

**Pro Bono Partnership, Inc.**

Financial Statements

December 31, 2017 and 2016

## 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, 2017 and 2016, 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, 2017 and 2016 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 30, 2018

**PRO BONO PARTNERSHIP, INC.**

Statements of Financial Position

	December 31,	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 383,573	\$ 342,257
Contributions receivable	375,950	610,748
Prepaid expenses	86,619	68,546
Investments	<u>1,854,078</u>	<u>1,691,554</u>
Total Current Assets	2,700,220	2,713,105
Security deposits	10,501	10,501
Leaseholds and office equipment net of accumulated depreciation of \$175,989 and \$167,519	<u>43,792</u>	<u>19,530</u>
	<u>\$ 2,754,513</u>	<u>\$ 2,743,136</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 110,867	\$ 111,101
Deferred rent	<u>12,268</u>	<u>18,110</u>
Total Liabilities	123,135	129,211
Net Assets		
Unrestricted		
Operations	484,521	424,560
Board Designated	<u>1,854,078</u>	<u>1,691,554</u>
Total Unrestricted	2,338,599	2,116,114
Temporarily restricted	<u>292,779</u>	<u>497,811</u>
Total Net Assets	<u>2,631,378</u>	<u>2,613,925</u>
	<u>\$ 2,754,513</u>	<u>\$ 2,743,136</u>

See notes to financial statements

**PRO BONO PARTNERSHIP, INC.**

Statement of Activities

Year Ended December 31, 2017

<b>SUPPORT AND REVENUE</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions			
Corporations	\$ 270,259	\$ -	\$ 270,259
Law firms	43,750	-	43,750
Foundations	177,890	23,654	201,544
Governmental	95,000	-	95,000
Individuals	27,545	-	27,545
In-kind donations	15,650	-	15,650
Interest and dividends	41,378	-	41,378
Realized gains on investments	4,548	-	4,548
Unrealized gains on investments	164,904	-	164,904
Special event, net of direct donor benefit of \$240,554	1,789,712	-	1,789,712
Other revenue	73,452	-	73,452
Total Support and Revenue	<u>2,704,088</u>	<u>23,654</u>	<u>2,727,742</u>
Net assets for program services released from restrictions	<u>228,686</u>	<u>(228,686)</u>	<u>-</u>
Total Support and Revenue	<u>2,932,774</u>	<u>(205,032)</u>	<u>2,727,742</u>
<b>EXPENSES</b>			
Program services	1,974,545	-	1,974,545
Management and general	361,297	-	361,297
Fundraising	374,447	-	374,447
Total Expenses	<u>2,710,289</u>	<u>-</u>	<u>2,710,289</u>
Change in Net Assets	222,485	(205,032)	17,453
<b>NET ASSETS</b>			
Beginning of year	<u>2,116,114</u>	<u>497,811</u>	<u>2,613,925</u>
End of year	<u>\$ 2,338,599</u>	<u>\$ 292,779</u>	<u>\$ 2,631,378</u>

See notes to financial statements

**PRO BONO PARTNERSHIP, INC.**

## Statement of Activities

Year Ended December 31, 2016

<b>SUPPORT AND REVENUE</b>	<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			
	<u>2,227,682</u>	<u>497,811</u>	<u>2,725,493</u>
 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>
 <b>EXPENSES</b>			
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			
	<u>2,507,344</u>	<u>-</u>	<u>2,507,344</u>
 Change in Net Assets	(179,662)	397,811	218,149
 <b>NET ASSETS</b>			
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.**

