Pro Bono Net, Inc.

Financial Statements

For The Years Ended December 31, 2005 and 2004



Weiser LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Pro Bono Net, Inc.

We have audited the accompanying statements of financial position of Pro Bono Net, Inc. (the "Company") as of December 31, 2005 and 2004, 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 Company'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 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 Pro Bono Net, Inc. as of December 31, 2005 and 2004, and the change 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.

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CERTIFIED PUBLIC ACCOUNTANTS

New York, N.Y. April 11, 2006

PRO BONO NET, INC. STATEMENTS OF FINANCIAL POSITION

	Total	\$ 477,066 - 25,000 394,874 13,950 910,890	385,784	10,672	\$ 1,307,346		\$ 92,410	545,334 669,602 1,214,936	\$ 1,307.346
2004	Temporarily Restricted	\$ 274,728 - 394,874 - 669,602	1	'	\$ 669,602		·	- 209,699 - 209,609	\$ 669,602
December 31,	Unrestricted	\$ 202,338 - 25,000 - 13,950 241,288	385,784	10,672	\$ 637,744		\$ 92,410	545,334	\$ 637.744
Decem	Total	\$ 779,037 402,903 38,250 490,000 18,042 1,728,232	216,798	10,672	\$ 1.955.702		\$ 32,360	576,767 1,346,575 1,923,342	\$ 1.955,702
2005	Temporarily Restricted	\$ 453,672 402,903 - 490,000 - 1,346,575	1		\$ 1,346,575		ا ج	1,346,575	\$ 1,346,575
	Unrestricted	\$ 325,365 - 38,250 - 18,042 381,657	216,798	10,672	\$ 609.127	70	\$ 32,360	576,767	\$ 609.127
	ASSETS	Current assets: Cash and cash equivalents Short-term investment Program receivables Contributions receivable Prepaid expenses Total current assets	Software, furniture and equipment, net	Deposit		LIABILITIES AND NET ASSETS	Current liabilities: Accounts payable and accrued expenses	Net assets: Unrestricted Temporarily restricted Total net assets	

The accompanying notes are an integral part of these financial statements.

PRO BONO NET, INC. STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

		H	For The Years Ended December 31	nded December 3	31,	
		2005			2004	
		Temporarily			Temporarily	
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Support and revenue:						
Contributions	\$ 140,685	\$ 1,240,000	\$ 1,380,685	\$ 146,697	\$ 481,352	\$ 628,049
Corporate sponsorship	56,250	•	56,250	•	1	•
Donated software	•	•	•	48,000	•	48,000
Donated goods and services	129,596	•	129,596	126,963		126,963
Interest and other income	17,262	•	17,262	7,802	1	7,802
Program fees	492,643	•	492,643	487,800	1	487,800
Net assets released from restriction	563,027	(563,027)	ı	472,388	(472,388)	
Total support and revenue	1,399,463	676,973	2,076,436	1,289,650	8,964	1,298,614
Expenses:						
Program services	1,210,703	•	1,210,703	1,452,546	ı	1,452,546
Management and general	102,037	1	102,037	84,156	1	84,156
Fund raising	55,290	'	55,290	31,452	1	31,452
Total expenses	1,368,030	1	1,368,030	1,568,154	'	1,568,154
Change in net assets	31,433	676,973	708,406	(278,504)	8,964	(269,540)
Net assets – beginning	545,334	669,602	1,214,936	823,838	660,638	1,484,476
Net assets – ending	\$ 576,767	\$ 1,346,575	\$ 1,923,342	\$ 545,334	\$ 669,602	\$ 1,214,936

The accompanying notes are an integral part of these financial statements.

PRO BONO NET, INC. STATEMENTS OF FUNCTIONAL EXPENSES

For The Years Ended December 31,

		2	2005			2	2004	
	Program	Management	Fund-		Program	Management	Fund-	
Account	Services	and General	Raising	Total	Services	and General	Raising	Total
Legal services – donated	688 96 \$	·	·	688 96 \$	\$ 108 788	·	·	\$ 108 788
Salaries	360,373	63.089	18,661	442,123	412,183	56 099	21.250	489,532
Payroll taxes and benefits	78.238	13.358	3.817	95.413	90,999	11,776	4.282	107,057
Depreciation and amortization	318,860			318,860	413,361			413,361
Rent	54,545	9,313	2,661	66,219	46,636	6,035	2,195	54,866
Consulting fees	13,033		25,500	38,533	1,572		1	1,572
Professional and other fees	22,430	3,830	1,094	27,354	15,247	1,973	718	17,938
Travel and meals	20,449		1	20,449	25,776	1	1	25,776
Conventions and seminars	10,895	•	•	10,895	13,530	•	•	13,530
Marketing and advertising	29,768	5,082	1,452	36,302	18,173	2,352	855	21,380
Office expenditures and stationery	20,748	3,542	1,012	25,302	22,464	2,907	1,057	26,428
Website maintenance	19,440		1	19,440	32,074	r	•	32,074
Website hosting	65,973		•	65,973	64,686	1	•	64,989
Telephone	12,020	2,052	586	14,658	12,694	1,643	597	14,934
Insurance	5,915	1,010	289	7,214	8,424	1,090	396	9,910
Grants for project partners	76,668	•	1	76,668	160,466	,	ı	160,466
Miscellaneous	4,459	761	218	5,438	2,170	281	102	2,553
Total expenses	\$ 1,210,703	\$102.037	\$ 55,290	\$ 1,368,030	\$ 1,452,546	\$ 84,156	\$ 31,452	\$ 1,568,154

The accompanying notes are an integral part of these financial statements.

