

Pro-Bono, Inc.

Volunteer Services of the Puerto Rico Bar Association

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2018 with comparative totals for 2017

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Padilla, Medina & Associates, P.S.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Pro-Bono, Inc.,
Volunteer Services of the Puerto Rico Bar Association

Report on the Financial Statements

We have audited the accompanying financial statements of Pro-Bono, Inc. (A Non-Profit Organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Recipients and Auditors* issued by Legal Services Corporation. 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 auditor's 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 Puerto Rico Legal Services, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, Statement of Support, Revenues and Expenses and Changes in Net Assets for PRLSI Grant are presented for purposes of additional analysis as required by the *LSC Audit Guide for Recipients and Auditors*, and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and are not a required part of the financial statements. The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019 on our consideration of Pro-Bono, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pro-Bono, Inc.'s internal control over financial reporting and compliance.

Stamp number E330147 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

Radiola Medina & Assoc., C.P.A.s, P.S.C.

San Juan, Puerto Rico
April 23, 2019

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
STATEMENTS OF FINANCIAL POSITION
 December 31, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash, including certificates of deposit for \$198,762 in 2018 and \$227,353 in 2017	\$ 255,555	\$ 280,219
Accounts Receivable	7,518	24,854
Prepaid expenses	9,094	15,774
Total current assets	272,167	320,847
PROPERTY AND EQUIPMENT, net	24,158	25,039
OTHER ASSETS - Deposits	6,478	8,000
Total assets	\$ 302,803	\$ 353,886
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES		
Accounts payable	\$ 16,704	\$ 14,555
Accrued liabilities	43,200	39,614
Total current liabilities	59,904	54,169
COMMITMENTS	-	-
NET ASSETS		
With donor restrictions	242,899	299,717
Total net assets	242,899	299,717
Total liabilities and net assets	\$ 302,803	\$ 353,886

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

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the year ended December 31, 2018, with comparative totals for 2017

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS		PROPERTY FUND	2018 TOTAL	2017 TOTAL
	LSC	NON-LSC	TOTAL	LSC		
REVENUE AND SUPPORT						
Grants and contracts (Note A-2)	\$ -	\$ 503,671	\$ 935,643	\$ -	\$ 935,643	\$ 922,621
Interest income	-	1,408	1,408	-	1,408	1,345
Other income	-	300	300	-	300	300
	-	505,379	937,351	-	937,351	924,266
Net assets released from donor restrictions:						
Satisfaction of program restrictions (Note A-2)	994,169	(561,702)	(994,169)	-	-	-
	994,169	(56,323)	(56,818)	-	937,351	924,266
EXPENSES						
Program Services	929,861	-	-	-	929,861	866,035
Management and general	64,308	-	495	(495)	64,308	61,016
Total expenses (Note A-2 and G)	994,169	-	495	(495)	994,169	927,051
NET CHANGE	-	(56,323)	(56,323)	(495)	(56,818)	(2,785)
NET ASSETS AT BEGINNING OF YEAR	-	298,838	298,838	879	299,717	302,502
NET ASSETS AT END OF YEAR	\$ -	\$ 242,515	\$ 242,515	\$ 384	\$ 242,899	\$ 299,717

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

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended December 31, 2018, with comparative totals for 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>2018 Total</u>	<u>2017 Total</u>
PERSONNEL EXPENSES				
Lawyers and staff	\$ 522,468	\$ 33,349	\$ 555,817	\$ 541,282
Other	37,751	2,410	40,161	17,606
Employee benefits	<u>193,903</u>	<u>12,377</u>	<u>206,280</u>	<u>222,565</u>
Total personnel costs	<u>754,123</u>	<u>48,135</u>	<u>802,258</u>	<u>781,453</u>
OTHER EXPENSES				
Space and occupancy	16,721	1,067	17,788	17,324
Office supplies and expenses	19,653	1,254	20,907	12,986
Telephone	14,896	951	15,847	17,429
Travel	14,208	907	15,115	11,866
Training	29,845	1,905	31,750	19,242
Library	2,566	164	2,730	2,880
Insurance	11,774	752	12,525	13,687
Advertising	11,428	729	12,157	2,175
Audit and accounting	6,994	446	7,440	7,560
Repair and maintenance	20,571	1,313	21,884	12,214
Depreciation and amortization	-	4,955	4,955	5,737
Other	<u>27,084</u>	<u>1,729</u>	<u>28,813</u>	<u>22,498</u>
Total non-personnel	<u>175,739</u>	<u>16,172</u>	<u>191,911</u>	<u>145,598</u>
TOTAL EXPENSES	<u>\$ 929,861</u>	<u>\$ 64,308</u>	<u>\$ 994,169</u>	<u>\$ 927,051</u>

