

Public.Resource.Org, Inc.

Financial Statements

December 31, 2020

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Carl Malamud, President and CEO
Public.Resource.Org, Inc.

Management is responsible for the accompanying financial statements of Public.Resource.Org, Inc. (the "Organization"), which comprise the statement financial position as of December 31, 2020, and the related statements of activities, functional expenses, cash flows for the year then ended, and the related notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California
February 24, 2021

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 527,090
Prepaid expenses	<u>176,475</u>
	703,565

Property and Equipment

Computer and video hardware	252,881
Accumulated depreciation	<u>(252,881)</u>

Total assets \$ 703,565

LIABILITIES AND NET ASSETS

Net Assets

Net assets without donor restrictions	\$ 703,565
Net assets with donor restrictions	<u>-</u>
Total net assets	<u>703,565</u>

Total liabilities and net assets \$ 703,565

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 767,053	\$ -	\$ 767,053
In-kind contributions	395,502	-	395,502
Interest income	271	-	271
Net assets released from restrictions	500,000	(500,000)	-
Total support and revenue	1,662,826	(500,000)	1,162,826
EXPENSES			
Program services	1,286,077	-	1,286,077
Management and general	26,703	-	26,703
Fundraising	3,783	-	3,783
Total expenses	1,316,563	-	1,316,563
CHANGE IN NET ASSETS	346,263	(500,000)	(153,737)
NET ASSETS - beginning of year	357,302	500,000	857,302
NET ASSETS - end of year	\$ 703,565	\$ -	\$ 703,565

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 175,009	\$ 5,000	\$ 2,500	\$ 182,509
In-kind legal services	395,502	-	-	395,502
Grant expense	251,100	-	-	251,100
Contract labor	211,682	-	-	211,682
Professional fees	116,607	3,725	-	120,332
Supplies	67,581	1,970	-	69,551
Public domain materials	30,426	-	-	30,426
Travel	27,265	-	-	27,265
Insurance	-	14,737	-	14,737
Legal fees	10,067	-	-	10,067
Bank service charges	-	910	251	1,161
Copying and printing	838	-	279	1,117
Postage and delivery	-	311	311	622
Publicity and marketing	-	-	442	442
Licenses and permits	-	50	-	50
Total expenses	\$ 1,286,077	\$ 26,703	\$ 3,783	\$ 1,316,563

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (153,737)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Grants receivable	500,000
Prepaid expenses	<u>(174,906)</u>
Net cash provided by operating activities	<u>171,357</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 171,357

CASH AND CASH EQUIVALENTS - beginning of year 355,733

CASH AND CASH EQUIVALENTS - end of year \$ 527,090

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

1. DESCRIPTION OF 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 contribution income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

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

- *Without donor restrictions* – Net assets not subject to donor-imposed stipulations.
- *With donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When net assets subject to donor imposed restrictions are received and then subsequently released in the same year, they are classified as net assets without donor restrictions. During the year ended December 31, 2020, the Organization released \$500,000 of time-restricted pledges from restriction. At December 31, 2020, the Organization did not have any net assets with donor restrictions.

Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less, at the time of purchase to be cash equivalents.

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation

The Organization records acquisitions with a useful life over one year and a cost or basis of \$5,000 or more as property and equipment. Property and equipment are recorded at cost when purchased and fair value when received as a donation. Depreciation is provided over the estimated useful lives of the respective assets, using the straight-line method of depreciation. Costs for repairs and maintenance are expense as incurred.

Revenue Recognition

Contributions

Contributions are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Conditional contributions for which donor-imposed conditions and donor-imposed restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. At December 31, 2020, the Organization had \$4,295,000 in conditional grants for which the conditions related to open access and digital preservation requirements had not yet been met, and as such, revenue had not been recognized.

In-Kind Donations

Contributed services are recognized at their fair value on the date of contribution if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Gifts of property and equipment are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated asset must be used.

In-kind services received and recorded as in-kind contributions in the statement of activities consisted of legal services. During the year ended December 31, 2020, in-kind legal services amounted to \$395,502.

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the estimates of employee time and on usage of resources.

Income Taxes

The Organization is a tax-exempt organization under the provisions of the Internal Revenue Code, Section 501(c)(3), and the California Revenue and Taxation Code, Section 23701(d). Accordingly, no provision for federal and state income taxes has been reflected in these financial statements.

Management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Recently Issued Accounting Standards

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update("ASU") 2020-07, *Contributed Nonfinancial Assets* (Topic 958) ("ASU 2020-07"). ASU 2020-07 increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures in programs and other activities of a not-for-profit organization. The new standard will be effective for the Organization for the year ending December 31, 2021. The Organization is currently evaluating the impact of adoption on its financial statements.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements are available to be issued February 24, 2021.

PUBLIC.RESOURCE.ORG, INC.
(a California Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary source of revenue is contributions. The sources that provide liquidity during the period is cash and cash equivalents. General expenditures include program and supporting expenses that are expected to be paid in the subsequent year.

The table below presents financial assets available to fund general operating expenditures within one year at December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 527,090
Financial assets available to meet general expenditures within one year	<u>\$ 527,090</u>

4. CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor).

Other

For the year ended December 31, 2020, approximately 92% of contributions was received from one donor.

PUBLIC.RESOURCE.ORG, INC.
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NOTES TO FINANCIAL STATEMENTS
December 31, 2020

5. COMMITMENTS

On April 8, 2020, the Organization entered into a five-year, \$500,000, agreement with a related party to publish the regulations of all fifty states which will be made available to the public at no charge with no restrictions (refer to Note 6). The agreement calls for \$250,000 payable at signing, \$125,000 will be due twelve months after signing, and the final payment of \$125,000 will be due twenty-four months after signing. For the year ended December 31, 2020, \$250,000 was paid under this contract.

On August 5, 2019, the Organization entered into a three-year agreement with an unrelated party for internet connectivity. The terms of the agreement require monthly payments of \$399 per month. The year ended December 31, 2020, \$4,788 was paid under this contract.

The future minimum payments under these agreements are as follows:

<u>Year ending December 31</u>	
2021	\$ 129,788
2022	<u>128,192</u>
	<u>\$ 257,980</u>

6. RELATED PARTY TRANSACTIONS

The Organization has entered into a five-year agreement with Fastcase, Inc. to publish regulations for all fifty states. The CEO of Fastcase, Inc. is also a Board member of the Organization. The terms of the agreement require \$250,000 payable at signing, \$125,000 will be due twelve months after signing, and the final payment of \$125,000 will be due twenty-four months after signing. For the year ended December 31, 2020, \$250,000 was paid under this contract.

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

7. UNCERTAINTIES

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, the California State Governor ordered the closure of the physical location of every business, except those identified in the “critical infrastructure sectors”, for a limited period of time. The outbreak has led to severe disruptions and uncertainty to economic conditions and credit and capital markets and funding sources. The duration and economic impact of the outbreak are uncertain but it is possible operations may be negatively impacted. The Organization will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the financial statements.