

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**For the Years Ended**  
**December 31, 2012 and 2011**

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**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, 2012 and 2011, 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, 2012 and 2011, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Doran & Associates*

February 1, 2013

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

**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 647,773	\$ 1,383,487
Prepaid expenses	<u>14,352</u>	<u>11,700</u>
Total current assets	662,125	1,395,187
Intangible assets (Note 1)	12,400	12,400
Furniture and equipment, net of accumulated depreciation of \$148,256 at 2012 and \$103,845 at 2011 (Notes 1 and 2)	<u>102,542</u>	<u>138,125</u>
Total assets	<u>\$ 777,067</u>	<u>\$ 1,545,712</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 10,800</u>	<u>\$ 1,262</u>
Total liabilities	<u>10,800</u>	<u>1,262</u>
Net assets:		
Unrestricted net assets	154,161	165,204
Temporarily restricted net assets (Note 3)	<u>612,106</u>	<u>1,379,246</u>
Total net assets	<u>766,267</u>	<u>1,544,450</u>
Total liabilities and net assets	<u>\$ 777,067</u>	<u>\$ 1,545,712</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, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Public support:			
Grants	\$ 10,000	\$ -	\$ 10,000
Contributions	1,331	-	1,331
Interest income	2,337	-	2,337
Temporarily restricted net assets released from restrictions (Note 3)	<u>767,140</u>	<u>(767,140)</u>	<u>-</u>
Total support, revenue and transfers	<u>780,808</u>	<u>(767,140)</u>	<u>13,668</u>
<b>EXPENSES</b>			
Program services	771,811	-	771,811
General and administrative	16,327	-	16,327
Fundraising	<u>3,713</u>	<u>-</u>	<u>3,713</u>
Total expenses	<u>791,851</u>	<u>-</u>	<u>791,851</u>
Change in net assets	(11,043)	(767,140)	(778,183)
Net assets, beginning of year	<u>165,204</u>	<u>1,379,246</u>	<u>1,544,450</u>
Net assets, end of year	<u>\$ 154,161</u>	<u>\$ 612,106</u>	<u>\$ 766,267</u>

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

**PUBLIC.RESOURCE.ORG, INC.**  
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**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**For the Year Ended December 31, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT, REVENUE AND TRANSFERS</b>			
Public support:			
Grants	\$ -	\$ 1,000,000	\$ 1,000,000
Contributions	24,264	-	24,264
Interest income	2,267	-	2,267
Temporarily restricted net assets released from restrictions (Note 3)	<u>1,046,613</u>	<u>(1,046,613)</u>	<u>-</u>
Total support, revenue and transfers	<u>1,073,144</u>	<u>(46,613)</u>	<u>1,026,531</u>
<b>EXPENSES</b>			
Program services	1,024,287	-	1,024,287
General and administrative	13,500	-	13,500
Fundraising	<u>10,401</u>	<u>-</u>	<u>10,401</u>
Total expenses	<u>1,048,188</u>	<u>-</u>	<u>1,048,188</u>
Change in net assets	24,956	(46,613)	(21,657)
Net assets, beginning of year	<u>140,248</u>	<u>1,425,859</u>	<u>1,566,107</u>
Net assets, end of year	<u>\$ 165,204</u>	<u>\$ 1,379,246</u>	<u>\$ 1,544,450</u>

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

**PUBLIC.RESOURCE.ORG, INC.**  
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**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2012 and 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	<u>\$ (778,183)</u>	<u>\$ (21,657)</u>
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	44,411	38,373
Changes in assets and liabilities:		
Grants receivable	-	1,000,000
Prepaid expenses	(2,652)	23,300
Accounts payable and accrued expenses	<u>9,538</u>	<u>1,262</u>
Total adjustments	<u>51,297</u>	<u>1,062,935</u>
Net cash (used) provided by operating activities	<u>(726,886)</u>	<u>1,041,278</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of furniture and equipment	<u>(8,828)</u>	<u>(100,204)</u>
Net (decrease) increase in cash and cash equivalents	(735,714)	941,074
Cash and cash equivalents, beginning of year	<u>1,383,487</u>	<u>442,413</u>
Cash and cash equivalents, end of year	<u>\$ 647,773</u>	<u>\$ 1,383,487</u>

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

**PUBLIC.RESOURCE.ORG, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

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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.

*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 diminishment 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 diminishment 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, 2012 and 2011.

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.



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**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

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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 will not be recoverable. There was no impairment of the asset for 2012 or 2011.

Contributions - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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.

Advertising Expense - The Organization expenses advertising costs as incurred. Advertising expense totaled \$14,080 for the year ended December 31, 2011. There were no advertising expenses incurred in 2012.

