

WeiserMazars LLP

Pro Bono Net, Inc.

Financial Statements

December 31, 2014 and 2013



Pro Bono Net, Inc.
Contents
December 31, 2014 and 2013

	Page(s)
Independent Auditor's Report	1–2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements.....	7–11

Independent Auditors' Report

To the Board of Directors
Pro Bono Net, Inc.

We have audited the accompanying financial statements of Pro Bono Net, Inc. (the "Company"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



June 22, 2015

Pro Bono Net, Inc.
Statements of Financial Position
December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 383,969	\$ 1,040,238	\$ 1,424,207	\$ 16,745	\$ 140,057	\$ 156,802
Program receivables	463,796	545,120	1,008,916	721,250	485,053	1,206,303
Contributions receivable	25,175	-	25,175	39,300	-	39,300
Prepaid expenses	87,196	-	87,196	84,925	-	84,925
Total current assets	960,136	1,585,358	2,545,494	862,220	625,110	1,487,330
Software, property and equipment, net	735,014	-	735,014	527,918	-	527,918
Deposits	24,673	-	24,673	26,703	-	26,703
Total assets	\$ 1,719,823	\$ 1,585,358	\$ 3,305,181	\$ 1,416,841	\$ 625,110	\$ 2,041,951
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	\$ 381,194	\$ -	\$ 381,194	\$ 274,997	\$ -	\$ 274,997
Deferred revenue	512,989	-	512,989	502,850	-	502,850
Line of credit	200,000	-	200,000	245,000	-	245,000
Other current liabilities	13,332	-	13,332	13,333	-	13,333
Total current liabilities	1,107,515	-	1,107,515	1,036,180	-	1,036,180
Other liabilities	43,688	-	43,688	34,714	-	34,714
Commitments						
Net Assets						
Unrestricted	568,620	-	568,620	345,947	-	345,947
Temporarily restricted	-	1,585,358	1,585,358	-	625,110	625,110
Total net assets	568,620	1,585,358	2,153,978	345,947	625,110	971,057
Total liabilities and net assets	\$ 1,719,823	\$ 1,585,358	\$ 3,305,181	\$ 1,416,841	\$ 625,110	\$ 2,041,951

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

Pro Bono Net, Inc.**Statements of Activities and Changes in Net Assets****December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Contributions	\$ 1,341,411	\$ 1,790,758	\$ 3,132,169	\$ 953,793	\$ 508,058	\$ 1,461,851
Corporate sponsorship	-	-	-	43,566	-	43,566
Donated software	4,285	-	4,285	1,930	-	1,930
Donated goods and services	315,011	-	315,011	490,304	-	490,304
Interest and other income	82,943	-	82,943	17,437	-	17,437
Program fees	1,850,623	-	1,850,623	1,518,665	-	1,518,665
Product subscription fees	423,615	-	423,615	454,174	-	454,174
Net assets released from restriction	830,510	(830,510)	-	527,932	(527,932)	-
Total support and revenue	4,848,398	960,248	5,808,646	4,007,801	(19,874)	3,987,927
Expenses						
Program services	4,041,821	-	4,041,821	4,129,716	-	4,129,716
Management and general	265,126	-	265,126	220,160	-	220,160
Fundraising	318,778	-	318,778	172,078	-	172,078
Total expenses	4,625,725	-	4,625,725	4,521,954	-	4,521,954
Changes in net assets	222,673	960,248	1,182,921	(514,153)	(19,874)	(534,027)
Net assets						
Beginning	345,947	625,110	971,057	860,100	644,984	1,505,084
Ending	\$ 568,620	\$ 1,585,358	\$ 2,153,978	\$ 345,947	\$ 625,110	\$ 971,057

