

Pro Bono Net, Inc.
Financial Statements
December 31, 2008 and 2007

Pro Bono Net, Inc.
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December 31, 2008 and 2007

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135 West 50th Street
New York, NY 10020-1299
Tel 212.812.7000
Fax 212.375.6888

www.weiserLLP.com

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, 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 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, 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.

A handwritten signature in black ink that reads "Weiser LLP".

New York, N.Y.
June 4, 2009

Pro Bono Net, Inc.
Statements of Financial Position
December 31, 2008 and 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Assets				
Current assets				
Cash and cash equivalents	\$ 426,176	\$ 182,522	\$ 830,923	\$ 295,008
Program receivables	258,397	-	226,898	-
Contributions receivable	-	412,500	-	362,000
Prepaid expenses	31,409	-	21,903	-
Total current assets	715,982	595,022	1,079,724	657,008
Software, furniture and equipment, net	478,832	-	503,472	-
Deposit	10,672	-	10,672	-
Total assets	\$ 1,205,486	\$ 595,022	\$ 1,593,868	\$ 657,008
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 111,743	\$ -	\$ 136,526	\$ -
Deferred revenue	197,048	-	163,209	-
Total current liabilities	308,791	-	299,735	-
Commitments				
Net Assets				
Unrestricted	896,695	-	1,294,133	-
Temporarily restricted	-	595,022	-	657,008
Total net assets	896,695	595,022	1,294,133	657,008
Total liabilities and net assets	\$ 1,205,486	\$ 595,022	\$ 1,593,868	\$ 657,008

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

Pro Bono Net, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions	\$ 264,255	\$ 577,500	\$ 841,755	\$ 203,810	\$ 865,000	\$ 1,068,810
Corporate sponsorship	193,744	-	193,744	129,308	-	129,308
Donated software	23,312	-	23,312	90,774	-	90,774
Donated goods and services	424,006	-	424,006	461,850	-	461,850
Interest and other income	23,380	2,464	25,844	30,983	3,625	34,608
Program fees	839,072	-	839,072	679,848	-	679,848
Product subscription fees	232,865	-	232,865	65,451	-	65,451
Net assets released from restriction	641,950	(641,950)	-	1,274,190	(1,274,190)	-
Total support and revenue	2,642,584	(61,986)	2,580,598	2,936,214	(405,565)	2,530,649
Expenses						
Program services	2,761,010	-	2,761,010	2,181,043	-	2,181,043
Management and general	132,953	-	132,953	173,261	-	173,261
Fund raising	146,059	-	146,059	92,809	-	92,809
Total expenses	3,040,022	-	3,040,022	2,447,113	-	2,447,113
Change in net assets	(397,438)	(61,986)	(459,424)	489,101	(405,565)	83,536
Net assets						
Beginning	1,294,133	657,008	1,951,141	805,032	1,062,573	1,867,605
Ending	\$ 896,695	\$ 595,022	\$ 1,491,717	\$ 1,294,133	\$ 657,008	\$ 1,951,141

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

Pro Bono Net, Inc
Statements of Functional Expenses
Years Ended December 31, 2008 and 2007

	2008				2007			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<u>Account</u>								
Legal services - donated	\$ 223,253	\$ -	\$ -	\$ 223,253	\$ 215,150	\$ -	\$ -	\$ 215,150
Salaries	856,575	73,510	84,911	1,014,996	622,446	94,506	47,606	764,558
Payroll taxes and benefits	167,207	13,770	15,737	196,714	131,401	19,229	9,615	160,245
Depreciation and amortization	441,503	-	-	441,503	354,570	-	-	354,570
Rent	80,731	6,648	7,598	94,977	64,827	9,487	4,743	79,057
Consulting fees	62,191	12,500	7,500	82,191	70,809	-	5,825	76,634
Professional and other fees	37,621	3,098	3,541	44,260	25,225	3,691	1,846	30,762
Travel and meals	41,203	-	-	41,203	29,607	-	-	29,607
Conventions and seminars	9,893	-	-	9,893	25,984	-	-	25,984
Marketing and advertising	216,113	17,798	20,340	254,251	241,361	35,321	17,661	294,343
Office expenditures and stationery	41,171	3,391	3,875	48,437	45,586	6,671	3,336	55,593
Website maintenance	94,535	-	-	94,535	82,728	-	-	82,728
Website hosting	121,142	-	-	121,142	66,769	-	-	66,769
Telephone	15,517	1,278	1,460	18,255	13,972	2,045	1,022	17,039
Insurance	8,038	662	756	9,456	7,249	1,061	530	8,840
Grants for project partners	328,293	-	-	328,293	174,821	-	-	174,821
Sales commission	12,404	-	-	12,404	-	-	-	-
Miscellaneous	3,620	298	341	4,259	8,538	1,250	625	10,413
	\$ 2,761,010	\$ 132,953	\$ 146,059	\$ 3,040,022	\$ 2,181,043	\$ 173,261	\$ 92,809	\$ 2,447,113

