

Pro Bono Partnership, Inc.

Financial Statements

December 31, 2016 and 2015

Independent Auditors' Report

Board of Directors Pro Bono Partnership, Inc.

We have audited the accompanying financial statements of Pro Bono Partnership, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro Bono Partnership, Inc. as of December 31, 2016 and 2015 and the change 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.

PKF O'Connor Davies, LLP

Harrison, New York
April 28, 2017

PRO BONO PARTNERSHIP, INC.

Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 342,257	\$ 767,769
Contributions receivable	610,748	67,383
Prepaid expenses	68,546	45,767
Investments	<u>1,691,554</u>	<u>1,601,537</u>
Total Current Assets	2,713,105	2,482,456
Security deposits	10,501	10,501
Office equipment, net of accumulated depreciation of \$167,159 and \$160,515	<u>19,530</u>	<u>19,359</u>
	<u>\$ 2,743,136</u>	<u>\$ 2,512,316</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 111,101	\$ 107,343
Deferred rent	<u>18,110</u>	<u>9,197</u>
Total Liabilities	129,211	116,540
Net Assets		
Unrestricted		
Operations	424,560	694,239
Board Designated	<u>1,691,554</u>	<u>1,601,537</u>
Total Unrestricted	2,116,114	2,295,776
Temporarily restricted	<u>497,811</u>	<u>100,000</u>
Total Net Assets	<u>2,613,925</u>	<u>2,395,776</u>
	<u>\$ 2,743,136</u>	<u>\$ 2,512,316</u>

See notes to financial statements

PRO BONO PARTNERSHIP, INC.

Statement of Activities

Year Ended December 31, 2016

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions			
Corporations	\$ 402,071	\$ 135,000	\$ 537,071
Law firms	138,500	-	138,500
Foundations	296,643	37,811	334,454
Governmental	83,750	325,000	408,750
Individuals	44,200	-	44,200
In-kind donations	17,075	-	17,075
Interest and dividends	39,786	-	39,786
Realized gains on investments	120,298	-	120,298
Unrealized loss on investments	(62,739)	-	(62,739)
Special event, net of direct donor benefit of \$232,744	1,119,714	-	1,119,714
Other revenue	28,384	-	28,384
	<u>2,227,682</u>	<u>497,811</u>	<u>2,725,493</u>
Total Support and Revenue			
Net assets for program services released from restrictions	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>
Total Support and Revenue	<u>2,327,682</u>	<u>397,811</u>	<u>2,725,493</u>
EXPENSES			
Program services	1,773,219	-	1,773,219
Management and general	384,528	-	384,528
Fundraising	349,597	-	349,597
	<u>2,507,344</u>	<u>-</u>	<u>2,507,344</u>
Total Expenses			
Change in Net Assets	(179,662)	397,811	218,149
NET ASSETS			
Beginning of year	<u>2,295,776</u>	<u>100,000</u>	<u>2,395,776</u>
End of year	<u>\$ 2,116,114</u>	<u>\$ 497,811</u>	<u>\$ 2,613,925</u>

See notes to financial statements

PRO BONO PARTNERSHIP, INC.

Statement of Activities

Year Ended December 31, 2015

SUPPORT AND REVENUE	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions			
Corporations	\$ 223,508	\$ 35,000	\$ 258,508
Law firms	85,600	-	85,600
Foundations	330,717	65,000	395,717
Governmental	48,750	-	48,750
Individuals	60,650	-	60,650
In-kind donations	17,075	-	17,075
Interest and dividends	36,781	-	36,781
Unrealized loss on investments	(37,122)	-	(37,122)
Special event, net of direct donor benefit of \$253,273	1,378,827	-	1,378,827
Other revenue	43,009	-	43,009
	<u>2,187,795</u>	<u>100,000</u>	<u>2,287,795</u>
 Total Support and Revenue			
	<u>2,187,795</u>	<u>100,000</u>	<u>2,287,795</u>
 Net assets for program services released from restrictions	<u>222,500</u>	<u>(222,500)</u>	<u>-</u>
 Total Support and Revenue	<u>2,410,295</u>	<u>(122,500)</u>	<u>2,287,795</u>
 EXPENSES			
Program services	1,614,927	-	1,614,927
Management and general	333,344	-	333,344
Fundraising	338,522	-	338,522
	<u>2,286,793</u>	<u>-</u>	<u>2,286,793</u>
 Total Expenses			
	<u>2,286,793</u>	<u>-</u>	<u>2,286,793</u>
 Change in Net Assets	123,502	(122,500)	1,002
 NET ASSETS			
Beginning of year	<u>2,172,274</u>	<u>222,500</u>	<u>2,394,774</u>
 End of year	<u>\$ 2,295,776</u>	<u>\$ 100,000</u>	<u>\$ 2,395,776</u>

See notes to financial statements

PRO BONO PARTNERSHIP, INC.