PRO BONO NET, INC. STATEMENTS OF CASH FLOWS

		For The Ye	ears Ended
		Deceml	ber 31,
		2005	2004
Cash flows from operating activities:			
Change in net assets	\$	708,406	\$ (269,540)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		318,860	413,360
Donated website software		510,000	(48,000)
Changes in operating assets and liabilities:		-	(40,000)
(Increase) decrease in program receivables		(13,250)	5,344
(Increase) decrease in contributions receivable		(95,126)	121,330
(Increase) in prepaid expenses		(4,092)	(2,120)
(Decrease) increase in current liabilities		(60,050)	54,981
Net cash provided by operating activities		854,748	275,355
rect cash provided by operating activities		054,740	
Cash flows from investing activities:			
Purchase of short-term investment		(402,903)	-
Acquisitions of software and computer equipment		(149,874)	(131,973)
Net cash used in investing activities		(552,777)	(131,973)
-			
Net increase in cash and cash equivalents		301,971	143,382
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Cash and cash equivalents, beginning		477,066	333,684
Cash and cash equivalents, ending	<u>\$</u>	779,037	<u>\$ 477,066</u>

PRO BONO NET, INC. NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Pro Bono Net, Inc. (the "Company") is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The mission of the Company is to increase access to justice for poor and moderate income people and other vulnerable populations through (i) innovative use of technology, (ii) increased participation by volunteers, and (iii) facilitations of collaborations among nonprofit legal organizations working on similar issues.

Since 1999, Pro Bono Net, Inc. and its growing network of participating nonprofit organizations have taken huge strides towards creating a national technology platform called LawHelp, for public interest law and lawyers, the system has been adopted by nearly 30 states that together contain a large portion of the country's lawyers and low-income population. This system is web-based and can be used at a low cost by hundreds of programs including legal aid programs, other nonprofit legal programs (e.g., immigration and civil rights groups), pro bono programs, law school-based programs and court-based programs. The system can be used both to deliver legal information directly to the public and to support public interest and legal services lawyers. In addition to technology, the Company also provides a range of other services related to the technology including consulting regarding usability and content accessibility, fundraising, evaluation, volunteer participation and marketing.

Effective January 1, 2004, the Company merged with Global Community Networks, Inc., an inactive affiliate, with Global Community Networks, Inc. as the surviving entity renamed Pro Bono Net, Inc.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

The Company considers all highly liquid investments, purchased with an original maturity of three months or less, to be cash equivalents. Liquid investments purchased with an original maturity greater than three months, but less than twelve months, are considered to be short-term investments.

The Company's cash is concentrated with one bank whose balances at December 31, 2005 exceeded FDIC insurance by approximately \$697,000.

Software, Furniture and Equipment:

Costs related to the development of internal use software other than those incurred during the application development stage are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software. The software and computer equipment are being amortized on a straightline basis over three years.

Furniture is being depreciated on a straight-line basis over seven years.

Net Assets:

The net assets of the Company and changes therein are classified and reported as follows:

Unrestricted:

Funds that are undesignated and available for general purposes are used for the general activity of the Company.

Temporarily Restricted:

Temporarily restricted net assets consist of resources, the use of which has been restricted by donors. The release of net assets from restrictions results from either the satisfaction of the restricted purposes specified by the donors, or from the passage of time.

Purpose restrictions, grants restricted to specific geographic or subject area initiatives (e.g. civil rights, immigration, new business plans) at December 31, 2005 and 2004 amounted to \$1,306,575 and \$367,102, respectively. Time restrictions at December 31, 2005 and 2004 amounted to \$40,000 and \$302,500, respectively.

2. CONTRIBUTIONS:

The Company reports gifts of cash and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Temporarily restricted contributions that have been restricted by the donor will be reclassified to unrestricted net assets when the restriction expires.

In-Kind Contributions:

Amounts are reported in the financial statements for voluntary donations of services if those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation.

3. DONATED SERVICES:

To properly recognize the significant role of contributions of services in the furtherance of the Company's mission, the management of the Company adopted procedures to measure the fair market value of certain donated services such as web software, legal services and advertising. The fair market value of software costs were based on information received from the donor and have been capitalized. Donated legal services and advertising have been recognized as revenue and expense in the statement of activities.

4. SOFTWARE, FURNITURE AND EQUIPMENT:

Software, furniture and computer equipment consists of the following:

	Decemb	per 31,
	2005	2004
Website software	\$ 2,061,312	\$ 1,919,680
Computer equipment	55,112	46,870
Furniture	4,901	4,901
	2,121,325	1,971,451
Less accumulated depreciation and amortization	1,904,527	1,585,667
	<u>\$ 216,798</u>	\$ 385,784

5. BANK LINE OF CREDIT:

The Company has an available line of credit with a bank for an amount not to exceed \$250,000 through June 30, 2006. The line bears interest at the prime rate plus one percent. At December 31, 2005, the Company has no borrowings outstanding. The line is secured by the assets of the Company.

6. COMMITMENTS:

The Company leases office space under two operating leases expiring through July 31, 2006.

Minimum future obligations under the leases for the remaining terms in 2006 are \$32,584.

Rent expense charged to operations for the years ended December 31, 2005 and 2004 amounted to \$66,519 and \$54,866, respectively.

7. 401(k) PLAN:

Pro Bono Net, Inc. maintains a 401(k) Plan available to all of its employees who elect to contribute. No matching contributions were made by the Company for the years ended December 31, 2005 and 2004.

8. OTHER CONCENTRATION:

The Company received a temporarily restricted grant from one source, which accounted for 48% of total support and revenue and 71% of contributions receivable for the year ended December 31, 2005.