

WeiserMazars LLP

**Pro Bono Net, Inc.**  
**Financial Statements**  
**December 31, 2015 and 2014**



**Pro Bono Net, Inc.**  
**Contents**  
**Years Ended December 31, 2015 and 2014**

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## 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, 2015 and 2014, 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, 2015 and 2014, 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 20, 2016

WEISERMAZARS LLP

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**Pro Bono Net, Inc.**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	2015	2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 662,581	\$ 1,424,207
Program receivables	1,501,941	1,008,916
Contributions receivable	87,334	25,175
Prepaid expenses	104,210	87,196
Total current assets	<u>2,356,066</u>	<u>2,545,494</u>
Software, property and equipment, net	836,578	735,014
Deposits	<u>24,673</u>	<u>24,673</u>
Total assets	<u><u>\$ 3,217,317</u></u>	<u><u>\$ 3,305,181</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 317,065	\$ 381,194
Deferred revenue	528,718	512,989
Line of credit	350,000	200,000
Other current liabilities	10,000	13,332
Total current liabilities	<u>1,205,783</u>	<u>1,107,515</u>
Other liabilities	<u>51,101</u>	<u>43,688</u>
Total liabilities	<u>1,256,884</u>	<u>1,151,203</u>
Commitments		
<b>Net Assets</b>		
Unrestricted	686,142	568,620
Temporarily restricted	<u>1,274,291</u>	<u>1,585,358</u>
Total net assets	<u>1,960,433</u>	<u>2,153,978</u>
Total liabilities and net assets	<u><u>\$ 3,217,317</u></u>	<u><u>\$ 3,305,181</u></u>

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, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Contributions	\$ 1,653,249	\$ 886,923	\$ 2,540,172	\$ 1,341,411	\$ 1,790,758	\$ 3,132,169
Donated software	108,410	-	108,410	4,285	-	4,285
Donated goods and services	345,857	-	345,857	315,011	-	315,011
Interest and other income	78,035	-	78,035	82,943	-	82,943
Program fees	1,635,111	-	1,635,111	1,850,623	-	1,850,623
Product subscription fees	387,845	-	387,845	423,615	-	423,615
Net assets released from restriction	1,197,990	(1,197,990)	-	830,510	(830,510)	-
 Total support and revenue	 5,406,497	 (311,067)	 5,095,430	 4,848,398	 960,248	 5,808,646
<b>Expenses</b>						
Program services	4,676,537	-	4,676,537	4,041,821	-	4,041,821
Management and general	265,079	-	265,079	265,126	-	265,126
Fundraising	347,359	-	347,359	318,778	-	318,778
 Total expenses	 5,288,975	 -	 5,288,975	 4,625,725	 -	 4,625,725
 Changes in net assets	 117,522	 (311,067)	 (193,545)	 222,673	 960,248	 1,182,921
<b>Net assets</b>						
Beginning	568,620	1,585,358	2,153,978	345,947	625,110	971,057
Ending	\$ 686,142	\$ 1,274,291	\$ 1,960,433	\$ 568,620	\$ 1,585,358	\$ 2,153,978

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

**Pro Bono Net, Inc.**  
**Statements of Functional Expenses**  
**December 31, 2015 and 2014**

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Legal services - donated	\$ 104,915	\$ 30,000	\$ -	\$ 134,915	\$ 110,261	\$ 6,372	\$ -	\$ 116,633
Salaries	1,653,767	91,751	196,268	1,941,786	1,404,359	94,546	175,155	1,674,060
Payroll taxes and benefits	479,313	19,666	48,065	547,044	425,134	24,986	46,285	496,405
Depreciation and amortization	617,945	-	-	617,945	575,016	-	-	575,016
Rent	223,605	4,049	13,655	241,309	184,822	32,988	21,807	239,617
Consulting fees	192,904	581	-	193,485	198,534	-	288	198,822
Professional and other fees	305,633	96,148	33,228	435,009	202,015	81,284	32,907	316,206
Travel and conventions	81,657	3,343	4,963	89,963	70,868	1,612	7,128	79,608
Marketing and advertising - donated	138,296	310	20,275	158,881	61,586	3,985	7,354	72,925
Office expenditures and stationery	11,024	870	15,427	27,321	17,625	1,597	7,251	26,473
Website maintenance	323,630	605	1,531	325,766	238,360	114	219	238,693
Website hosting	222,087	132	457	222,676	159,108	593	1,209	160,910
Telephone	20,428	1,368	1,391	23,187	16,643	1,576	1,058	19,277
Insurance	13,111	448	1,494	15,053	12,429	815	1,606	14,850
Grants for project partners	228,515	-	-	228,515	306,270	250	-	306,520
Other operating expenses	44,717	3,105	9,381	57,203	42,205	2,266	10,981	55,452
Sales commission	-	-	-	-	10,754	-	-	10,754
Miscellaneous	14,990	12,703	1,224	28,917	5,832	12,142	5,530	23,504
	<u>\$ 4,676,537</u>	<u>\$ 265,079</u>	<u>\$ 347,359</u>	<u>\$ 5,288,975</u>	<u>\$ 4,041,821</u>	<u>\$ 265,126</u>	<u>\$ 318,778</u>	<u>\$ 4,625,725</u>

