

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2009 and 2008**

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
Supplementary Information	
Schedules of Functional Expenses	12 - 13

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Public.Resource.Org, Inc. (a nonprofit public benefit corporation) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 audits 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 Public.Resource.Org, Inc. as of December 31, 2009 and 2008, 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.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 5 to the financial statements, the Organization has suffered recurring significant reductions in grant revenues and limited cash flows to support operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of functional expenses are presented for the purposes of additional analysis and are 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 audits 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.

Doran & Associates

March 1, 2010

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

STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 13,601	\$ 63,711
Grants receivable (Note 1)	<u>51,000</u>	<u>20,000</u>
Total current assets	64,601	83,711
Intangible assets (Note 1)	12,400	12,400
Furniture and equipment, net of accumulated depreciation of \$42,755 in 2009 and \$21,917 in 2008 (Notes 1 and 2)	<u>61,437</u>	<u>82,275</u>
Total assets	<u>\$ 138,438</u>	<u>\$ 178,386</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 450</u>	<u>\$ 993</u>
Total liabilities	<u>450</u>	<u>993</u>
Unrestricted net assets	<u>137,988</u>	<u>177,393</u>
Total net assets	<u>137,988</u>	<u>177,393</u>
Total liabilities and net assets	<u>\$ 138,438</u>	<u>\$ 178,386</u>

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

PUBLIC.RESOURCE.ORG, INC.
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STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2009

UNRESTRICTED:

SUPPORT, REVENUE AND RELEASES

Public support:	
Grants	\$ 195,000
Contributions	29,096
In-kind contributions (Note 1)	6,676
Interest income	9
Other revenue	<u>5,248</u>
 Total support, revenue and releases	 <u>236,029</u>

EXPENSES

Program services	257,706
General and administrative	14,396
Fundraising	<u>3,332</u>
 Total expenses	 <u>275,434</u>
 Change in net assets	 (39,405)
 Unrestricted net assets, beginning of year	 <u>177,393</u>
 Unrestricted net assets, end of year	 <u>\$ 137,988</u>

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

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

STATEMENTS OF ACTIVITIES (CONTINUED)
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND RELEASES			
Public support:			
Grants	\$ 739,000	\$ -	\$ 739,000
Contributions	7,845	-	7,845
In-kind contributions, related party (Notes 1 and 3)	32,500	-	32,500
Interest income	282	-	282
Net assets released from restriction (Note 4)	<u>153,152</u>	<u>(153,152)</u>	<u>-</u>
Total support, revenue and releases	<u>932,779</u>	<u>(153,152)</u>	<u>779,627</u>
EXPENSES			
Program services	1,078,036	-	1,078,036
General and administrative	39,625	-	39,625
Fundraising	<u>5,465</u>	<u>-</u>	<u>5,465</u>
Total expenses	<u>1,123,126</u>	<u>-</u>	<u>1,123,126</u>
Change in net assets	(190,347)	(153,152)	(343,499)
Net assets, beginning of year	<u>367,740</u>	<u>153,152</u>	<u>520,892</u>
Net assets, end of year	<u>\$ 177,393</u>	<u>\$ -</u>	<u>\$ 177,393</u>

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

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (39,405)	\$ (343,499)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	20,838	16,168
In-kind contributions of capital assets	-	(32,500)
Changes in assets and liabilities:		
Grants receivable	(31,000)	330,000
Accounts payable and accrued expenses	(543)	(2,643)
Grant payable	-	(250,000)
Total adjustments	<u>(10,705)</u>	<u>61,025</u>
Net cash used by operating activities	<u>(50,110)</u>	<u>(282,474)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	<u>-</u>	<u>(26,604)</u>
Net decrease in cash and cash equivalents	(50,110)	(309,078)
Cash and cash equivalents, beginning of year	<u>63,711</u>	<u>372,789</u>
Cash and cash equivalents, end of year	<u>\$ 13,601</u>	<u>\$ 63,711</u>
Supplementary information:		
In-kind contributions:		
Intangible assets	\$ -	\$ 12,400
Furniture and equipment	<u>-</u>	<u>20,100</u>
Total capital assets	-	32,500
Other goods and small equipment	<u>6,676</u>	<u>-</u>
Total capital assets	<u>\$ 6,676</u>	<u>\$ 32,500</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
For the Years Ended December 31, 2009 and 2008

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 temporarily or permanently restricted net assets as of December 31, 2009 and 2008.

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.

In-kind Contributions - Contributions of goods are recorded at their fair market value at the date of the contribution. During the year ended December 31, 2009, the Organization received small equipment and CD's valued at \$6,676. During the year ended December 31, 2008, the Organization received \$20,100 worth of computer and video equipment, net of cash paid for the equipment, and a domain name appraised at \$12,400 from a related party (see Note 3).

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

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

Intangible Assets - The Organization holds title of a domain name, appraised at \$12,400, which was donated by a related party (see Note 3). The Organization evaluates the value of this intangible whenever events or changes in circumstances indicate the carrying value not be recoverable.

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.

Furniture and Equipment - The Organization records furniture and equipment in excess of \$5,000 at historical cost or, if donated, at fair market value at the date of donation. Prior to 2008, the Organization had a capitalization threshold of \$250. 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.

New Accounting Pronouncement, FAS-157, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of FAS-157 are effective for the Organization for fiscal years beginning January 1, 2008. The adoption of FAS-157 did not have a material impact on the Organization's financial statements.

Subsequent Events - Subsequent events have been evaluated through March 1, 2010, which is the date the financial statements were available to be issued.

