

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2010 and 2009**

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, 2010 and 2009, 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, 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.

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.



February 25, 2011

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

STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 442,413	\$ 13,601
Grants receivable (Note 1)	1,000,000	51,000
Prepaid expenses	<u>35,000</u>	<u>-</u>
Total current assets	1,477,413	64,601
Intangible assets (Note 1)	12,400	12,400
Furniture and equipment, net of accumulated depreciation of \$65,472 at 2010 and \$42,755 at 2009 (Notes 1 and 2)	<u>76,294</u>	<u>61,437</u>
Total assets	<u>\$ 1,566,107</u>	<u>\$ 138,438</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ 450</u>
Total liabilities	<u>-</u>	<u>450</u>
Net assets:		
Unrestricted net assets	140,248	137,988
Temporarily restricted net assets (Note 3)	<u>1,425,859</u>	<u>-</u>
Total net assets	<u>1,566,107</u>	<u>137,988</u>
Total liabilities and net assets	<u>\$ 1,566,107</u>	<u>\$ 138,438</u>

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

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

STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Public support:			
Grants	\$ 744,441	\$ 1,425,859	\$ 2,170,300
Contributions	42,227	-	42,227
Interest income	<u>780</u>	<u>-</u>	<u>780</u>
Total support and revenue	<u>787,448</u>	<u>1,425,859</u>	<u>2,213,307</u>
EXPENSES			
Program services	765,451	-	765,451
General and administrative	11,761	-	11,761
Fundraising	<u>7,976</u>	<u>-</u>	<u>7,976</u>
Total expenses	<u>785,188</u>	<u>-</u>	<u>785,188</u>
Change in net assets	2,260	1,425,859	1,428,119
Net assets, beginning of year	<u>137,988</u>	<u>-</u>	<u>137,988</u>
Net assets, end of year	<u>\$ 140,248</u>	<u>\$ 1,425,859</u>	<u>\$ 1,566,107</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, 2009

UNRESTRICTED:

SUPPORT AND REVENUE

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 and revenue	 <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><u>\$ 137,988</u></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, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 1,428,119</u>	<u>\$ (39,405)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	22,717	20,838
Changes in assets and liabilities:		
Grants receivable	(949,000)	(31,000)
Prepaid expenses	(35,000)	-
Accounts payable and accrued expenses	<u>(450)</u>	<u>(543)</u>
Total adjustments	<u>(961,733)</u>	<u>(10,705)</u>
Net cash provided (used) by operating activities	466,386	(50,110)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	<u>(37,574)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	428,812	(50,110)
Cash and cash equivalents, beginning of year	<u>13,601</u>	<u>63,711</u>
Cash and cash equivalents, end of year	<u>\$ 442,413</u>	<u>\$ 13,601</u>
Supplementary information:		
In-kind contributions:		
Goods and small equipment	<u>\$ -</u>	<u>\$ 6,676</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, 2010 and 2009

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, 2010, and no temporarily or permanently restricted net assets as of December 31, 2009.

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.

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

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 in 2008. 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. 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.

Recent Account Pronouncement - Accounting Standards Codification - In June 2009, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Codification ("Codification"). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the Organization's accounting policies. The adoption of the Codification did not have a material impact on the Organization's financial position or results of activities.

New Accounting Pronouncement, ASC 820-10, Fair Value Measurements - In September 2006, the Financial Accounting Standards Board issued Accounting Standards Codification 820-10 (formerly Statement of Financial Accounting Standards No. 157 (FAS-157)), *Fair Value Measurements*. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of ASC 820-10 are effective for the Organization for fiscal years beginning January 1, 2008. The adoption of ASC 820-10 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, 2010 and 2009

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

Subsequent Events - Subsequent events have been evaluated through February 25, 2011, which is the date the financial statements were available to be issued.

New Accounting Principles, ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Corporation's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

NOTE 2 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of December 31, 2010 and 2009:

<u>Furniture and equipment, at cost</u>	
Balance, December 31, 2008	\$ 104,192
Additions	<u>-</u>
Balance, December 31, 2009	104,192
Additions	<u>37,574</u>
Balance, December 31, 2010	<u>141,766</u>
<u>Accumulated depreciation</u>	
Balance, December 31, 2008	21,917
Depreciation expense	<u>20,838</u>
Balance, December 31, 2009	42,755
Depreciation expense	<u>22,717</u>
Balance, December 31, 2010	<u>65,472</u>
Furniture and equipment, net	<u>\$ 76,294</u>

PUBLIC.RESOURCE.ORG, INC.
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets 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, 2010, are designated for the following uses:

Public online archives, video.gov and related activities	<u>\$ 1,425,859</u>
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NOTE 4 RELATED PARTY TRANSACTIONS

The Organization has contracted with several related parties for services and office space.

An agreement has 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 increasing to \$4,000 in November 2010, on an as-needed basis. In 2010 and 2009, the Organization paid \$43,000 and \$14,000, 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 2010 and 2009, the Organization paid \$7,080 per year in rent for use of the space.

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

NOTE 5 GOING CONCERN

As shown in the accompanying financial statements, the Organization has incurred significant losses in 2009 and prior years, and as of December 31, 2009, 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. While a significant grant was received in 2010, this amount may not support the Organization on an ongoing basis. 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.

NOTE 6 CONCENTRATIONS

The Organization received 97% of its funding in 2010 from one funder. This same funder accounted for 100% of the grants receivable at December 31, 2010.

PUBLIC.RESOURCE.ORG, INC.
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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE 7 CONTINGENCIES

As of December 31, 2010, the Corporation had exceeded the Federal Depository Insurance Corporation cash limit of \$250,000 on its depository accounts. At December 31, 2010, the Corporation had approximately \$192,000 on deposit in excess of federally insured limits.

SUPPLEMENTARY INFORMATION

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

SCHEDULES OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 195,793	\$ 1,500	\$ 1,500	\$ 198,793
Grants expense	60,100	-	-	60,100
Printing	14,376	-	1,095	15,471
Occupancy	6,372	708	-	7,080
Postage and delivery	2,723	-	1,816	4,539
Professional fees	-	8,266	-	8,266
Contract labor	67,626	-	-	67,626
Meeting expense	1,295	-	-	1,295
Miscellaneous	-	437	-	437
Supplies	10,194	-	3,565	13,759
Equipment	2,454	-	-	2,454
Depreciation expense	22,717	-	-	22,717
Insurance	-	850	-	850
Purchase of public data	343,500	-	-	343,500
Travel	<u>38,301</u>	<u>-</u>	<u>-</u>	<u>38,301</u>
Total expenses	<u>\$ 765,451</u>	<u>\$ 11,761</u>	<u>\$ 7,976</u>	<u>\$ 785,188</u>

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

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

	Program Services	General and Administrative	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>