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

Pro Bono Net, Inc.
Statements of Functional Expenses
December 31, 2014 and 2013

	2014				2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Legal services - donated	\$ 110,261	\$ 6,372	\$ -	\$ 116,633	\$ 161,291	\$ 9,625	\$ -	\$ 170,916
Salaries	1,404,359	94,546	175,155	1,674,060	1,500,895	98,985	96,990	1,696,870
Payroll taxes and benefits	425,134	24,986	46,285	496,405	402,592	31,282	25,068	458,942
Depreciation and amortization	575,016	-	-	575,016	511,203	-	-	511,203
Rent	184,822	32,988	21,807	239,617	133,949	15,568	7,874	157,391
Consulting fees	198,534	-	288	198,822	341,555	386	319	342,260
Professional and other fees	202,015	81,284	32,907	316,206	185,163	40,387	21,994	247,544
Travel and conventions	70,868	1,612	7,128	79,608	75,867	8,566	3,766	88,199
Marketing and advertising - donated	61,586	3,985	7,354	72,925	88,256	503	1,419	90,178
Office expenditures and stationery	17,625	1,597	7,251	26,473	18,095	2,416	4,399	24,910
Website maintenance	238,360	114	219	238,693	188,338	844	803	189,985
Website hosting	159,108	593	1,209	160,910	193,980	-	-	193,980
Telephone	16,643	1,576	1,058	19,277	27,930	2,021	1,265	31,216
Insurance	12,429	815	1,606	14,850	12,939	851	783	14,573
Grants for project partners	306,270	250	-	306,520	253,971	250	-	254,221
Other operating expenses	42,205	2,266	10,981	55,452	21,610	1,219	5,952	28,781
Sales commission	10,754	-	-	10,754	8,139	-	-	8,139
Miscellaneous	5,832	12,142	5,530	23,504	3,943	7,257	1,446	12,646
	<u>\$ 4,041,821</u>	<u>\$ 265,126</u>	<u>\$ 318,778</u>	<u>\$ 4,625,725</u>	<u>\$ 4,129,716</u>	<u>\$ 220,160</u>	<u>\$ 172,078</u>	<u>\$ 4,521,954</u>

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

Pro Bono Net, Inc.
Statements of Cash Flows
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,182,921	\$ (534,027)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	575,016	511,203
Straight-line rent adjustment	22,307	5,880
Donated website software	(4,285)	(1,930)
Increase (decrease) in operating assets and liabilities:		
Program receivables	197,387	(447,543)
Contributions receivable	14,125	(14,575)
Other current assets	(2,271)	23,641
Deposits	2,030	(10,001)
Accounts payable and accrued expenses	106,197	8,148
Deferred revenue	10,139	29,741
Other liabilities	(13,334)	42,167
Net cash provided by (used in) operating activities	<u>2,090,232</u>	<u>(387,296)</u>
Cash flows from investing activities		
Acquisitions of property and equipment	<u>(777,827)</u>	<u>(436,245)</u>
Net cash used in investing activities	<u>(777,827)</u>	<u>(436,245)</u>
Cash flows from financing activities		
Repayments of line of credit	(245,000)	-
Proceeds from line of credit	<u>200,000</u>	<u>245,000</u>
Net cash (used in) provided by financing activities	<u>(45,000)</u>	<u>245,000</u>
Net increase (decrease) in cash and cash equivalents	1,267,405	(578,541)
Cash and cash equivalents		
Beginning of year	<u>156,802</u>	<u>735,343</u>
End of year	<u>\$ 1,424,207</u>	<u>\$ 156,802</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 9,156</u>	<u>\$ 4,292</u>

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

Pro Bono Net, Inc.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

1. 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. PBN’s mission is to increase access to the legal system for the disadvantaged. Through innovative technology solutions and expertise in building collaboration, PBN transforms the way legal help reaches the underserved. The Company’s comprehensive programs enable legal advocates to make a stronger impact, increase volunteer participation, and provide assistance directly to the public. PBN empowers those who serve to make a difference and those in need to improve their lives. The Company’s programs include:

- Probono.net (www.probono.net) - Pro Bono Net’s flagship site provides one-stop access to volunteer opportunities for pro bono attorneys, as well as training materials and practice resources to help attorneys take on pro bono cases with confidence, even in unfamiliar areas of the law. There are more than 100,000 members from private firms, major corporations, government agencies, public interest organizations, and law schools.
- LawHelp.org (www.lawhelp.org) - PBN partners with more than 300 legal services organizations to provide low- and moderate-income people with free, online access to information about legal aid programs in their communities, answers to questions about their legal rights, court information, links to social service agencies, and tolls for self-help.
- LawHelp Interactive (www.lawhelpinteractive.org) - This national service allows low-income people without access to a lawyer to prepare their own legal forms online for free. It also increases the efficiency and reach of pro bono attorneys, legal aid advocates and court self-help centers. LawHelp Interactive was used to create approximately 510,000 court forms and other legal documents during the year ended December 31, 2014. Commonly used forms include those for family law, including child custody and support; estate planning, guardianship and conservatorship; consumer debt; and eviction defense and other housing issues.
- Immigration Advocates Network (www.immigrationadvocates.org) – PBN partners with leading national immigrants’ rights organizations on the Immigration Advocates Network (“IAN”), which fosters collaboration among those serving low-income immigrants. IAN is driving innovation in technology-enabled service delivery via novel online and mobile applications such as CitizenshipWorks (www.citizenshipworks.org), Own the Dream and Pocket DACA (www.weownthedream.org), which provide easy-to-use tools to help new Americans on the path to becoming U.S. citizens.
- Pro Bono Manager (www.probono.net/pbm) - With initial support from the Bill & Melinda Gates Foundation, Pro Bono Net has developed a customized, hosted web application to increase law firms’ pro bono practice management capacity.