Statements of Functional Expenses

	Year Ended December 31, 2017			Year Ended December 31, 2016			
	Management and General		Fundraising	Management and General		Fundraising	Total
	Program Services	Total		Program Services	Total		
<b>PERSONNEL</b>							
Salaries	\$ 1,393,753	\$ 189,572	\$ 178,337	\$ 1,761,662	\$ 1,248,088	\$ 185,467	\$ 1,630,367
Payroll taxes and employee benefits	245,246	28,853	45,964	320,063	219,494	43,488	293,017
Total Personnel Costs	1,638,999	218,425	224,301	2,081,725	1,467,582	228,955	1,923,384
<b>OTHER THAN PERSONNEL COSTS</b>							
Professional fees	33,910	55,213	5,967	95,090	18,709	1,726	44,753
Advertising	4,523	1,425	35	5,983	1,948	128	5,572
Dues and subscriptions	1,315	10,221	1,245	12,781	1,724	1,539	14,870
Equipment	40,189	6,203	8,056	54,448	58,839	5,922	92,070
Insurance	4,153	23,626	886	28,665	3,851	821	27,395
Internet	2,822	119	179	3,120	2,926	195	24,388
Postage	808	357	1,801	2,966	1,320	1,058	3,661
Printing	1,078	8,038	5,784	14,900	4,611	7,609	18,339
Rent	148,171	8,887	13,331	170,389	140,386	10,881	158,521
Stationery and office supplies	6,485	3,509	395	10,389	6,416	600	11,314
Telephone	13,840	1,066	932	15,838	12,062	837	13,780
Conferences	17,758	1,472	933	20,163	12,414	790	15,880
Travel	16,489	4,751	1,490	22,730	10,098	1,043	16,809
Workshop	11,282	56	10	11,348	1,868	123	4,198
Depreciation	4,596	2,715	1,517	8,828	5,343	746	6,644
Special event - indirect expenses			101,937	101,937			83,238
Miscellaneous	28,127	15,214	5,648	48,989	23,122	4,876	42,528
Total Expenses	\$ 1,974,545	\$ 361,297	\$ 374,447	\$ 2,710,289	\$ 1,773,219	\$ 349,597	\$ 2,507,344

**PRO BONO PARTNERSHIP, INC.**

Statements of Cash Flows

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 17,453	\$ 218,149
Adjustments to reconcile change in net assets to cash from operating activities		
Net realized and unrealized (gain) on investments	(169,452)	(57,559)
Depreciation	8,829	6,644
Change in operating assets and liabilities		
Contributions receivable	234,798	(543,365)
Prepaid expenses	(18,073)	(22,779)
Security deposits	-	-
Accounts payable and accrued liabilities	(234)	3,758
Deferred rent	(5,842)	8,913
Net Cash from Operating Activities	<u>67,479</u>	<u>(386,239)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	150,000	1,693,459
Purchases of investments	(143,072)	(1,725,917)
Purchase of leaseholds and office equipment	(33,091)	(6,815)
Net Cash from Investing Activities	<u>(26,163)</u>	<u>(39,273)</u>
Net Change in Cash and Cash Equivalents	41,316	(425,512)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>342,257</u>	<u>767,769</u>
End of year	<u>\$ 383,573</u>	<u>\$ 342,257</u>

See notes to financial statements

## **Pro Bono Partnership, Inc.**

Note to Financial Statements  
December 31, 2017 and 2016

### **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 \$1,854,078 and \$1,691,554 at December 31, 2017 and 2016.

#### ***Advertising Costs***

The Organization expenses advertising costs as incurred.



**Pro Bono Partnership, Inc.**

Note to Financial Statements  
December 31, 2017 and 2016

**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, 2017 and 2016.

***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, 2017 and 2016

**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 2014.

***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 30, 2018.

**3. Investments**

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

	<u>2017</u>	<u>2016</u>
Equity Mutual Funds	\$ 931,409	\$ 846,767
Fixed Income mutual funds	<u>922,669</u>	<u>844,787</u>
Total Investments	<u>\$ 1,854,078</u>	<u>\$ 1,691,554</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, 2017 and 2016

**5. Line of Credit**

The Organization has available a \$50,000 line of credit with a bank, which expires July 24, 2018. 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, 2017, 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, 2017 and 2016 were \$58,013 and \$58,625.

**7. Temporarily Restricted Net Assets**

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

	<u>2017</u>	<u>2016</u>
Time Restrictions		
Operations	\$ 71,000	\$ 168,000
Program	-	-
Purpose Restrictions		
Program	<u>221,779</u>	<u>329,811</u>
	<u>\$ 292,779</u>	<u>\$ 497,811</u>

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

	<u>2017</u>	<u>2016</u>
Time Restrictions		
Operations	\$ 35,000	\$ 35,000
Program	67,000	40,000
Purpose Restrictions		
Program	<u>126,686</u>	<u>25,000</u>
	<u>\$ 228,686</u>	<u>\$ 100,000</u>

**Pro Bono Partnership, Inc.**

Note to Financial Statements  
December 31, 2017 and 2016

**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 \$145,641 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 \$154,739 and \$141,401 in 2017 and 2016. Future minimum lease payments due under all operating leases at December 31, 2017 are due as follows:

2018	\$	171,178
2019		172,991
2020		161,286
2021		142,815
2022		<u>109,231</u>
	\$	<u>757,501</u>

During the years ending December 31, 2017 and 2016, the Organization has included in rental expense in-kind donations in the amounts of \$15,650 and \$17,075 in each year.

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