

PRO-BONO PROJECT: SILICON VALLEY

FINANCIAL STATEMENTS

December 31, 2009 and 2008

PRO-BONO PROJECT: SILICON VALLEY

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Thomas C. Bondi
David P. Johnson
Lawrence S. Kuechler
Roberto M. Maragoni

EMERITUS

Alexander W. Berger (1916-2005)
Griffith R. Lewis

BERGER LEWIS
ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Anthony M. Matusich
Frank A. Minuti, Jr.
Daniel C. Moors
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Pro-Bono Project: Silicon Valley (a California nonprofit public benefit corporation) as of December 31, 2009 and 2008, as restated, and the related statements of activities, 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 audit. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended December 30, 2008 and, in our report dated March 10, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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, 2009 and 2008, as restated, 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.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
March 24, 2010

PRO-BONO PROJECT: SILICON VALLEY
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2009 and 2008

ASSETS		<u>2009</u>	<u>2008</u> (restated)
Cash	\$	105,366	\$ 143,659
Grants Receivable		90,327	51,189
Prepaid Expenses and Other Assets		<u>5,785</u>	<u>5,578</u>
TOTAL ASSETS	\$	<u>201,478</u>	<u>\$ 200,426</u>
 LIABILITIES AND NET ASSETS 			
Liabilities:			
Accounts Payable	\$	6,787	\$ 4,457
Accrued Expenses		19,860	17,081
Deferred Revenue		<u>10,428</u>	<u>23,240</u>
TOTAL LIABILITIES		<u>37,075</u>	<u>44,778</u>
Net Assets (Note 5):			
Unrestricted		<u>164,403</u>	<u>155,648</u>
TOTAL NET ASSETS		<u>164,403</u>	<u>155,648</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>201,478</u>	<u>\$ 200,426</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

PRO-BONO PROJECT: SILICON VALLEY
 STATEMENTS OF ACTIVITIES
 For The Year Ended December 31, 2009
 With Comparative Totals for The Year Ended December 30, 2008

	2009	2008 (restated)
SUPPORT AND REVENUE:		
Support:		
Contributions In-Kind	\$ 3,202,594	\$ 4,064,192
Contributions	13,730	33,203
Foundation and Other Grants	34,590	45,797
Special Event (net of direct expenses of \$10,142 - 2009, \$0 - 2008)	8,531	-
Other (Note 1)	-	25,522
Total Support	3,259,445	4,168,714
Revenue:		
Government Contracts	485,204	250,917
Training	4,225	2,057
Investment Income	190	514
Total Revenue	489,619	253,488
Total Support and Revenue	3,749,064	4,422,202
EXPENSES:		
Program Services:		
Civil Legal Services	3,662,592	4,464,272
Total Program Services	3,662,592	4,464,272
Supporting Services:		
Management and General	50,710	48,102
Fundraising	27,007	25,012
Total Supporting Services	77,717	73,114
Total Expenses	3,740,309	4,537,386
CHANGE IN NET ASSETS	8,755	(115,184)
NET ASSETS, Beginning of Year	155,648	270,832
NET ASSETS, End of Year	\$ 164,403	\$ 155,648

The Accompanying Notes are an Integral Part of these Financial Statements.

PRO-BONO PROJECT: SILICON VALLEY
STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2009
With Comparative Totals for The Year Ended December 30, 2008

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL
		Civil Legal Services	Management and General	Fundraising	
				Total	
					2009
					2008
Salaries	\$ 290,739	\$ 30,784	\$ 20,523	\$ 51,307	\$ 342,046
Professional Services, In-Kind	3,202,594	-	-	-	3,202,594
Employee Benefits	13,760	1,457	971	2,428	16,188
Payroll Taxes	22,623	2,395	1,597	3,992	26,615
Total Salaries and Related Expenses	3,529,716	34,636	23,091	57,727	3,587,443
Professional Fees	77,407	10,200	-	10,200	87,607
Supplies	3,482	369	246	615	4,097
Telephone	3,775	400	267	667	4,442
Occupancy	16,070	1,701	1,134	2,835	18,905
Equipment Maintenance and Rent	11,039	1,169	779	1,948	12,987
Printing and Publications	4,708	498	332	830	5,538
Conferences, Conventions, and Meetings	4,116	436	291	727	4,843
Dues and Subscriptions	1,352	143	95	238	1,590
Insurance	4,134	438	292	730	4,864
Travel and Transportation	2,225	236	157	393	2,618
Miscellaneous	4,568	484	323	807	5,375
Total Expenses Before Depreciation	3,662,592	50,710	27,007	77,717	3,740,309
Depreciation	-	-	-	-	3,948
Total Functional Expenses	\$ 3,662,592	\$ 50,710	\$ 27,007	\$ 77,717	\$ 3,740,309
					\$ 4,537,386

The Accompanying Notes are an Integral Part of these Financial Statements.