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

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
STATEMENTS OF CASH FLOWS
 For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (56,818)	\$ (2,785)
Adjustment of reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	4,955	5,737
Decrease in account receivable	17,336	902
Decrease in prepaid expenses	6,680	2,991
Decrease in deposits	1,522	-
Increase in accounts payable	2,149	8,208
Increase (decrease) in accrued expenses	<u>3,587</u>	<u>(511)</u>
Net cash flows provided/ (used) in operating activities	<u>(20,589)</u>	<u>14,542</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Cash additions to office equipment	<u>(4,075)</u>	<u>-</u>
Net cash flows used in investing activities	<u>(4,075)</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH	(24,664)	14,542
Cash and cash equivalents at beginning of year	<u>280,219</u>	<u>265,677</u>
Cash and cash equivalents at end of year	<u>\$ 255,555</u>	<u>\$ 280,219</u>

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

Pro-Bono, Inc.
Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Pro-Bono, Inc., Volunteer Legal Services of Puerto Rico Bar Association, (hereinafter referred to as 'Pro-Bono') is a nonprofit corporation organized for the purpose of providing legal assistance in no criminal proceedings or matters to persons unable to afford legal assistance.

Pro-Bono, Inc. began its operations in June 1981 with support received from the Puerto Rico Bar Association and Puerto Rico Legal Services Incorporated (PRLSI), a nonprofit corporation organized to administer a local legal assistance program, and from local private and governmental organizations.

2. Grants and Contract Support

Pro-Bono, Inc. recognized grants and contract funds as support on a straight-line basis over the grant/contract period. Support is reported as temporarily restricted until grantor's restriction expires, that is when Pro-Bono incurred on allowed expenses. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets category. Funds remaining unused at the end an accounting period are carried in the applicable net asset category. In accordance with normal policies of grantors, the Corporation may retain unexpended funds for use in future periods provided that expenses incurred are in compliance with the specified terms of each grant/contract, as defined. Grantors, at their discretion, can request reimbursement for expenses or return of funds, or both, as a result of non-compliance with the terms of the grant/contracts. In addition, if the Corporation terminates its legal assistance activities, all unexpended funds are to be returned to the funding sources.

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses and changes in net assets during the period. Accordingly, actual results could differ from those estimates.

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2018 and 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Depreciation and amortization

Property and equipment are considered to be owned by the Corporation while used in the program or in authorized future programs.

However, Puerto Rico Legal Services, Incorporated (PRLSI) and Legal Services Corporation (LSC) have a reversionary interest on those assets acquired with their funds, as the right to determine the use of any proceeds from the sale of such assets.

According to the LSC Audit and Accounting Guide, as revised; Pro-Bono, Inc. computed depreciation on a straight-line basis over estimated services lives of the assets. Amortization of leasehold improvements is computed on a straight-line basis over the term of the lease, since that period is shorter than the estimated service life. The following lives have been assigned to the capitalized assets.

Furniture, fixtures and equipment	5-10 years
Leasehold improvements	5 years
Law library	3-10 years

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Law library and educational material	\$ 71,978	\$ 71,978
Furniture, fixtures and equipment	160,489	178,499
Leasehold improvements	<u>157,222</u>	<u>157,222</u>
	389,689	407,699
Less: Accumulated depreciation	<u>(365,531)</u>	<u>(382,660)</u>
Total	<u>\$ 24,158</u>	<u>\$ 25,039</u>

5. Law library

Pro-Bono, Inc. capitalizes the cost of library books and multiple volume sets of law books according to the LSC audit and accounting guide, as revised. Pro-Bono, Inc. determines depreciation on a straight-line basis over the estimated useful lives of the library based on LSC audit and accounting guide.