Statements of Functional Expenses

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
PERSONNEL								
Salaries	\$ 1,248,088	\$ 196,812	\$ 185,467	\$ 1,630,367	\$ 1,129,551	\$ 185,364	\$ 174,994	\$ 1,489,909
Payroll taxes and employee benefits	219,494	30,035	43,488	293,017	200,036	27,606	38,686	266,328
Total Personnel Costs	1,467,582	226,847	228,955	1,923,384	1,329,587	212,970	213,680	1,756,237
OTHER THAN PERSONNEL COSTS								
Professional fees	18,709	24,318	1,726	44,753	16,821	27,359	1,619	45,799
Advertising	1,948	3,496	128	5,572	2,449	4,529	-	6,978
Dues and subscriptions	1,724	11,607	1,539	14,870	2,356	9,622	995	12,973
Equipment	58,839	27,309	5,922	92,070	24,603	2,580	5,976	33,159
Insurance	3,851	22,723	821	27,395	11,731	12,892	761	25,384
Internet	2,926	21,267	195	24,388	2,560	19,285	173	22,018
Postage	1,320	1,283	1,058	3,661	1,161	606	1,157	2,924
Printing	4,611	7,609	6,119	18,339	10,353	4,651	4,315	19,319
Rent	140,386	7,254	10,881	158,521	138,152	8,447	11,263	157,862
Stationery and office supplies	6,416	4,298	600	11,314	4,246	2,662	430	7,338
Telephone	12,062	881	837	13,780	11,985	674	858	13,517
Conferences	12,414	2,676	790	15,880	16,307	4,205	133	20,645
Travel	10,098	5,668	1,043	16,809	10,764	4,809	566	16,139
Workshop	1,868	2,207	123	4,198	3,322	-	171	3,493
Depreciation	5,343	555	746	6,644	7,710	1,606	938	10,254
Special event - indirect expenses			83,238	83,238	-	-	91,199	91,199
Miscellaneous	23,122	14,530	4,876	42,528	20,820	16,447	4,288	41,555
Total Expenses	\$ 1,773,219	\$ 384,528	\$ 349,597	\$ 2,507,344	\$ 1,614,927	\$ 333,344	\$ 338,522	\$ 2,286,793

PRO BONO PARTNERSHIP, INC.

Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 218,149	\$ 1,002
Adjustments to reconcile change in net assets to cash from operating activities		
Net realized and unrealized loss (gain) on investments	(57,559)	37,122
Depreciation	6,644	10,254
Change in operating assets and liabilities		
Contributions receivable	(543,365)	89,467
Prepaid expenses	(22,779)	14,571
Security deposits	-	2,948
Accounts payable and accrued liabilities	3,758	33,935
Deferred rent	8,913	3,669
Net Cash from Operating Activities	<u>(386,239)</u>	<u>192,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,693,459	-
Purchases of investments	(1,725,917)	(77,750)
Purchase of office equipment	(6,815)	(7,676)
Net Cash from Investing Activities	<u>(39,273)</u>	<u>(85,426)</u>
Net Change in Cash and Cash Equivalents	(425,512)	107,542
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>767,769</u>	<u>660,227</u>
End of year	<u>\$ 342,257</u>	<u>\$ 767,769</u>

See notes to financial statements

Pro Bono Partnership, Inc.

Note to Financial Statements
December 31, 2016 and 2015

1. Nature of Organization

Pro Bono Partnership, Inc. (the "Organization") is a non-profit entity created to provide volunteer legal services to non-profit organizations serving poor or disadvantaged individuals and families, civic groups, arts organizations, and environmental or conservation groups. The Organization also provides a wide range of opportunities for attorneys in corporations and law firms to work on rewarding pro bono business and transactional matters; and focuses particularly on engaging volunteers from corporate legal departments.

2. Summary of Significant Accounting Policies

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") which 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Pro Bono Partnership, Inc. does not have any permanently restricted net assets.

Unrestricted Net Asset Designations

By action of the Organization's Board of Directors, certain funds have been designated for specific uses. The use of the net assets is not restricted; rather, the use of these assets requires a specific action of the Board of Directors. The amounts of unrestricted net assets that have been designated by the Board of Directors for specific use were \$1,691,554 and \$1,601,537 at December 31, 2016 and 2015.

