radio Site
MARC4473 Brockway
Sharon Rd
East Trumbull, Ohio

Commerce Plaza
20 Federal Plaza
Youngstown, Ohio

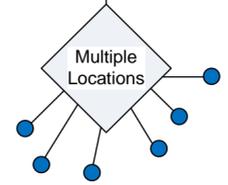
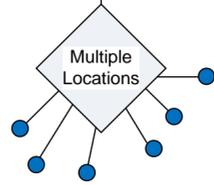
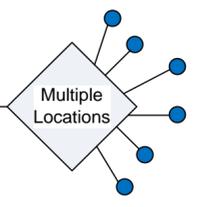


RS6-A
23.7 Miles
Fiber Optics
144F (24F)



Refer to Ring 1 Diagram For East Trumbull Middle Mile Anchors

Refer to Ring 5 Diagram For Commerce Plaza Middle Mile Anchors

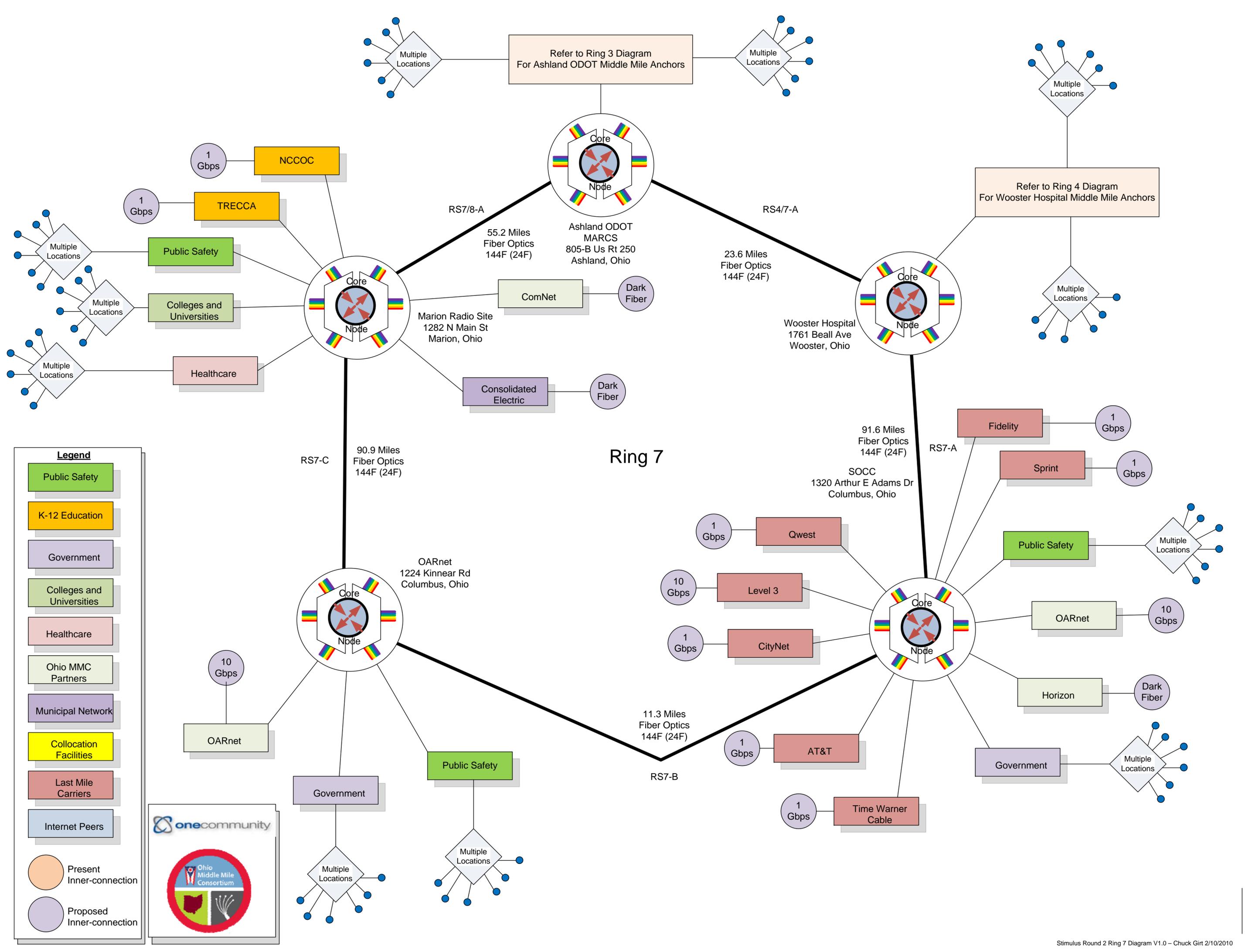


Legend

- Public Safety
- K-12 Education
- Government
- Colleges and Universities
- Healthcare
- Ohio MMC Partners
- Municipal Network
- Collocation Facilities
- Last Mile Carriers
- Internet Peers