PRO-BONO PROJECT: SILICON VALLEY
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u> <u>(restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 8,755	\$ (115,184)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	-	3,948
(Increase) Decrease in Assets:		
Receivables	(39,138)	145,331
Prepaid Expenses and Deposits	(206)	(1,859)
Increase (Decrease) in Liabilities:		
Accounts Payable	2,329	(2,503)
Accrued Expenses	2,779	(8,052)
Deferred Revenue	<u>(12,812)</u>	<u>23,240</u>
Net Cash Provided (Used) by Operating Activities	<u>(38,293)</u>	<u>44,921</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,293)	44,921
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>143,659</u>	<u>98,738</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 105,366</u>	<u>\$ 143,659</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

PRO-BONO PROJECT: SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pro-Bono Project: Silicon Valley (the "Organization"), 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 - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*), the Organization reports its financial position and operating activities in 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, property and equipment fund plus any net assets designated by the Board for specific purposes. The Organization has elected to report as an increase in unrestricted net assets any restricted revenue received in the current period for which the restrictions have been met in the current period.
- ◆ Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.
- ◆ Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are reported in accordance with ASC 958 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). 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 and depending on whether the restrictions are met in the current fiscal period. Temporarily restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets.

PRO-BONO PROJECT: SILICON VALLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions (Continued) - When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Included in support for the prior fiscal year are amounts received as a result of a court order from a class action lawsuit.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of ASC 958. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed legal and other services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair 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, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it 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 - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Advertising Costs - The Organization's policy is to expense advertising costs, if any, in the period incurred.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. 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 2008, from which the summarized information was derived.

Allocation of Indirect Functional Expenses - Indirect functional expenses are allocated to program and support services based on an analysis of personnel time and space utilized.

PRO-BONO PROJECT: SILICON VALLEY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes - Pro-Bono Project: Silicon Valley is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

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

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

NOTE 2 - FURNITURE AND EQUIPMENT:

The cost and related accumulated depreciation of the property and equipment at December 31, consisted of the following:

	2009	2008	
Office Furniture and Equipment	\$ 25,904	\$ 25,904	
Less: Accumulated Depreciation	(25,904)	(25,904)	
Property and Equipment, Net	\$ -	\$ -	

Depreciation expense for the years ended December 31, 2009 and 2008 was \$0 and \$3,948, respectively.

NOTE 3 - SUBSEQUENT EVENTS:

Management of the Organization has evaluated events and transactions subsequent to December 31, 2009 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the year ended December 31, 2009. Subsequent events have been evaluated through the date the financial statements became available to be issued, March 24, 2010.

PRO-BONO PROJECT: SILICON VALLEY

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS:

FASB Accounting Standards Codification - On July 1, 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles* (GAAP) (Codification). ASC 105-10 establishes the exclusive authoritative reference for U.S. GAAP for us in financial statements, except for SEC rules and interpretive releases, which are also authoritative for SEC registrants. The Codification supersedes all existing non-SEC accounting and reporting standards. The Organization has included the references to the Codification, as appropriate, in these financial statements.

ASC 740-10 (formerly FIN 48) - In June 2006, the FASB issued ASC 740-10 (formerly Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48)). ASC 740-10 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more likely than not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return.

Effective January 1, 2009 the Organization implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740-10. Accordingly, an entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2009, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE 5 - NET ASSET RESTATEMENT:

During the year ended December 31, 2009 the Organization changed its method relating to the accounting for government grants. The Organization had previously accounted for government grants as restricted contributions in accordance with ASC 958 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). During the year ended December 31, 2009 the Organization revised its method to account for government grants as exchange transactions and recognize them as unrestricted revenue when allowable expenditures have been incurred. Management believes the revised policy better reflects the income of the Organization on an annual basis. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. This restatement resulted in decrease of Grants Receivable balance as of 12/31/08 in the amount of \$555,814 and increase in Deferred Revenue balance as of 12/31/08 in the amount of \$23,240. Government Grants revenue for 2008 decreased by \$579,054. Accordingly, Beginning Net Assets balance decreased by the same amount. Temporarily Restricted Net Assets as of 12/31/09 decreased by \$556,283 and Unrestricted Net Assets as of 12/31/08 decreased by \$22,771.