Pro-Bono, Inc.
Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2018 and 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions:

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Pro-Bono, Inc.
Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2018 and 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED

7. Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

8. Basis of financial statements presentation

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

The organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

9. Income taxes

Pro Bono is exempt from Puerto Rico and U.S. Federal income taxes under the provisions of Section 1101 of the Puerto Rico Internal Revenue Code of 2011, as amended, and Section 501 (c) (3) of the U.S. Internal Revenue Code, respectively. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. However, if applicable, income from unrelated business activities would be taxable. No such income was earned by Pro Bono during the years ended December 31, 2018 and 2017.

10. Impairment of long-lived assets

Pro Bono, Inc. has adopted the FASB Accounting Standards Codification (ASC) No. 360-10-35, "*Impairment or Disposal of Long-Lived Assets*". Accordingly, management reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. The provisions of this statement did not affect the accompanying financial statements.

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2018 and 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED

11. Advertising

Advertising costs are expensed as incurred. Advertising expense amounted to \$12,157 and \$2,175 for the years ended December 31, 2018 and 2017 respectively.

12. New Accounting Pronouncement

The organization implemented FASB Accounting Standards Update (“ASU”) No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about availability of resources (Note A.13)

The changes have the following effect on net assets at January 1, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Total temporarily restricted net assets	\$ 299,717	
Net assets with donors restrictions		\$ 299,717
Total net assets	\$ 299,717	\$ 299,717

13. Liquidity

Pro Bono’s financial assets available for general expenditures within one year of the statement of financial position date are as follows:

Cash and cash equivalents	\$ 255,555
Accounts receivable	7,518
Prepaid expenses	9,094
Total	<u>\$ 272,167</u>

Pro-Bono, Inc.
Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2018 and 2017

NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED

13. Liquidity - continued

Pro Bono's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the statement of position date. As part of Pro Bono's liquidity management, it has a policy to structure its financial assets to be available as its general expenditure, liabilities, and other obligations come due.

14. Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

NOTE B - PROGRAMS WITH DONOR RESTRICTIONS

Funds received from various sources to be expended for specific purposes are as follows:

1. Puerto Rico Legal Services, Inc. (PRLSI)

During the years ended December 31, 2018 and 2017 Pro Bono, Inc. was granted federal funds of \$431,972 and \$399,892, respectively, by PRLSI which were used in Private Attorney Involvement (PAI) in accordance with Legal Services Corporation (LSC) 45 CFR Part 1614 to provide a mechanism for the involvement of lawyers in private practice to provide free legal services in non-criminal proceedings to qualifying low-income participants in certain priority areas.

Pro-Bono, Inc.
Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2018 and 2017

NOTE B - PROGRAMS WITH DONOR RESTRICTIONS – CONTINUED

2. **Puerto Rico Legislature**

During the years 2018 and 2017 the Puerto Rico Legislature approved through Joint Resolutions annual contributions to Pro Bono, Inc. of \$394,818 for 2018 and \$427,500 for 2017 to provide for operating expenses. The funds were approved for the government's fiscal years ending on June 30, 2018 and 2017.

3. **Fundación Fondo de Acceso a la Justicia, Inc. (FFAJ)**

During the year 2018 and 2017 Pro Bono, Inc was granted funds for \$104,607 and \$34,869 respectively, by FFAJ which were used for operating expenses related to legal assistance provided to consumers to prevent mortgage executions.

In accordance with normal policies of grantors, Pro Bono, Inc. may retain unexpended funds for use in future periods if expenses incurred are in compliance with the specific terms of each grant or contract. Grantors, at their discretion, can request reimbursement for expenses or support, as a result of non-compliance with the terms of the grants or contracts. In addition, all unexpended grant funds are required to be returned to the PRLSI if Pro Bono, Inc. terminates its legal assistance activities.