Pro Bono Net, Inc.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

2. Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 original maturities of three months or less, to be cash equivalents. Liquid investments purchased with original maturities 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 may, from time to time, exceed the Federal Depository Insurance Corporation limit.

Software, Property 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. Depreciation and amortization is computed under the straight line basis for financial reporting purposes over the estimate useful lives of the assets as follows:

Computer equipment and software	3 years
Furniture	7 years
Leasehold improvements	Term of the lease, or 10 years, whichever is shorter

Deferred Revenue

The Company recognizes revenue related to product subscription fees and program fees pro-rata over the term of the contract. Amounts received in advance of the period in which services are rendered are recorded as a liability. Deferred revenue represents 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 restrictions have expired and are available for general purposes. These funds are used for the general activity of the Company.

Pro Bono Net, Inc.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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) approximated \$570,000 and \$486,000, as of December 31, 2014 and 2013, respectively. Time restrictions approximated \$932,000 and \$139,000 as of December 31, 2014 and 2013, 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.

Income Taxes

The Internal Revenue Service has determined that the Company is exempt from Federal income tax, in accordance with section 501(c)(3) and is clarified as a publicly-supported organization described in section 509(a)(1) of the Internal Revenue Code.

The Company is no longer subject to federal and state tax examinations by the respective taxing authorities for the years prior to 2011.

Subsequent Events

The Company has evaluated subsequent events through June 22, 2015, the date the financial statements were available for issuance.

3. Contributions

Contributions of Cash and Equipment

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 restrictions expire.

All contribution receivables are expected to be collected in one 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.

Pro Bono Net, Inc.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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 statements of activities and changes in net assets. 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 revenue and related expenses in the statements of activities and changes in net assets.

4. Property and Equipment

Property and equipment consists of the following as of December 31:

	2014	2013
Software	\$ 6,076,056	\$ 5,302,413
Computer equipment	227,114	218,845
Furniture	12,856	12,856
Leasehold improvements	119,014	118,814
	6,435,040	5,652,928
Less accumulated depreciation and amortization	(5,700,026)	(5,125,010)
	<u>\$ 735,014</u>	<u>\$ 527,918</u>

Depreciation and amortization expense on property and equipment approximated \$575,000 and \$511,000 for the years ended December 31, 2014 and 2013.

5. Bank Line of Credit

The Company had an available revolving demand line of credit with a bank for an amount not to exceed \$250,000 as of December 31, 2013. During 2014, the available credit limit was increased to \$350,000. The line bears interest at a floating rate of prime plus 1.75% (5.00% as of December 31, 2014). There was \$200,000 and \$245,000 outstanding under this demand line of credit as of December 31, 2014 and 2013, respectively. The line is secured by the assets of the Company.

6. Commitments

During 2013, the Company signed a new lease for office space in New York under a long-term 10 year operating lease that expires in September 2023. In addition, the Company leases another office space in California under a month-to-month lease.

Pro Bono Net, Inc.
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

The Company's aggregate future minimum lease commitments under its non-cancellable operating lease in excess of one year is as follows as of December 31, 2014:

<u>Year Ending December 31,</u>	
2015	\$ 186,000
2016	191,000
2017	196,000
2018	202,000
2019	207,000
Thereafter	<u>827,000</u>
	<u><u>\$ 1,809,000</u></u>

Rent expense, including utilities and maintenance charged to operations approximated \$240,000 and \$157,000 for the years ended December 31, 2014 and 2013, respectively.

A portion of the leased space is subleased to an unrelated party under a non-cancellable lease that expires in October 2015. Rental income under the sublease approximated \$68,000 and \$17,000 for the years ended December 31, 2014 and 2013, respectively.

7. 401(k) Plan

The Company maintains a 401(k) Plan available to all of its full-time employees who elect to contribute. No matching contributions were made by the Company for the years ended December 31, 2014 and 2013.

8. Major Donors

Revenue from two contributors approximated \$1,369,000 or 25% of revenue for the year ended December 31, 2014.

www.weisermazars.com