

PRO-BONO PROJECT: SILICON VALLEY

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Pro-Bono Project: Silicon Valley  
San Jose, California

We have audited the accompanying statement of financial position of Pro-Bono Project: Silicon Valley (Organization) as of December 31, 2007 and 2006 and the related statements of activities and functional expenses 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 statement. 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 Pro-Bono Project: Silicon Valley as of December 31, 2007 and 2006 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.

A handwritten signature in cursive script that reads "Berger/Lewis Accountancy Corporation".

BERGER/LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
March 4, 2008

PRO-BONO PROJECT: SILICON VALLEY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash - - - - -	\$ 98,738	\$ 148,738
Client trust funds - - - - -	-	870
Grants receivable - - - - -	196,520	222,672
Prepaid expenses/deposits - - - - -	3,719	4,368
Furniture and equipment - net (Note 2) - - - - -	<u>3,948</u>	<u>8,212</u>
 TOTAL ASSETS - - - - -	 <u>\$ 302,925</u>	 <u>\$ 384,860</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable - - - - -	\$ 6,959	\$ 6,255
Accrued expenses - - - - -	25,134	26,171
Client trust deposits - - - - -	-	870
TOTAL LIABILITIES - - - - -	<u>32,093</u>	<u>33,296</u>
Net assets:		
Unrestricted:		
Undesignated - - - - -	51,263	122,933
Invested in equipment - - - - -	3,948	8,212
Total unrestricted - - - - -	<u>55,211</u>	<u>131,145</u>
Temporarily restricted (Note 3) - - - - -	215,621	220,419
TOTAL NET ASSETS - - - - -	<u>270,832</u>	<u>351,564</u>
 TOTAL LIABILITIES AND NET ASSETS - - - - -	 <u>\$ 302,925</u>	 <u>\$ 384,860</u>

The accompanying notes are an integral part of this statement.

PRO-BONO PROJECT: SILICON VALLEY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily Restricted	Total All Funds	
			2007	2006
<b>SUPPORT AND REVENUE:</b>				
<b>SUPPORT:</b>				
Contributions	\$ 27,351	\$ -	\$ 27,351	\$ 36,214
In-kind professional services	-	-	-	1,916,400
Grants and contracts	3,172,779	-	3,172,779	400,476
United Way	-	394,318	394,318	13,500
<b>TOTAL SUPPORT</b>	<b>3,200,130</b>	<b>394,318</b>	<b>3,594,448</b>	<b>2,366,590</b>
<b>REVENUE:</b>				
Training/Attorney's fees	2,648	-	2,648	8,270
Interest income	1,544	-	1,544	1,778
Other Income	870	-	870	-
<b>TOTAL REVENUE</b>	<b>5,062</b>	<b>-</b>	<b>5,062</b>	<b>10,048</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>399,116</b>	<b>(399,116)</b>	<b>-</b>	<b>-</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,604,308</b>	<b>(4,798)</b>	<b>3,599,510</b>	<b>2,376,638</b>
<b>EXPENSES:</b>				
<b>PROGRAM SERVICES:</b>				
Civil Legal Services	3,601,488	-	3,601,488	2,354,773
<b>SUPPORTING SERVICES:</b>				
Management & General	52,054	-	52,054	52,394
Fund Raising	26,700	-	26,700	28,713
<b>TOTAL SUPPORTING SERVICES</b>	<b>78,754</b>	<b>-</b>	<b>78,754</b>	<b>81,107</b>
<b>TOTAL EXPENSES</b>	<b>3,680,242</b>	<b>(75,934)</b>	<b>3,604,308</b>	<b>2,435,880</b>
<b>CHANGE IN NET ASSETS</b>	<b>(75,934)</b>	<b>(4,798)</b>	<b>(80,732)</b>	<b>(59,242)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>131,145</b>	<b>220,419</b>	<b>351,564</b>	<b>410,806</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 55,211</b>	<b>\$ 215,621</b>	<b>\$ 270,832</b>	<b>\$ 351,564</b>

The accompanying notes are an integral part of this statement.

PRO-BONO PROJECT: SILICON VALLEY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2006

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSES		
		Civil Legal Services	Management and General	Fund Raising	TOTAL	2007	2006
Salaries -	-	\$ 279,033	29,545	19,696	\$ 49,241	\$ 328,274	\$ 345,910
In-kind professional services	-	3,172,779	-	-	-	3,172,779	1,916,400
Employee benefits	-	15,674	1,660	1,106	2,766	18,440	18,942
Payroll taxes	-	21,948	2,324	1,549	3,873	25,821	28,033
<b>TOTAL SALARIES AND BENEFITS</b>	-	<b>3,489,434</b>	<b>33,529</b>	<b>22,351</b>	<b>55,880</b>	<b>3,545,314</b>	<b>2,309,285</b>
Professional fees	-	50,454	12,004	-	12,004	62,458	40,938
Supplies	-	10,327	1,093	729	1,822	12,149	13,824
Telephone	-	3,555	376	251	627	4,182	4,506
Occupancy	-	16,070	1,701	1,134	2,835	18,905	18,905
Rental and maintenance of equipment	-	9,215	976	651	1,627	10,842	21,470
Printing and publications	-	3,139	332	222	554	3,693	2,961
Conferences and training	-	2,822	299	199	498	3,320	2,577
Dues and subscriptions	-	3,063	324	216	540	3,603	1,817
Insurance	-	5,239	555	370	925	6,164	4,260
Travel	-	663	70	47	117	780	1,322
Miscellaneous	-	3,883	411	274	685	4,568	8,150
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	-	<b>3,597,864</b>	<b>51,670</b>	<b>26,444</b>	<b>78,114</b>	<b>3,675,978</b>	<b>2,430,015</b>
Depreciation	-	3,624	384	256	640	4,264	5,865
<b>TOTAL EXPENSES</b>	-	<b>\$ 3,601,488</b>	<b>\$ 52,054</b>	<b>\$ 26,700</b>	<b>\$ 78,754</b>	<b>\$ 3,680,242</b>	<b>\$ 2,435,880</b>

The accompanying notes are an integral part of this statement.