Present Inner-connection

Proposed Inner-connection



Refer to Ring 3 Diagram
For Ashland ODOT Middle Mile Anchors

Refer to Ring 4 Diagram
For Wooster Hospital Middle Mile Anchors

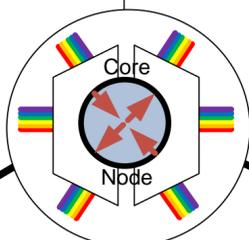
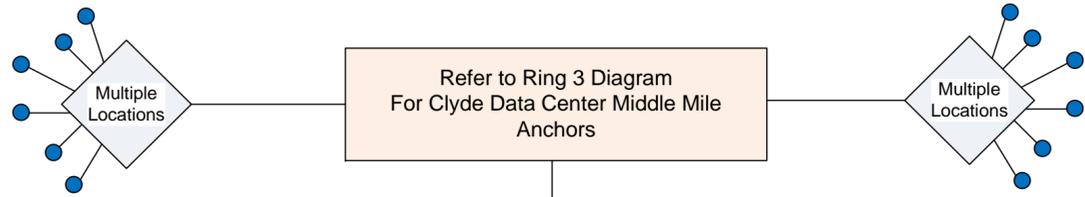
Ring 7

Legend

- Public Safety
- K-12 Education
- Government
- Colleges and Universities
- Healthcare
- Ohio MMC Partners
- Municipal Network
- Collocation Facilities
- Last Mile Carriers
- Internet Peers

Present Inner-connection
 Proposed Inner-connection





Clyde Data Center
37 Industry Lane
Clyde, Ohio

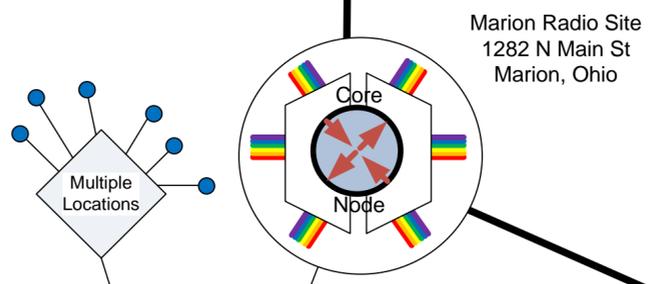
RS8-A

68.7 Miles
Fiber Optics
144F (24F)

RS3/8-A

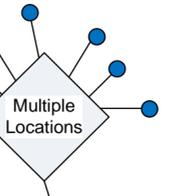
52.8 Miles
Fiber Optics
144F (24F)

Ring 8



Marion Radio Site
1282 N Main St
Marion, Ohio

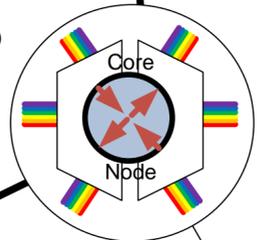
Ashland ODOT
MARCS
805-B Us Rt 250
Ashland, Ohio



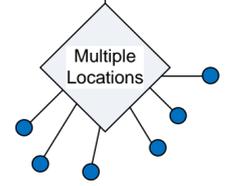
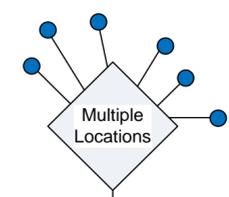
Refer to Ring 7 Diagram
For Marion Radio Site Middle Mile
Anchors

55.2
Fiber Optics
144F (24F)

RS7/8-A



Refer to Ring 3 Diagram
For Ashland ODOT Middle Mile
Anchors



Legend

- Public Safety
- K-12 Education
- Government
- Colleges and Universities
- Healthcare
- Ohio MMC Partners
- Municipal Network
- Collocation Facilities
- Last Mile Carriers
- Internet Peers

- Present Inner-connection
- Proposed Inner-connection