NOTE C - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially expose Pro Bono, Inc. to concentration credit risk include cash in bank accounts and revenues. Pro Bono, Inc. maintains bank accounts at several high quality financial institutions. While management attempts to limit any financial exposure, its deposits balances do not exceed federally insured limits.

As discussed in Note B, Pro Bono, Inc. derives a significant portion of its revenues from grants and contracts received from PR Legal Services, Inc. and from the Puerto Rico Legislature. A reduction in the amount of revenue provided by any of these grantors, should this occur, could have a significant impact on the Organization's ability to carry out its activities at current levels.

NOTE D - ACCRUED VACATIONS

The Corporation accrued vacations for its employees equal to two days per month up to a maximum of 24 days. Total accrued vacations payable amounted to \$32,263 and \$29,073 for 2018 and 2017, respectively.

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 December 31, 2018 and 2017

NOTE E - COMMITMENTS

Lease commitments

The Corporation operates on leased premises with contracts on a monthly basis during the year. Annual lease rental was \$17,788 and \$17,324 during 2018 and 2017, respectively.

Grant commitments

Pro Bono, Inc. is a continued support recipient from PRLSI, and is required to serve effectively and economically all qualified program participants (clientele) in compliance with the rules, regulations, guidelines, and policies of the LSC Act which, among other, requires Pro Bono, Inc. to comply with the provisions of LSC Accounting and Audit Guide and the LSC Compliance Supplement. Assessing compliance with these particular regulations and with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is one of the primary objectives of the annual external audit of the Entity.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose:

Non-LSC Grants - Program Activities:	\$ 218,741
Net Property and Equipment:	
LSC Grant	384
Non-LSC Grants	<u>23,774</u>
Total Net Assets with Donor Restrictions:	<u>\$ 242,899</u>

The above table reflects donor-restricted funds as unavailable because it is the organization's intention to invest those resources for the current and long-term support of the organization.

NOTE G - MANAGEMENT, GENERAL AND ADMINISTRATIVE EXPENSES

Pro-Bono estimates that its management, administrative and general expenses approximated \$994,169 and \$927,051 during 2018 and 2017, respectively. For purposes of the Statements of Functional expenses, management has estimated the program's management and general expenses at 6% of the expense incurred by category.

Pro-Bono, Inc.
Volunteer Services of the Puerto Rico Bar Association
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
December 31, 2018 and 2017

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2019, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2018 that required recognition or disclosure in the current period financial statements.

SUPPLEMENTARY INFORMATION

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
**STATEMENT OF SUPPORT, REVENUES AND EXPENSES
 AND CHANGES IN NET ASSETS FOR
 PUERTO RICO LEGAL SERVICES, INCORPORATED (PRLSI) GRANT**
 For the year ended December 31, 2018, with comparative totals for 2017

	PRLSI PRIVATE ATTORNEY INVOLVEMENT	PRLSI PROPERTY	2018 TOTAL	2017 TOTAL
SUPPORT AND REVENUE				
Grant and contracts	\$ 431,972	\$ -	\$ 431,972	\$ 399,892
Total	<u>431,972</u>	<u>-</u>	<u>431,972</u>	<u>399,892</u>
PERSONNEL EXPENSES				
Lawyers	121,606	-	121,606	113,087
Non lawyers	124,277	-	124,277	129,799
Other	16,740	-	16,740	-
Employee benefits	99,411	-	99,411	99,997
Total personnel costs	<u>362,034</u>	<u>-</u>	<u>362,034</u>	<u>342,883</u>
OTHER EXPENSES				
Space and occupancy	8,884	-	8,884	8,643
Office supplies and expenses	6,995	-	6,995	6,174
Telephone	7,464	-	7,464	8,396
Travel	5,595	-	5,595	2,889
Training	11,824	-	11,824	9,445
Library	1,365	-	1,365	796
Litigation	12,311	-	12,311	-
Insurance	6,244	-	6,244	6,450
Audit and accounting	3,556	-	3,556	1,175
Repair and maintenance	4,749	-	4,749	5,015
Depreciation and amortization	-	495	495	1,374
Other	951	-	951	8,026
Total non-personnel	<u>69,938</u>	<u>495</u>	<u>70,433</u>	<u>58,383</u>
TOTAL EXPENSES	<u>431,972</u>	<u>495</u>	<u>432,467</u>	<u>401,266</u>
TOTAL CHANGES IN NET ASSETS	<u>-</u>	<u>(495)</u>	<u>(495)</u>	<u>(1,374)</u>
NET ASSETS				
Beginning of year	-	879	879	2,253
End of year	<u>\$ -</u>	<u>\$ 384</u>	<u>\$ 384</u>	<u>\$ 879</u>

