Pro Bono Net, Inc.

Financial Statements
December 31, 2006 and 2005

Pro Bono Net, Inc.
Contents
December 31, 2006 and 2005

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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, 2006 and 2005, 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, 2006 and 2005, 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.

Weiser LLP

New York, N.Y.
August 21, 2007

Pro Bono Net, Inc.
Statements of Financial Position
December 31, 2006 and 2005

	2006			2005		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Assets						
Current assets						
Cash and cash equivalents	**$ 549,422**	**$ 542,573**	**$ 1,091,995**	$ 325,365	$ 453,672	$ 779,037
Short-term investment	**-**	**-**	**-**	-	402,903	402,903
Program receivables	**122,340**	**-**	**122,340**	38,250	-	38,250
Contributions receivable	**-**	**520,000**	**520,000**	-	490,000	490,000
Prepaid expenses	**17,584**	**-**	**17,584**	18,042	-	18,042
Total current assets	**689,346**	**1,062,573**	**1,751,919**	381,657	1,346,575	1,728,232
Software, furniture and equipment, net	**255,277**	**-**	**255,277**	216,798	-	216,798
Deposit	**10,672**	**-**	**10,672**	10,672	-	10,672
Total assets	**$ 955,295**	**$ 1,062,573**	**$ 2,017,868**	$ 609,127	$1,346,575	$ 1,955,702
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	**$ 150,263**	**$ -**	**$ 150,263**	$ 32,360	$ -	$ 32,360
Commitments						
Net Assets						
Unrestricted	**805,032**	**-**	**805,032**	576,767	-	576,767
Temporarily restricted	**-**	**1,062,573**	**1,062,573**	-	1,346,575	1,346,575
Total net assets	**805,032**	**1,062,573**	**1,867,605**	576,767	1,346,575	1,923,342
Total liabilities and net assets	**$ 955,295**	**$ 1,062,573**	**$ 2,017,868**	$ 609,127	$1,346,575	$ 1,955,702

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, 2006 and 2005

	2006			2005		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions	**$ 162,268**	**$ 625,000**	**$ 787,268**	$ 140,685	$1,240,000	$ 1,380,685
Corporate sponsorship	**75,000**	**-**	**75,000**	56,250	-	56,250
Donated software	**22,500**	**-**	**22,500**	-	-	-
Donated goods and services	**235,156**	**-**	**235,156**	129,596	-	129,596
Interest and other income	**39,048**	**-**	**39,048**	17,262	-	17,262
Program fees	**613,603**	**-**	**613,603**	492,643	-	492,643
Net assets released from restriction	**909,002**	**(909,002)**	**-**	563,027	(563,027)	-
Total support and revenue	**2,056,577**	**(284,002)**	**1,772,575**	1,399,463	676,973	2,076,436
Expenses						
Program services	**1,669,820**	**-**	**1,669,820**	1,210,703	-	1,210,703
Management and general	**127,833**	**-**	**127,833**	102,037	-	102,037
Fund raising	**30,659**	**-**	**30,659**	55,290	-	55,290
Total expenses	**1,828,312**	**-**	**1,828,312**	1,368,030	-	1,368,030
Change in net assets	**228,265**	**(284,002)**	**(55,737)**	31,433	676,973	708,406
Net assets						
Beginning	**576,767**	**1,346,575**	**1,923,342**	545,334	669,602	1,214,936
Ending	**$ 805,032**	**$ 1,062,573**	**$ 1,867,605**	$ 576,767	$1,346,575	$ 1,923,342

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

Pro Bono Net, Inc
Statements of Functional Expenses
Years Ended December 31, 2006 and 2005

