

**TELECOMMUNICATIONS COMPANIES
2014
ANNUAL REPORT**

FOR

iNetworks Group, Inc.

(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

125 S. Wacker Drive, Suite 2510

(OFFICIAL MAILING ADDRESS)

Chicago

(CITY)

IL

(STATE)

60606

(ZIP)

Please check if address listed above is an updated address

Report Year Ended: December 31, 2014

Inquiries concerning this Annual Report should be addressed to:

Name/Title: Tsungi Ludy, Manager, Tax & Regulatory
Address: 125 S. Wacker Drive, Suite 2510
City: Chicago
State/Zip: IL 60606
Telephone: (312) 212-0828
Email: tludy@ingts.com

SUBMIT TO:

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
PO Box 47250
Olympia, WA 98504-7250

File online: www.utc.wa.gov

WASHINGTON

UTC

UTILITIES AND TRANSPORTATION
COMMISSION

Complete!
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REPORT MUST BE RECEIVED NO LATER THAN MAY 1, 2015

Please refer to the Instructions for Completing the Annual Report on Page 2

INSTRUCTIONS FOR ANNUAL REPORT COMPLETION**Commission Authority**

The purpose of this form is to collect financial and operational information from telecommunications companies regulated by the Washington Utilities and Transportation Commission (UTC). The commission's authority for requiring this report is found in RCW 80.04.080. This report is a non-confidential public use form.

Certification

The Annual Report Certification must be signed by an authorized officer, partner or owner.

Regulatory Fees

Regulatory fees are set by commission order A-140166.

Deadlines and Penalties

All telecommunications companies regulated by the UTC are required to complete this form, including all schedules. Failure to complete all schedules will result in the report being considered incomplete and subject to penalties. Completed forms and regulatory fee payments must be received by the UTC no later than **May 1, 2015**. Failure to file the annual report by the above deadline will result in a financial penalty of \$100 for each business day after May 1. Failure to pay the regulatory fees by the above deadline will result in a 2 percent penalty on the amount due and a 1 percent monthly interest charge on the unpaid balance.

Extension Requests

You may file a written request for an extension to file the completed annual report; however, the commission will not extend the deadline for paying regulatory fees. Any extension request must be filed with the commission by **April 15, 2015**, and must state a valid reason for why the extension is needed and identify a specific date which the report will be filed with the commission. The commission will notify you by **April 30** whether your request is approved or denied. Even if your request is approved, you will still be liable for penalties and interest payments if you fail to pay your regulatory fees by **May 1**. To file your extension request online visit

<http://www.utc.wa.gov/docs/Pages/ElectronicFiling.aspx>

No longer operating in Washington

You may cancel your registration or permit by using the Voluntary Cancellation Form available at:

www.utc.wa.gov/regulateindustries/utilities/telcom/pages

However, if your company operated in Washington at any time during the 2014 calendar year, you must pay regulatory fees and file a closing annual report based on the months of operation during 2014.

Confidential Status

Telecommunications companies may file annual reports as confidential. You must follow the steps for filing confidential documents in WAC 480-07-160. The regulatory fee sheet portion of your report is not a confidential document and will not be accorded confidential treatment under the rule.

To view the confidential requirements in WAC 480-07-160, please visit the following site:

apps.leg.wa.gov/WAC/default.aspx?cite=480-07-160

Electronic Filing and Payment

To obtain an electronic format of the report, submit a report online or pay your regulatory fees online visit:

www.utc.wa.gov/regulateindustries/pages/annualreports

Staff Contact

Pam Callea at (360) 664-1152 or pcallea@utc.wa.gov

TTY Toll-Free phone number 1-800-416-5289

ANNUAL REPORT CERTIFICATION

(PLEASE VERIFY THAT ALL SCHEDULES ARE ACCURATE AND COMPLETE BEFORE SIGNING)

I, the undersigned David J. Smat
Responsible Account Officer (Please Print)
of iNetworks Group, Inc.
Name of Company

have examined the foregoing report; that, to the best of my knowledge and belief, all statement of fact contained in said report are true and said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2014, to December 31, 2014, inclusive.

<u>President/CEO</u> Title (please print)	<u>David J. Smat</u> Signature (please type if filing electronically)
<u>(312) 212-0822</u> Telephone Number	<u>5/1/2015</u> Date

GENERAL INFORMATION

Washington Unified Business Identifier (UBI) No.: T-0526
(If you do not know your UBI No. please contact Business Licensing Service at 1-800-451-7985 or BLS@dor.wa.gov)

Business Structure (please check the appropriate designation):
 Individual / Sole Proprietor Partnership Other (LP, LLP, LLC) Corporation Nonprofit Corporation

SCHEDULE 1

Telecommunications Company Financial & Operational Data

Part A. Financial: Please include the following information (as applicable below) along with this report.