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

**Pro Bono Net, Inc.**  
**Statements of Cash Flows**  
**December 31, 2015 and 2014**

	2015	2014
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (193,545)	\$ 1,182,921
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	617,945	575,016
Straight-line rent adjustment	17,414	22,307
Donated website software	(108,410)	(4,285)
Increase (decrease) in operating assets and liabilities:		
Program receivables	(493,025)	197,387
Contributions receivable	(62,159)	14,125
Other current assets	(17,014)	(2,271)
Deposits	-	2,030
Accounts payable and accrued expenses	(64,129)	106,197
Deferred revenue	15,729	10,139
Other liabilities	(13,333)	(13,334)
Net cash (used in) provided by operating activities	<u>(300,527)</u>	<u>2,090,232</u>
<b>Cash flows used in investing activities</b>		
Acquisitions of property and equipment	<u>(611,099)</u>	<u>(777,827)</u>
<b>Cash flows from financing activities</b>		
Repayments of line of credit	(200,000)	(245,000)
Proceeds from line of credit	<u>350,000</u>	<u>200,000</u>
Net cash provided by (used in) financing activities	<u>150,000</u>	<u>(45,000)</u>
Net (decrease) increase in cash and cash equivalents	(761,626)	1,267,405
<b>Cash and cash equivalents</b>		
Beginning of year	<u>1,424,207</u>	<u>156,802</u>
End of year	<u><u>\$ 662,581</u></u>	<u><u>\$ 1,424,207</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u><u>\$ 6</u></u>	<u><u>\$ 9,156</u></u>

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

**Pro Bono Net, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**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](http://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](http://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](http://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 456,000 court forms and other legal documents during the year ended December 31, 2015. 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](http://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](http://www.citizenshipworks.org)), Own the Dream and Pocket DACA ([www.weownthedream.org](http://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/good](http://www.probono.net/good)) - 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.

**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.



**Pro Bono Net, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**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 estimated 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.

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. All restricted net assets of the Company are temporarily restricted.

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 2012.

**Pro Bono Net, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**Reclassifications**

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Total net assets and changes in net assets are unchanged due to these reclassifications.

**Subsequent Events**

The Company has evaluated subsequent events through June 20, 2016, 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.

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.

**Pro Bono Net, Inc.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**4. Property and Equipment**

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

	2015	2014
Software	\$ 6,766,810	\$ 6,076,056
Computer equipment	255,869	227,114
Furniture	12,856	12,856
Leasehold improvements	119,014	119,014
	<u>7,154,549</u>	<u>6,435,040</u>
Less accumulated depreciation and amortization	<u>(6,317,971)</u>	<u>(5,700,026)</u>
	<u><u>\$ 836,578</u></u>	<u><u>\$ 735,014</u></u>

Depreciation and amortization expense on property and equipment approximated \$618,000 and \$575,000 for the years ended December 31, 2015 and 2014.

**5. Bank Line of Credit**

The Company has a revolving line of credit with a bank. The available credit limit was increased to \$350,000 during the year ended December 31, 2014. The line bears interest at a floating rate of prime plus 1.75% (5.25% as of December 31, 2015). There was \$350,000 and \$200,000 outstanding under this demand line of credit as of December 31, 2015 and 2014, respectively. The line is secured by the assets of the Company.

**6. Commitments**

During the year ended December 31, 2013, the Company signed a lease for office space in New York under a 10 year operating lease that expires in September 2023. In addition, the Company leases another office space in California under a one year lease, which expires in October 2016.

The Company's aggregate future minimum lease commitments under its non-cancellable operating lease in excess of one year approximates as follows as of December 31, 2015:

<u>Year Ending December 31,</u>		
2016	\$	191,000
2017		196,000
2018		202,000
2019		207,000
2020		213,000
Thereafter		<u>614,000</u>
	<u>\$</u>	<u><u>1,623,000</u></u>

Rent expense, including utilities and maintenance, charged to operations approximated \$241,000 and \$240,000 for the years ended December 31, 2015 and 2014, respectively.

**Pro Bono Net, Inc.**  
**Notes to Financial Statements**  
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A portion of the leased space is subleased to an unrelated party under a non-cancellable lease that expires in October 2016. Rental income under the sublease approximated \$72,000 and \$68,000 for the years ended December 31, 2015 and 2014, 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 during the years ended December 31, 2015 and 2014.

**8. Major Donors**

Revenue from two contributors approximated \$1,292,000 or 25% and \$1,369,000 or 25% of revenue for the years ended December 31, 2015 and 2014, respectively.

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