Subsequent Events - Subsequent events have been evaluated through February 1, 2013, which is the date the financial statements were available to be issued.

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.

**PUBLIC.RESOURCE.ORG, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

NOTE 2 FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of December 31, 2012 and 2011:

<u>Furniture and equipment, at cost</u>	
Balance, December 31, 2010	\$ 141,766
Additions	<u>100,204</u>
Balance, December 31, 2011	241,970
Additions	<u>8,828</u>
Balance, December 31, 2012	<u>250,798</u>
<u>Accumulated depreciation</u>	
Balance, December 31, 2010	65,472
Depreciation expense	<u>38,373</u>
Balance, December 31, 2011	103,845
Depreciation expense	<u>44,411</u>
Balance, December 31, 2012	<u>148,256</u>
Furniture and equipment, net	<u><u>\$ 102,542</u></u>

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS AND TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS

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, 2012 and 2011, are designated for the following uses:

	<u>2012</u>	<u>2011</u>
Public online archives, video.gov and related activities	<u>\$ 612,106</u>	<u>\$ 1,379,246</u>

The Organization fulfilled the use restrictions of the following temporarily restricted items and they were released to unrestricted net assets during the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Public online archives, video.gov and related activities	<u>\$ 767,140</u>	<u>\$ 1,046,613</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

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NOTE 4 LONG-TERM CONTRACT

On April 6, 2011, the Organization signed a three-year agreement with a related party for upgraded Internet connectivity (see Note 5). The agreement calls for \$900 per month paid quarterly in advance. For the years ended December 31, 2012 and 2011, \$10,800 and \$6,090, respectively, was paid under this contract.

The future minimum payments on this contract are as follows:

Year ending <u>December 31,</u>	
2013	\$ 10,800
2014	<u>4,710</u>
	<u>\$ 15,510</u>

NOTE 5 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 \$5,000, plus other charges on an as-needed basis. In 2012 and 2011, the Organization paid \$75,000 and \$55,000, 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; a member of O'Reilly Media's Board of Directors is a Board member of the Organization. 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 and \$900 per month beginning in June 2011 for upgraded Internet connectivity (see Note 4). In 2012 and 2011, the Organization paid \$7,080 per year in rent for use of the space and \$10,800 and \$6,090, respectively, for upgraded Internet connectivity.

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

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**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2012 and 2011**

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**NOTE 6    CONCENTRATIONS**

The Organization received 88% of its funding in 2012 from one funder. In 2011, the Organization received 97% of its funding from another single funder.

**NOTE 7    CONTINGENCIES**

As of December 31, 2012, the Corporation had exceeded the Federal Depository Insurance Corporation cash limit of \$250,000 on its depository accounts. At December 31, 2012, the Corporation had approximately \$417,000 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, 2012**

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 209,328	\$ 1,500	\$ 1,500	\$ 212,328
Grants expense	3,300	-	-	3,300
Copying and printing	19,816	-	-	19,816
Occupancy	6,372	708	-	7,080
Postage and delivery	4,242	-	-	4,242
Professional fees	207,472	10,090	-	217,562
Legal fees	67,454	-	-	67,454
Other costs	1,345	264	-	1,609
Supplies	5,225	3,265	2,213	10,703
Depreciation	44,411	-	-	44,411
Insurance	-	500	-	500
Public databases	12,802	-	-	12,802
Public domain materials	178,910	-	-	178,910
Travel	11,134	-	-	11,134
<b>Total expenses</b>	<b><u>\$ 771,811</u></b>	<b><u>\$ 16,327</u></b>	<b><u>\$ 3,713</u></b>	<b><u>\$ 791,851</u></b>

**PUBLIC.RESOURCE.ORG, INC.**  
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**SCHEDULES OF FUNCTIONAL EXPENSES (CONTINUED)**  
**For the Year Ended December 31, 2011**

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 194,469	\$ 1,500	\$ 1,500	\$ 197,469
Grants expense	20,800	-	-	20,800
Printing / DVD's	14,598	-	-	14,598
Occupancy	6,372	708	-	7,080
Postage and delivery	6,111	-	-	6,111
Professional fees	33,494	9,819	-	43,313
Contract labor	100,150	-	-	100,150
Miscellaneous	-	623	-	623
Supplies	38,597	-	8,901	47,498
Depreciation	38,373	-	-	38,373
Advertising	14,080	-	-	14,080
Insurance	-	850	-	850
Public domain materials	525,243	-	-	525,243
Travel	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>
 Total expenses	 <u>\$ 1,024,287</u>	 <u>\$ 13,500</u>	 <u>\$ 10,401</u>	 <u>\$ 1,048,188</u>