New Accounting Pronouncement, Uniform Prudent Management of Institutional Funds Act (UPMIFA) and California's State Prudent Management of Institutional Funds Act (SPMIFA) - In 2008, SB1329 was adopted, changing the rules governing the investment of funds by a nonprofit public benefit corporation. The new legislation will apply to newly created investment funds, as well as existing funds held as of January 1, 2009. The adoption of this pronouncement did not have a material impact on the Organization's financial statements.

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

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

New Accounting Principles, FIN48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 - In June 2006, FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*. The Organization had elected to defer the application of FIN 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP deferred the elective date of FIN 48 for nonpublic enterprises, such as the Corporation, included within its scope, to the annual financial statements for fiscal years beginning after December 15, 2008. The Organization has adopted FIN 48 in its 2009 annual financial statements. Management assessed the impact of FIN 48 on its financial position and results of operations and has determined the adoption of FIN 48 did not have a material effect on its financial statements.

NOTE 2 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of December 31, 2009 and 2008:

<u>Furniture and equipment, at cost</u>	
Balance, December 31, 2007	\$ 57,488
Additions	<u>46,704</u>
Balance, December 31, 2008	104,192
Additions	<u>-</u>
Balance, December 31, 2009	<u>104,192</u>
<u>Accumulated depreciation</u>	
Balance, December 31, 2007	5,749
Depreciation expense	<u>16,168</u>
Balance, December 31, 2008	21,917
Depreciation expense	<u>20,838</u>
Balance, December 31, 2009	<u>42,755</u>
Furniture and equipment, net	<u>\$ 61,437</u>

PUBLIC.RESOURCE.ORG, INC.
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

NOTE 3 RELATED PARTY TRANSACTIONS

The Organization has contracted with several related parties for services and office space. A one-year agreement beginning July 1, 2007, had been signed with Dover Beach Consulting, which is owned by a Board member. The contract called for monthly fees of \$3,500, on an as-needed basis. In 2008, the Organization paid \$17,500 for these services. No amounts were paid in 2009 to this related party.

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 \$3,500, on an as-needed basis. In 2009 and 2008, the Organization paid \$14,000 and \$23,400, respectively, 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 2009 and 2008, the Organization paid \$7,080 and \$6,808, respectively, in rent for use of the space.

In 2008, the President and CEO sold to the Organization computer and video equipment appraised at \$34,100 for \$14,000. The balance of \$20,100 was recorded as an in-kind contribution. He also donated a domain name for exclusive use of the Organization, appraised at \$12,400, which was also recorded as an in-kind contribution (see Note 1).

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

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

In the prior year, contributions were received with donor stipulations that limited the use of the assets for specific purposes and/or for specific time periods. In 2008, the Organization fulfilled donor restrictions and the following amounts were released:

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

PUBLIC.RESOURCE.ORG, INC.
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2009 and 2008

NOTE 5 GOING CONCERN

As shown in the accompanying financial statements, the Organization has incurred significant losses in 2009 and 2008, and as of December 31, 2009 and 2008, only had cash and cash equivalents sufficient to support operations for a short period of time. These factors raise substantial doubt about the Organization's ability to continue as a going concern. Management has instituted a cost reduction plan that includes maintaining a reduced level of staff and developing additional funding from new and existing funding sources. Management believes these factors will contribute to achieving sustainability. The accompanying financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

SUPPLEMENTARY INFORMATION

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

SCHEDULES OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 156,446	\$ 1,500	\$ 1,500	\$ 159,446
Printing	5,408	-	601	6,009
Occupancy	6,372	708	-	7,080
Postage and delivery	1,185	-	790	1,975
Professional fees	-	11,000	-	11,000
Contract labor	26,147	-	-	26,147
Miscellaneous	1,163	323	28	1,514
Supplies	3,633	15	413	4,061
Equipment	9,678	-	-	9,678
Depreciation expense	20,838	-	-	20,838
Insurance	1,998	850	-	2,848
Purchase of public data	4,727	-	-	4,727
Travel	20,111	-	-	20,111
	<u>20,111</u>	<u>-</u>	<u>-</u>	<u>20,111</u>
Total expenses	<u>\$ 257,706</u>	<u>\$ 14,396</u>	<u>\$ 3,332</u>	<u>\$ 275,434</u>

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

SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)
For the Year Ended December 31, 2008

	Program	Management and General	Fundraising	Total
Grants expense	\$ 75,500	\$ -	\$ -	\$ 75,500
Salaries and benefits	175,298	9,331	2,000	186,629
Printing	2,839	-	316	3,155
Occupancy	-	6,808	-	6,808
Postage and delivery	-	1,514	1,010	2,524
Professional fees	22,983	13,400	-	36,383
Contract labor	65,400	-	-	65,400
Fees and permits	-	222	-	222
Meetings and conferences	11,636	-	1,293	12,929
Miscellaneous	-	993	-	993
Supplies	2,588	5,030	846	8,464
Equipment	10,007	-	-	10,007
Support contracts	1,555	-	-	1,555
Depreciation expense	15,360	808	-	16,168
Insurance	-	1,519	-	1,519
Purchase of public data	686,670	-	-	686,670
Travel	8,200	-	-	8,200
	<u>8,200</u>	<u>-</u>	<u>-</u>	<u>8,200</u>
Total expenses	<u>\$ 1,078,036</u>	<u>\$ 39,625</u>	<u>\$ 5,465</u>	<u>\$ 1,123,126</u>