

PUBLIC.RESOURCE.ORG, INC.
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

From Inception Through December 31, 2007

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7
Supplementary Information	
Schedule of Functional Expenses	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public.Resource.Org, Inc.
Sebastopol, California

We have audited the accompanying statement of financial position of Public.Resource.Org, Inc. (a nonprofit public benefit corporation) as of December 31, 2007, and the related statements of activities and cash flows for the period from inception through December 31, 2007. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Public.Resource.Org, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the period from inception through December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements of Public.Resource.Org, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bunker & Company, LLP

June 26, 2008

PUBLIC.RESOURCE.ORG, INC.
(A Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
December 31, 2007

ASSETS

Current assets:	
Cash and cash equivalents (Note 1)	\$ 372,789
Grants receivable (Note 1)	<u>350,000</u>
Total current assets	722,789
Furniture and equipment, net of accumulated depreciation of \$5,749 (Notes 1 and 2)	<u>51,739</u>
Total assets	<u>\$ 774,528</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 3,636
Grant payable	<u>250,000</u>
Total liabilities	<u>253,636</u>
Net assets:	
Unrestricted net assets	367,740
Temporarily restricted net assets (Note 3)	<u>153,152</u>
Total net assets	<u>520,892</u>
Total liabilities and net assets	<u>\$ 774,528</u>

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

PUBLIC.RESOURCE.ORG, INC.
(A Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES
From Inception through December 31, 2007

	Unrestricted	Temporarily Restricted	Total
SUPPORT			
Public support:			
Grants	\$ 905,848	\$ 153,152	\$ 1,059,000
Contributions	6,107	-	6,107
Other	<u>1,315</u>	<u>-</u>	<u>1,315</u>
Total support	<u>913,270</u>	<u>153,152</u>	<u>1,066,422</u>
EXPENSES			
Program services	514,842	-	514,842
General and administrative	28,688	-	28,688
Fundraising	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total expenses	<u>545,530</u>	<u>-</u>	<u>545,530</u>
Change in net assets	367,740	153,152	520,892
Net assets, Inception	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 367,740</u>	<u>\$ 153,152</u>	<u>\$ 520,892</u>

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

PUBLIC.RESOURCE.ORG, INC.
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STATEMENT OF CASH FLOWS
From Inception through December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	<u>\$ 520,892</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,749
Changes in assets and liabilities:	
Grants receivable	(350,000)
Accounts payable and accrued expenses	3,636
Grant payable	<u>250,000</u>
Total adjustments	<u>(90,615)</u>
Net cash provided by operating activities	<u>430,277</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of furniture and equipment	<u>(57,488)</u>
Net increase in cash and cash equivalents	372,789
Cash and cash equivalents, Inception	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 372,789</u></u>

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

PUBLIC.RESOURCE.ORG, INC.
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
From Inception through December 31, 2007

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Public.Resource.Org, Inc. (the Organization) was founded April 13, 2007, to create, architect, design, implement, operate and maintain public works projects on the Internet. The Organization's primary source of revenue is grant income.

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets, according to externally imposed restrictions:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year.

Temporarily restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments that are subject to the same kind of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

There were no permanently restricted net assets as of December 31, 2007.

Method of Accounting - The financial statements of the Organization are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Accounts and Grants Receivable - It is the practice of the Organization to expense uncollectibles only after exhausting all efforts to collect the amounts due. There is no allowance for doubtful accounts and management believes all amounts will be collected in full.

PUBLIC.RESOURCE.ORG, INC.
(A Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
From Inception through December 31, 2007

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-kind Contributions - Contributions of goods are recorded at their fair market value at the date of the contribution.

Furniture and Equipment - The Organization records furniture and equipment in excess of \$250 for 2007 at historical cost or, if donated, at fair market value at the date of donation. For 2008, the capitalization threshold will be increased to \$5,000. Depreciation is determined on the straight-line method over the estimated useful life of 5 years.

Income Taxes - The Organization is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

<u>Furniture and equipment, at cost</u>	
Inception	\$ -
Additions	<u>57,488</u>
Balance, December 31, 2007	<u>57,488</u>
<u>Accumulated depreciation</u>	
Inception	-
Depreciation expense	<u>5,749</u>
Balance, December 31, 2007	<u>5,749</u>
Furniture and equipment, net	<u>\$ 51,739</u>

PUBLIC.RESOURCE.ORG, INC.
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NOTES TO FINANCIAL STATEMENTS
From Inception through December 31, 2007

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

These are contributions which were received with donor stipulations that limit the use of the assets for specific purposes and/or for specific time periods. Temporarily restricted net assets at December 31, 2007, are designated for the following uses:

Fastcase	\$ 150,000
Open Government Working Group Meetings	<u> 3,152</u>
	<u>\$ 153,152</u>

NOTE 4 RELATED PARTY TRANSACTIONS

The Organization has contracted with several related parties for services and office space. A one-year agreement beginning July 1, 2007, has been signed with Dover Beach Consulting, which is owned by a Board member. The contract calls for monthly fees of \$3,500. In 2007, the Organization paid \$21,000 for these services.

An agreement has also been signed with Point.B Studio, which is owned by a related party to the President and CEO. The contract calls for monthly fees of \$3,333. In 2007, the Organization paid \$16,833 for these services.

The Organization has also signed a month-to-month lease for office space and data communication access with O'Reilly Media, which is owned by a Board member. The lease calls for monthly base rent of \$550 for a one-person space plus \$66 per month for each additional person working in the office. Additionally, O'Reilly Media charges \$40 per person per month for data communications access. In 2007, the Organization paid \$4,726 for office space.

All related party transactions were approved by a vote of the disinterested Board members.

NOTE 5 CONTINGENCIES

As of December 31, 2007, the Organization had exceeded the Federal Depository Insurance Corporation limit and the Securities Investor Protection Corporation cash limit of \$100,000 on its depository accounts. At December 31, 2007, the Organization had approximately \$274,000 on deposit in excess of federally insured limits.

NOTE 6 SUBSEQUENT EVENTS

In January 2008, the Organization signed a data purchase agreement with Fastcase.com, Inc. The agreement is to purchase a copy of the Fastcase Federal Appellate Data for \$600,000.

SUPPLEMENTARY INFORMATION

PUBLIC.RESOURCE.ORG, INC.
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF FUNCTIONAL EXPENSES
From Inception through December 31, 2007

	Program	Management and General	Fundraising	Total
Grants expense	\$ 250,000	\$ -	\$ -	\$ 250,000
Salaries and benefits	200,586	7,701	2,000	210,287
Printing	3,440	-	-	3,440
Occupancy	-	4,726	-	4,726
Postage and delivery	-	876	-	876
Professional fees	42,633	-	-	42,633
Fees and permits	-	1,458	-	1,458
Meetings and conferences	7,596	-	-	7,596
Miscellaneous	-	401	-	401
Supplies	-	5,755	-	5,755
Depreciation expense	-	5,749	-	5,749
Insurance	-	2,022	-	2,022
Advocacy and lobbying	7,613	-	-	7,613
Travel	2,974	-	-	2,974
	<u>2,974</u>	<u>-</u>	<u>-</u>	<u>2,974</u>
Total expenses	<u>\$ 514,842</u>	<u>\$ 28,688</u>	<u>\$ 2,000</u>	<u>\$ 545,530</u>