Pro-Bono, Inc.
 Volunteer Services of the Puerto Rico Bar Association
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 December 31, 2018 and 2017

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Puerto Rico Legal Services Incorporated			
Pass-through from Legal Services Corporation:			
Private Attorney Involvement	09.253010	N/A	<u>\$431,972</u>
 Total Expenditures of Federal Awards			 <u>\$431,972*</u>

*Major Program

The accompanying notes are an integral part of this schedule.

Pro-Bono, Inc.
Volunteer Services of Puerto Rico Bar Association
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of PRLSI under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of PRLSI, it is not intended to and does not presents the financial position, changes in net assets, or cash flows of PRLSI.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained on OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.
3. Pro Bono has not elected to use the 10 percent “*de minimis*” indirect cost rate allowed under the Uniform Guidance.

Padilla, Medina & Associates, P.S.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Pro-Bono, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pro-Bono, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pro-Bono, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pro-Bono, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Pro-Bono, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pro-Bono, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stamp number E330148 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report

Rodriguez Medina & Assoc., C.P.A.s, P.S.C.

San Juan, Puerto Rico
April 23, 2019

Padilla, Medina & Associates, P.S.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Pro-Bono, Inc.

Report on Compliance for Each Major Federal Program

We have audited Pro-Bono, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and in the *Compliance Supplement for Audits of LSC Recipients* that could have a direct and material effect on each of Pro-Bono, Inc.'s major federal programs for the year ended December 31, 2018. Pro-Bono, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pro-Bono, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Compliance Supplement for Audits of LSC Recipients*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pro-Bono, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Puerto Rico Legal Service, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Pro-Bono, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of Pro-Bono, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pro-Bono, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance *Compliance Supplement for Audits of LSC Recipients*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pro-Bono, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *Compliance Supplement for Audits of LSC Recipients*. Accordingly, this report is not suitable for any other purpose.

Stamp number E330149 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report

Radilla Medina & Assoc., C.P.A.s, P.S.C.

San Juan, Puerto Rico
April 23, 2019

Pro-Bono, Inc.
(Volunteer Services of the Puerto Rico Bar Association)
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
December 31, 2018

Findings and Questioned Costs – Major Federal Award Program Audit 2017

Major Program: Sub-Grant from Puerto Rico Legal Services, Inc., pass-through entity for Legal Services Corporation award

There were no findings or questioned costs during prior year.

Pro-Bono, Inc.
(Volunteer Services of the Puerto Rico Bar Association)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to the financial statements noted:	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Identification of Major Programs:

Sub-Grant form Puerto Rico Legal Services, Inc., pass-through entity for Legal Services Corporation award	09.253010
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Pro-Bono, Inc.
(Volunteer Services of the Puerto Rico Bar Association)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2018

Section II – Findings and Questioned Costs – Financial Statements Audit

Major Program: Sub-Grant from Puerto Rico Legal Services, Inc., pass-through entity for Legal Services Corporation award

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Pro-Bono, Inc.
(Volunteer Services of the Puerto Rico Bar Association)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2018

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

Major Program: Sub-Grant from Puerto Rico Legal Services, Inc., pass-through entity for Legal Services Corporation award

There are no findings required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).