Required Information	ILECs (under 40,000 lines)	All Other Companies
<input checked="" type="checkbox"/> Balance Sheet	RCW 80.04.530(2)	WAC 480-120-382
<input checked="" type="checkbox"/> Income Statement	RCW 80.04.530(2)	Attach copies <or> provide URL to 2013 - S.E.C. Form 10-k: INSERT HYPERLINK HERE
<input checked="" type="checkbox"/> Regulatory Fee Schedule	See attached Schedule	See attached Schedule

Washington State Data

(All companies must provide)

Part B. Services

Does your company provide local exchange services in WA? YES NO

Part C. Access Lines in service as of December 31, 2014

1 The total number of voice grade equivalent lines 0
This should be the same as the FCC Form 477 Part II. A. 1.

2 How many of the lines listed in C.1. above, have access to E-911 0

Part D. Revenue Confirmation

	Total Company	Total WA	WA Intrastate
Annual Revenue for the twelve months ended December 31, 2014	\$4,471,956	\$61,051	\$0

REGULATORY FEE CALCULATION SCHEDULE
Due May 1, 2015

Company Name iNetworks Group, Inc. Annual Report Year 2014

In accordance with RCW 80.24.010 "Regulatory Fees", the Commission requires Telecommunication companies to file reports of gross intrastate operating revenue and pay fees on that revenue. Every company subject to regulation shall file with the Commission a statement under oath showing its gross intrastate revenue for the preceding year and pay to the Commission a fee as instructed below.

Regulatory Fee Calculations

1. Total Gross Intrastate Operating Revenue**			\$0.00
2. Less Non Fee-Paying Revenue (include details on separate page for non-paying revenue)			
3. Balance-Adjusted Gross Intrastate Operating Revenue (Line 1 minus Line 2)			\$0.00
4a. If Line 3 is UNDER \$20,000, enter ZERO (skip to Line 5)			
4b. If Line 3 is BETWEEN \$20,000 and \$50,000 enter amount from Line 3 x 0.1% (skip to Line 5)	\$0.00	x 0.001	\$0.00
4c. If Line 3 is OVER \$50,000 enter amount from Line 3			
4d. First \$50,000 is subject to .1% regulatory fee	\$0.00	x 0.001	\$0.00
4e. Remainder of gross intrastate revenue subject to .2% (Line 4c minus Line 4d)	\$0.00	x 0.002	\$0.00
5. Total Regulatory Fees owed (enter Line 4b, or add 4d and 4e)			\$0.00

Agency Use Only 001-111-0268-170-01

Penalty & Interest Calculations

6. Penalties on Regulatory Fees being paid after May 1			
6a. Total Penalties on Regulatory Fees owed (enter amount from Line 5 x 2%)	\$0.00	x 0.02	\$0.00
7. Interest on Regulatory Fees being paid after May 31			
7a. Amount from Line 5 x Number of months past May 31 x 1%	\$0.00	x 0	\$0.00
8. Total Penalties and Interest owed (Line 6a plus Line 7a)			\$0.00
9. Total Regulatory, Penalties and Interest Fees Due (Line 5 plus Line 8)			\$0.00

Agency Use Only 001-111-0268-170-11

****Note:** The revenues subject to the Commission's regulatory fees are gross Washington intrastate operating revenues before deductions for uncollectibles, unbillables, subscriber/aggregator commissions or the payment of site charges and state and federal taxes, i.e. "Gross Revenues" means before any deductions from Revenue Receipts.

COMMISSION USE ONLY

Reception #: _____	001-111-0268-170-01 _____
Reference: <u>AR2014</u>	001-111-0268-170-11 _____
Payment ID: _____	001-111-0268-032-20 _____
	Total Paid: _____