PRO-BONO PROJECT: SILICON VALLEY  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Increase (decrease) in cash and cash equivalents		
<u>Cash flows from operating activities:</u>		
Change in net assets - - - - -	\$ (80,732)	\$ (59,242)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation - - - - -	4,264	5,865
(Increase) decrease in assets:		
Receivables - - - - -	26,152	(25,057)
Prepaid expenses and deposits - - - - -	649	1,529
Increase (decrease) in liabilities:		
Accounts payable - - - - -	705	1,872
Accrued expenses - - - - -	(1,038)	7,453
Total adjustments - - - - -	<u>30,732</u>	<u>(8,338)</u>
Net cash from operating activities - - - - -	<u>(50,000)</u>	<u>(67,580)</u>
Cash flows used by investing activities:		
Purchase of equipment - - - - -	-	(11,845)
Net cash used by investing activities - - - - -	-	(11,845)
Net increase (decrease) in cash and cash equivalents - - - - -	(50,000)	(79,425)
Cash and cash equivalents at beginning of year - - - - -	<u>148,738</u>	<u>228,163</u>
Cash and cash equivalents at end of year - - - - -	<u>\$ 98,738</u>	<u>\$ 148,738</u>

The accompanying notes are an integral part of this statement.

PRO-BONO PROJECT: SILICON VALLEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pro-Bono Project Silicon Valley is a nonprofit, charitable corporation organized for the purpose of providing free civil legal services to low income persons within Santa Clara County, primarily through the use of time donated by private, volunteer attorneys.

The primary source of financial support is from grants and contracts with governments and other entities, including foundations.

Summary of Significant Accounting Policies

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund and an equipment fund plus any net assets designated by the Board for specific purposes.
- Temporarily restricted net assets include those assets which are subject to a donor or funding source restriction and for which the applicable restriction was not met as of the end of the current reporting period. The balance in this net asset category includes the subsequent year United Way allocation. The Organization does not imply a time restriction on gifts of long lived assets.
- Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. Currently the Organization does not have this classification of net assets.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Grant revenue and program fees are recognized as revenue in the period in which the service is provided.

PRO-BONO PROJECT: SILICON VALLEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions - Contributions are reported in accordance with SFAS No. 116. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-kind - Contributions in-kind, if any, are recognized in accordance with the provisions of SFAS No. 116. Donated equipment and other donated goods are recorded at their estimated fair market value as of the date of the donation. Contributed services, (i.e., legal services) which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounting which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant risk on cash accounts.

Allowance for Doubtful Accounts - The Organization does not maintain an allowance for doubtful accounts due to the fact that the majority of the accounts receivable are reimbursements from funding sources for costs incurred for the various programs.

Equipment and Depreciation - Equipment is recorded at cost or, if contributed, at the estimated fair market value when donated. It is the Organization's policy to capitalize items costing more than \$1,000. Depreciation is computed using the straight line method over estimated useful lives, which range from three to five years. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment.

Advertising Costs - The Organization expenses advertising costs, if any, in the period incurred.

Unemployment Insurance - The Organization is self-insured for its unemployment claims. According to management there are no significant pending claims in process.

PRO-BONO PROJECT: SILICON VALLEY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Indirect Expense Allocations - Indirect expense allocations are based on the number of full time equivalent staff members in each activity.

Income Taxes - Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Code. The Organization is not classified as a private foundation.

Estimates - In accordance with generally accepted accounting principles management has made estimates and assumptions that affect certain amounts and disclosures which could differ from actual results.

Comparative Information - Certain prior year amounts reflected in these financial statements have been reclassified to reflect the current year presentation.

NOTE 2 - FURNITURE AND EQUIPMENT

At December 31 the cost and related accumulated depreciation of furniture and equipment is as follows:

	<u>2007</u>	<u>2006</u>
Office furniture & equipment	\$ 50,072	\$ 50,072
Less: accumulated depreciation	<u>(46,124)</u>	<u>(41,860)</u>
Net	<u>\$ 3,948</u>	<u>\$ 8,212</u>

Total depreciation expense for the years ended December 31, 2007 and 2006 was \$5,865 and \$4,264, respectively.

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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

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NOTE 3 - TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets are those resources, which bear legal restrictions imposed by resource providers as to when and how they are used. These assets become unrestricted when they are expended in accordance with restrictions or when the restrictions are removed by resource providers. Temporarily restricted assets at December 31 are comprised of the following, earmarked for program activities:

	<u>2007</u>	<u>2006</u>
Blue Shield of California	\$ 37,500	\$ 87,500
First Five	53,500	31,000
Don't Borrow Trouble Silicon Valley	9,484	-
Equal Access Fund - State Bar of California	36,082	28,916
Legal Services Trust Fund - IOLTA	23,097	19,503
County of Santa Clara	55,958	47,500
United Way	<u>-</u>	<u>6,000</u>
Total	<u>\$ 215,621</u>	<u>\$ 220,419</u>