Advertising Costs

The Organization expenses advertising costs as incurred.

Pro Bono Partnership, Inc.

Note to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers cash and cash equivalents to include all highly liquid debt instruments with a maturity of three months or less at the time of purchase.

Investments and Investment Income

The Organization follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The fair value by input level of the Organization's investments is included in Note 3 to the financial statements.

Investments are carried at fair value. Mutual funds are valued based upon quoted prices provided by each fund. The fair value of common trust fund investments is based upon the net asset value per unit as provided by the trustees of the common trust funds.

Income from investments, including both realized and unrealized gains and losses, are treated as an increase in unrestricted net assets unless otherwise specified by donors.

Office Equipment

Office equipment is stated at cost less accumulated depreciation. The Organization capitalizes all expenditure in excess of \$5,000 with an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the five-year estimated useful life of the assets.

Contributions Receivable

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management has determined that no allowance is necessary at December 31, 2016 and 2015.

Functional Allocation of Expenses

The costs of providing the various services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services.

Pro Bono Partnership, Inc.

Note to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies *(continued)*

Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax.

The Organization recognizes the effect of tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 28, 2017.

3. Investments

The Organization's investment portfolio was valued using level 1 inputs and consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equity Mutual Funds	\$ 846,767	\$ 800,800
Fixed Income mutual funds	<u>844,787</u>	<u>800,737</u>
Total Investments	<u>\$ 1,691,554</u>	<u>\$ 1,601,537</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash, cash equivalents and investments. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization's cash equivalents which consist of money market funds and its investments are held with a money manager. The Organization routinely assesses the diversification and financial strength of its cash, cash equivalents and investments. The Organization has not experienced any losses in such accounts.

Pro Bono Partnership, Inc.

Note to Financial Statements
December 31, 2016 and 2015

5. Line of Credit

The Organization had available a \$50,000 line of credit with a bank, which expires July 24, 2017. The line is secured by all assets of the Organization. Interest on any borrowings is payable monthly at the bank's prime rate plus 1.75%. At December 31, 2016, the Organization did not have any borrowings outstanding under the line of credit.

6. Retirement Plan

The Organization maintains a 403(b) tax deferred annuity retirement plan for all eligible employees. Eligible employees may defer a portion of their compensation, not to exceed limits established by the Internal Revenue Code. The Organization may elect to make discretionary contributions of 4% of each eligible employee's salary. The Organization's contributions for the years ended December 31, 2016 and 2015 were \$58,625 and \$55,845.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, are as follows:

	<u>2016</u>	<u>2015</u>
Time Restrictions		
Operations	\$ 168,000	\$ 35,000
Program	-	40,000
Purpose Restrictions		
Program	<u>329,811</u>	<u>25,000</u>
	<u>\$ 497,811</u>	<u>\$ 100,000</u>

Net assets released from restriction during the year ended December 31, were as follows:

	<u>2016</u>	<u>2015</u>
Time Restrictions		
Operations	\$ 35,000	\$ 60,000
Program	40,000	162,500
Purpose Restrictions		
Program	<u>25,000</u>	<u>-</u>
	<u>\$ 100,000</u>	<u>\$ 222,500</u>

Pro Bono Partnership, Inc.

Note to Financial Statements
December 31, 2016 and 2015

8. Rental Commitment

The Organization has a lease agreement for office space in Parsippany, New Jersey expiring on July 31, 2020 at an initial base rental of \$34,649 per annum rising to \$37,985 during the last term of the lease. In addition, the Organization is also required to pay its proportionate share of increases in certain operating costs of the landlord as outlined in the lease.

The Organization has a lease agreement for office space in White Plains, New York expiring on September 30, 2022 at an initial base rental of \$91,234 per annum rising to \$105,938 during the last term of the lease. In addition to minimum rental payments, the Organization is also required to pay its proportionate share of increases in certain operating costs of the landlord as outlined in the lease.

For financial statement purposes, rent payments are being accounted for on a straight-line basis. Accordingly, the accompanying statement of financial position reflects a liability for deferred rent for the difference between rent expensed over the amounts payable pursuant to the lease terms. Total rent expense from office facility leases amounted to \$141,401 and \$140,787 in 2016 and 2015. Future minimum lease payments due under all operating leases at December 31, 2016 are due as follows:

2017	\$	129,196
2018		132,581
2019		136,040
2020		123,359
2021		103,882
2022		79,454
		<u>79,454</u>
	\$	<u>704,512</u>

During the years ending December 31, 2016 and 2015, the Organization has included in rental expense in-kind donations in the amounts of \$17,075 in each year.

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