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Accrual Basis

INETWORKS Group, Inc.
Profit & Loss
January through December 2014

	<u>Jan - Dec 14</u>
Ordinary Income/Expense	
Income	
4000 • Commission Revenue	5,531.98
4010 • Voice Revenue - Intrastate	163,538.99
4020 • Voice Revenue - Interstate	1,726.79
4030 • Internet	115,976.69
4080 • VOIP Revenue	5,554.70
4100 • Non-Recurring Revenue	70,997.02
4230 • Professional Services Revenue	2,094,000.00
4250 • Other Revenue	-8,358.44
4255 • Convenience Fee	19.13
4300 • Telecom Services - Intrastate	779,693.42
4350 • Telecom Services - Interstate	685,170.74
4400 • Recoverable Costs	4,740.88
4500 • IT Services	56,670.15
4600 • Equipment	140,815.25
4700 • Software	7,066.78
4800 • Engineering Services	348,812.17
Total Income	<u>4,471,956.25</u>
Cost of Goods Sold	
5010 • Telecom Voice Intrastate - COGS	127,082.67
5030 • Internet - COGS	89,367.74
5040 • Network Operations - COGS	32,951.86
5060 • Network Services - COGS	1,548.00
5080 • VOIP COGS	3,304.20
5100 • Non-Recurring COGS	50,190.37
5230 • Professional Services	22,080.00
5250 • Other COGS	-73,436.59
5252 • Other COGS - GTT	-3,639.27
5300 • Telecom Line Costs - COGS	1,432,975.40
5411 • FUSF Expense	27,138.97
5412 • FCC Wireline Expense	614.28
5414 • Pass-through Taxes & Surcharges	4,696.70
5450 • Non Flow-Thru Surcharges & Tax	4,867.85
5500 • IT Services COGS	30,638.88
5600 • Equipment-Purchases	139,395.92
5700 • Software COGS	7,643.21
5800 • Direct Engineering Labor	314,312.17
Total COGS	<u>2,211,732.36</u>
Gross Profit	2,260,223.89
Expense	
6000 • Accounting	50,580.00
6010 • Bank Service Charges	8,454.84

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Accrual Basis

INETWORKS Group, Inc.
Profit & Loss
January through December 2014

	<u>Jan - Dec 14</u>
6015 • Merchant Fees	38.06
6030 • Computer Services	68,403.30
6040 • Consulting Fees	154,233.31
6050 • Legal Fees	44,869.11
6130 • Leased Equipment	7,544.08
6145 • Licenses and Permits	5,592.08
6165 • Lobbying - Non-Deductable	151.04
6175 • Marketing Expenses	2,630.08
6190 • Misc. Other Expenses	7,820.23
6195 • Office Supplies/Office Expense	15,240.47
6220 • Payroll Expense	1,950.29
6230 • Seminars and Training	3,201.00
6235 • Postage and Delivery	5,453.56
6245 • Reconciliation Discrepancies	0.00
6250 • Recruitment Expense	0.00
6255 • Regulatory Fees	19,790.62
6325 • Rent	283,525.30
6440 • Tax	-39,762.58
6520 • Travel	17,525.60
6560 • Meals and Entertainment	23,130.92
6570 • Parking	7,944.28
6580 • Outside Services	0.00
6600 • Wages	1,499,575.90
6648 • Taxes - Payroll	113,433.39
6650 • Direct Labor Wages Offset	-314,312.17
6660 • Health Life Disability Ins	136,427.80
6670 • 401K Fees	1,375.00
6680 • Insurance - Corporate	21,691.93
6700 • Outside Commission Expense	1,387.15
Total Expense	<u>2,147,892.59</u>
Net Ordinary Income	112,331.30
Other Income/Expense	
Other Income	
7010 • Interest Income	74,042.73
7015 • Other Income - Misc	0.00
Total Other Income	<u>74,042.73</u>
Other Expense	
8001 • Depreciation Expense	97,595.87
8010 • Interest Expenses	2,506.30
8035 • Other Expenses	5,741.25
8445 • State and Federal Income Taxes	11,429.14
Total Other Expense	<u>117,272.56</u>
Net Other Income	<u>-43,229.83</u>
Net Income	<u><u>69,101.47</u></u>

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Accrual Basis

INETWORKS Group, Inc.
Summary Balance Sheet
As of December 31, 2014

	<u>Dec 31, 14</u>
ASSETS	
Current Assets	
Checking/Savings	225,508.31
Accounts Receivable	194,096.58
Other Current Assets	517,334.06
Total Current Assets	<u>936,938.95</u>
Fixed Assets	236,653.81
Other Assets	<u>901,768.11</u>
TOTAL ASSETS	<u><u>2,075,360.87</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	248,539.08
Other Current Liabilities	1,174,825.96
Total Current Liabilities	<u>1,423,365.04</u>
Total Liabilities	1,423,365.04
Equity	<u>651,995.83</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,075,360.87</u></u>