	2006				2005			
Account	**Program Services**	**Management and General**	**Fundraising**	**Total**	Program Services	Management and General	Fundraising	Total
Legal services - donated	**$ 168,755**	**$ -**	**$ -**	**$ 168,755**	$ 96,889	$ -	$ -	$ 96,889
Salaries	**530,199**	**82,291**	**13,020**	**625,510**	360,373	63,089	18,661	442,123
Payroll taxes and benefits	**106,144**	**16,234**	**2,498**	**124,876**	78,238	13,358	3,817	95,413
Depreciation and amortization	**267,834**	**-**	**-**	**267,834**	318,860	-	-	318,860
Rent	**59,979**	**9,173**	**1,411**	**70,563**	54,545	9,313	2,661	66,519
Consulting fees	**91,676**	**-**	**10,632**	**102,308**	13,033	-	25,500	38,533
Professional and other fees	**25,462**	**3,894**	**599**	**29,955**	22,430	3,830	1,094	27,354
Travel and meals	**27,754**	**-**	**-**	**27,754**	20,449	-	-	20,449
Conventions and seminars	**17,910**	**-**	**-**	**17,910**	10,895	-	-	10,895
Marketing and advertising	**59,574**	**9,111**	**1,402**	**70,087**	29,768	5,082	1,452	36,302
Office expenditures and stationery	**23,033**	**3,523**	**542**	**27,098**	20,748	3,542	1,012	25,302
Website maintenance	**26,873**	**-**	**-**	**26,873**	19,440	-	-	19,440
Website hosting	**67,361**	**-**	**-**	**67,361**	65,973	-	-	65,973
Telephone	**12,611**	**1,929**	**297**	**14,837**	12,020	2,052	586	14,658
Insurance	**6,763**	**1,034**	**159**	**7,956**	5,915	1,010	289	7,214
Grants for project partners	**173,665**	**-**	**-**	**173,665**	76,668	-	-	76,668
Miscellaneous	**4,227**	**644**	**99**	**4,970**	4,459	761	218	5,438
	$ 1,669,820	**$ 127,833**	**$ 30,659**	**$ 1,828,312**	$ 1,210,703	102,037	$ 55,290	$ 1,368,030

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

Pro Bono Net, Inc.
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Change in net assets	**$ (55,737)**	$ 708,406
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**267,834**	318,860
Donated website software	**(22,500)**	-
Changes in operating assets and liabilities:		
Increase in program receivables	**(84,090)**	(13,250)
Increase in contributions receivable	**(30,000)**	(95,126)
Decrease (increase) in prepaid expenses	**458**	(4,092)
Increase (decrease) in accounts payable and accrued expenses	**117,903**	(60,050)
Net cash provided by operating activities	**193,868**	854,748
Cash flows from investing activities		
Purchase of short-term investment	**-**	(402,903)
Redemption of short-term investment	**402,903**	-
Acquisitions of software and computer equipment	**(283,813)**	(149,874)
Net cash provided by (used in) investing activities	**119,090**	(552,777)
Net increase in cash and cash equivalents	**312,958**	301,971
Cash and cash equivalents		
Beginning of year	**779,037**	477,066
End of year	**$ 1,091,995**	$ 779,037

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

1. Summary of Significant Accounting Policies

Organization

Pro Bono Net, Inc. ("PBN") 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.

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, 2006 exceeded FDIC insurance by approximately $1,071,000.

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.

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, 2006 and 2005 amounted to $1,012,573 and $1,306,575, respectively. Time restrictions at December 31, 2006 and 2005 amounted to $50,000 and $40,000, 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.

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.

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. Website hosting services were donated per a corporate sponsorship agreement. The fair market value for such services has been recognized as corporate sponsorship revenue and expense in the statement of activities.

3. Software, Furniture and Equipment

Software, furniture and computer equipment consists of the following:

	December 31,	
	2006	2005
Website software	**$ 2,354,205**	$ 2,061,312
Computer equipment	**68,532**	55,112
Furniture	**4,901**	4,901
	2,427,638	2,121,325
Less accumulated depreciation and amortization	**2,172,361**	1,904,527
	$ 255,277	$ 216,798

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 September 30, 2007. The line bears interest at a floating rate of prime plus one-half of one percent. At December 31, 2006, 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 a month-to-month tenancy agreement and an operating lease expiring July 31, 2008.

Minimum future obligations under the lease for 2007 and 2008 are $51,744 and $30,184, respectively.

Rent expense charged to operations for the years ended December 31, 2006 and 2005 amounted to $70,563 and $66,519, 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, 2006 and 2005.

7. Other Concentration

The Company received a temporarily restricted grant from one source, which accounted for 48% of total support and revenue for the year ended December 31, 2005. The grant accounted for 67% and 71% of contributions receivable for the years ended December 31, 2006 and 2005, respectively.