

WeiserMazars LLP

**Pro Bono Net, Inc.**  
**Financial Statements**  
**December 31, 2010 and 2009**



**Pro Bono Net, Inc.**  
**Contents**  
**December 31, 2010 and 2009**

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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, 2010 and 2009, 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, 2010 and 2009, 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.



New York, N.Y.  
June 27, 2011

**Pro Bono Net, Inc.**  
**Statements of Financial Position**  
**December 31, 2010 and 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 725,552	\$ 288,216	\$ 1,013,768	\$ 479,075	\$ 222,719	\$ 701,794
Program receivables	335,819	-	335,819	447,520	-	447,520
Contributions receivable	31,550	10,500	42,050	5,237	340,988	346,225
Prepaid expenses	50,988	-	50,988	29,947	-	29,947
Total current assets	1,143,909	298,716	1,442,625	961,779	563,707	1,525,486
Software, furniture and equipment, net	296,245	-	296,245	289,924	-	289,924
Deposit	10,672	-	10,672	10,672	-	10,672
Total assets	\$ 1,450,826	\$ 298,716	\$ 1,749,542	\$ 1,262,375	\$ 563,707	\$ 1,826,082
<b>Liabilities and Net Assets</b>						
Current liabilities						
Accounts payable and accrued expenses	\$ 172,138	\$ -	\$ 172,138	\$ 127,256	\$ -	\$ 127,256
Deferred revenue	234,625	-	234,625	277,144	-	277,144
Total current liabilities	406,763	-	406,763	404,400	-	404,400
Commitments						
<b>Net Assets</b>						
Unrestricted	1,044,063	-	1,044,063	857,975	-	857,975
Temporarily restricted	-	298,716	298,716	-	563,707	563,707
Total net assets	1,044,063	298,716	1,342,779	857,975	563,707	1,421,682
Total liabilities and net assets	\$ 1,450,826	\$ 298,716	\$ 1,749,542	\$ 1,262,375	\$ 563,707	\$ 1,826,082

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, 2010 and 2009**

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Contributions	\$ 710,754	\$ 198,716	\$ 909,470	\$ 410,588	\$ 477,074	\$ 887,662
Corporate sponsorship	167,093	-	167,093	226,413	-	226,413
Donated software	16,200	-	16,200	-	-	-
Donated goods and services	313,328	-	313,328	470,939	-	470,939
Interest and other income	8,400	-	8,400	9,474	-	9,474
Program fees	1,106,709	-	1,106,709	1,198,649	-	1,198,649
Product subscription fees	435,472	-	435,472	351,979	-	351,979
Net assets released from restriction	463,707	(463,707)	-	508,389	(508,389)	-
<b>Total support and revenue</b>	<b>3,221,663</b>	<b>(264,991)</b>	<b>2,956,672</b>	<b>3,176,431</b>	<b>(31,315)</b>	<b>3,145,116</b>
<b>Expenses</b>						
Program services	2,592,245	-	2,592,245	2,799,921	-	2,799,921
Management and general	262,060	-	262,060	191,358	-	191,358
Fund raising	181,270	-	181,270	223,872	-	223,872
<b>Total expenses</b>	<b>3,035,575</b>	<b>-</b>	<b>3,035,575</b>	<b>3,215,151</b>	<b>-</b>	<b>3,215,151</b>
<b>Change in net assets</b>	<b>186,088</b>	<b>(264,991)</b>	<b>(78,903)</b>	<b>(38,720)</b>	<b>(31,315)</b>	<b>(70,035)</b>
<b>Net assets</b>						
Beginning	857,975	563,707	1,421,682	896,695	595,022	1,491,717
Ending	\$ 1,044,063	\$ 298,716	\$ 1,342,779	\$ 857,975	\$ 563,707	\$ 1,421,682