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

Pro Bono Net, Inc.**Statements of Cash Flows****Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ (459,424)	\$ 83,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	441,503	354,570
Donated website software	(23,312)	(90,774)
Changes in operating assets and liabilities:		
Increase in program receivables	(31,499)	(104,558)
(Decrease) increase in contributions receivable	(50,500)	158,000
Increase in prepaid expenses	(9,506)	(4,319)
Decrease in accounts payable and accrued expenses	(24,783)	(13,737)
Increase in deferred revenue	33,839	163,209
Net cash (used in) provided by operating activities	<u>(123,682)</u>	<u>545,927</u>
Cash flows from investing activities		
Acquisitions of software and computer equipment	<u>(393,551)</u>	<u>(511,991)</u>
Net cash used in investing activities	<u>(393,551)</u>	<u>(511,991)</u>
Net (decrease) increase in cash and cash equivalents	(517,233)	33,936
Cash and cash equivalents		
Beginning of year	<u>1,125,931</u>	<u>1,091,995</u>
End of year	<u>\$ 608,698</u>	<u>\$ 1,125,931</u>

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

1. Summary of Significant Accounting Policies

Organization

Pro Bono Net, Inc. (“PBN” or the “Company”) is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Based in New York City, PBN works in close partnership with nonprofit legal organizations across the United States and Canada, to increase access to justice for the millions of poor people who face legal problems every year without help from a lawyer. PBN does this by (i) supporting the innovative and effective use of technology by the nonprofit legal sector, (ii) increasing participation by volunteers, and (iii) facilitating collaborations among nonprofit legal organizations and advocates working on similar issues or in the same region.

Founded in 1998, PBN has developed a broad base of support from foundations, law firms, corporate sponsors and nonprofit partners alike, to build web platforms that offer powerful and sophisticated online tools to pro bono and legal aid advocates, and to provide critical legal information and assistance directly to the public. Its model has been adopted in 30 states. PBN programs include:

- Probono.net (www.probono.net) is a national, online resource for legal aid and pro bono attorneys, law professors and students, and related social services advocates. Members include more than 35,000 advocates from hundreds of public interest organizations and private firms.
- LawHelp (www.lawhelp.org) is an online resource that helps low and moderate-income people locate free legal aid programs in their communities, answers to questions about their legal rights, court information, links to social service agencies, and more.
- NPADO (www.npado.org) is a collaborative national effort to provide online legal document assembly for poverty law and court access to justice programs across the country. The NPADO system increases opportunities for self-represented litigants to achieve justice on their own and improves efficiency for legal aid, pro bono and courts-based access to justice programs.
- Pro Bono Manager (www.probono.net/pbm) is a customized, hosted web application to increase law firms’ pro bono program management capacity.

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.

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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, 2008 exceeded FDIC insurance by approximately \$274,000.

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 straight-line basis over three years.

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

Deferred Revenues

The Company recognizes revenues as earned. Amounts received in advance of the period in which services is rendered are recorded as a liability. Deferred revenues represent such amounts received for product subscription fees and program fees.

Net Assets

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

Unrestricted

Funds that are undesignated by donors or for which restriction have expired and are 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, 2008 and 2007 amounted to \$501,272 and \$519,508, respectively. Time restrictions at December 31, 2008 and 2007 amounted to \$93,750 and \$137,500, respectively.

Permanently Restricted

A donor-imposed restriction that stipulates that resources be maintained permanently but permits the Company to use or expend part or all of the income from donated assets. The Company has no permanently restricted net assets.

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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.

All contribution receivables are expected to be collected in 1 year.

Contributions of Goods and In-Kind Services

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.

The Company recognizes the contribution of goods and certain donated services, such as web software, legal services, advertising and website hosting at fair market value. 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. Advertising costs for Pro Bono Manager and website hosting services were donated per corporate sponsorship agreements. The fair market values for such services have been recognized as corporate sponsorship revenue and related expenses in the statement of activities.

3. Software, Furniture and Equipment

Software, furniture and computer equipment consists of the following:

	December 31,	
	<u>2007</u>	<u>2006</u>
Website software	\$ 3,331,107	\$ 2,928,568
Computer equipment	111,258	96,934
Furniture	<u>4,901</u>	<u>4,901</u>
	3,447,266	3,030,403
Less accumulated depreciation and amortization	<u>2,968,434</u>	<u>2,526,931</u>
	<u>\$ 478,832</u>	<u>\$ 503,472</u>

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4. Bank Line of Credit

The Company has an available line of credit with a bank for an amount not to exceed \$250,000 that expires on June 30, 2009. The line bears interest at a floating rate of prime plus one-half of one percent. At December 31, 2008, the Company has no borrowings outstanding. The line is secured by the assets of the Company.

5. Commitments

The Company leases office space for two locations under month-to-month tenancy agreements.

Rent expense charged to operations for the years ended December 31, 2008 and 2007 amounted to \$94,977 and \$79,057, respectively.

6. 401(k) Plan

The Company 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, 2008 and 2007.

7. Other Concentration

The Company received temporarily restricted grants from two sources, which accounted for 100% and 82% of contributions receivable at December 31, 2008 and 2007, respectively, and 71% and 42% of temporarily restricted contribution for the years ended December 31, 2008 and 2007.