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

**Pro Bono Net, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2010 and 2009**

<u>Account</u>	2010				2009			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Legal services - donated	\$ 113,864	\$ 12,652	\$ -	\$ 126,516	\$ 181,527	\$ 20,170	\$ -	\$ 201,697
Salaries	986,806	80,816	117,395	1,185,017	926,829	70,319	128,339	1,125,487
Payroll taxes and benefits	203,467	17,160	24,514	245,141	201,916	14,596	26,760	243,272
Depreciation and amortization	324,822	-	-	324,822	415,363	-	-	415,363
Rent	68,061	5,740	8,200	82,001	80,932	5,850	10,726	97,508
Consulting fees	7,017	123,879	-	130,896	48,230	57,863	-	106,093
Professional and other fees	29,843	2,517	3,596	35,956	31,742	2,295	4,207	38,244
Travel and conventions	51,556	-	-	51,556	33,136	-	-	33,136
Marketing and advertising - donated	172,552	14,553	20,789	207,894	211,308	15,275	28,008	254,591
Office expenditures and stationery	26,550	2,239	3,199	31,988	36,063	2,607	4,779	43,449
Website maintenance	95,341	-	-	95,341	72,317	-	-	72,317
Website hosting	89,387	-	-	89,387	155,306	-	-	155,306
Telephone	20,137	1,698	2,426	24,261	23,939	1,731	3,173	28,843
Insurance	6,508	549	783	7,840	7,583	548	1,005	9,136
Grants for project partners	377,702	-	-	377,702	354,201	-	-	354,201
Sales commission	15,579	-	-	15,579	18,100	-	-	18,100
Events	-	-	-	-	-	-	16,685	16,685
Miscellaneous	3,053	257	368	3,678	1,429	104	190	1,723
	<u>\$ 2,592,245</u>	<u>\$ 262,060</u>	<u>\$ 181,270</u>	<u>\$ 3,035,575</u>	<u>\$ 2,799,921</u>	<u>\$ 191,358</u>	<u>\$ 223,872</u>	<u>\$ 3,215,151</u>

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

**Pro Bono Net, Inc.****Statements of Cash Flows****Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (78,903)	\$ (70,035)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	324,822	415,364
Donated website software	(16,200)	-
Changes in operating assets and liabilities:		
Decrease (increase) in program receivables	111,701	(189,123)
Decrease in contributions receivable	304,175	66,275
(Increase) decrease in prepaid expenses	(21,041)	1,462
Increase in accounts payable and accrued expenses	44,881	15,513
(Decrease) increase in deferred revenue	(42,519)	80,096
<b>Net cash provided by operating activities</b>	<u>626,916</u>	<u>319,552</u>
<b>Cash flows from investing activities</b>		
Acquisitions of software and computer equipment	<u>(314,942)</u>	<u>(226,456)</u>
<b>Net cash used in investing activities</b>	<u>(314,942)</u>	<u>(226,456)</u>
Net increase in cash and cash equivalents	311,974	93,096
<b>Cash and cash equivalents</b>		
Beginning of year	701,794	608,698
End of year	<u>\$ 1,013,768</u>	<u>\$ 701,794</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 and San Francisco, 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](http://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 75,000 advocates from hundreds of public interest organizations and private firms.
- LawHelp ([www.lawhelp.org](http://www.lawhelp.org)) is an online resource that helps low and moderate-income people find free legal aid programs in their communities, answers to questions about their legal rights, court information, links to social service agencies, and more.
- LawHelp Interactive ([www.lawhelpinteractive.org](http://www.lawhelpinteractive.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 LawHelp Interactive 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](http://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.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal Depository Insurance Coverage limit.

**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, 2010 and 2009 amounted to \$115,000 and \$544,957, respectively. Time restrictions at December 31, 2010 and 2009 amounted to \$183,716 and \$18,750, respectively.

**Pro Bono Net, Inc.**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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**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.

**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,	
	2010	2009
Website software	\$ 3,839,251	\$ 3,529,337
Computer equipment	160,713	139,484
Furniture	<u>4,901</u>	<u>4,901</u>
	4,004,865	3,673,722
Less accumulated depreciation and amortization	<u>3,708,620</u>	<u>3,383,798</u>
	<u>\$ 296,245</u>	<u>\$ 289,924</u>

**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, 2011. The line bears interest at a floating rate of prime plus 1.75%, subject to an interest rate floor of 4.00%. At December 31, 2010 and 2009, the Company has no borrowings outstanding. The line is secured by the assets of the Company.

**5. Commitments**

The Company leases office space in New York and San Francisco under operating leases expiring October 31, 2011 and February 14, 2012, respectively. Minimum future obligation under the lease is \$70,000 in 2011 and \$1,000 in 2012.

Rent expense charged to operations for the years ended December 31, 2010 and 2009 amounted to \$82,001 and \$97,508, 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, 2010 and 2009.

**7. Other Concentration**

There were no concentrations for the year ending December 31, 2010. Temporarily restricted grants from one source accounted for 79% of contributions receivable and 84% of temporarily restricted contribution for the year ended December 31, 2009.

**8. Subsequent Events**

The Company has evaluated subsequent events through June 27, 2011, the date the financial statements were available for issuance.

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