

Pro-Bono, Inc.

Volunteer Services of the Puerto Rico Bar Association

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

December 31, 2023 with comparative totals for 2022

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# **Pérez Montalvo & Company, LLC**

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pro-Bono, Inc. as of December 31, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pro-Bono, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pro-Bono, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

***Auditor's Responsibilities for the Audit of the Financial Statements - continued***

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pro-Bono, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pro-Bono, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The 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 schedule of expenditures of federal awards 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 4, 2024 on our consideration of the 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 solely 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 the effectiveness of the Pro-Bono, Inc.'s 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 the Pro-Bono, Inc.'s internal control over financial reporting and compliance.

Stamp Number E569341 of  
the Puerto Rico Society of Certified  
Public Accountants was affixed  
to the original of this report.

A handwritten signature in black ink that reads "Pérez Montalvo & Company LLC". The signature is written in a cursive style with a large initial 'P'.

San Juan, Puerto Rico  
April 4, 2024

Pro-Bono, Inc.  
 Volunteer Services of the Puerto Rico Bar Association  
**STATEMENTS OF FINANCIAL POSITION**  
 December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash, including certificates of deposit for \$202,611 in 2023 and \$201,978 in 2022	\$ 236,667	\$ 221,706
Accounts Receivable	-	430
Prepaid expenses	13,701	15,817
Total current assets	250,368	237,953
<b>PROPERTY AND EQUIPMENT, net</b>	51,429	53,551
<b>OTHER ASSETS - Deposits</b>	6,478	6,478
Total assets	\$ 308,275	\$ 297,982
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 21,375	\$ 18,871
Accrued liabilities	51,134	39,812
Total current liabilities	72,509	58,683
<b>COMMITMENTS</b>	-	-
<b>NET ASSETS</b>		
With donor restrictions	235,766	239,299
Total net assets	235,766	239,299
Total liabilities and net assets	\$ 308,275	\$ 297,982

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

Pro-Bono, Inc.  
Volunteer Services of the Puerto Rico Bar Association  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the years ended December 31, 2023, with comparative totals for 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			PROPERTY FUND	2023 TOTAL	2022 TOTAL
		LSC	NON-LSC	TOTAL	LSC		
<b>REVENUE AND SUPPORT</b>							
Grants and contracts (Note A-2)	\$ -	\$ 604,769	\$ 531,710	\$ 1,136,479	\$ -	\$ 1,136,479	\$ 1,011,316
Interest income	-	-	652	652	-	652	297
Other income	-	-	611	610	-	610	382
	-	604,769	532,973	1,137,741	-	1,137,741	1,011,995
Net assets released from donor restrictions:							
Satisfaction of program restrictions (Note A-2)	1,141,274	(606,732)	(534,542)	(1,141,274)	-	-	-
Total revenues and other support	1,141,274	(1,963)	(1,569)	(3,533)	-	1,137,741	1,011,995
<b>EXPENSES</b>							
Program Services	1,068,098	-	-	-	-	1,068,098	933,752
Management and general	73,176	7,549	-	7,549	7,549	73,176	71,295
Total expenses (Note A-2 and G)	1,141,274	7,549	-	7,549	7,549	1,141,274	1,005,047
<b>EXCESS (DEFICIT) OF INCOME OVER EXPENSES</b>							
	-	5,586	(1,569)	4,016	(7,549)	(3,533)	6,948
<b>OTHER CHANGES IN NET ASSETS</b>							
Aquisition of property	-	(5,586)	-	5,586	5,586	-	-
<b>TOTAL CHANGES IN NET ASSETS</b>							
	-	-	(1,569)	9,602	(1,963)	(3,533)	6,948
<b>NET ASSETS AT BEGINNING OF YEAR</b>							
	-	-	200,375	200,375	38,924	239,299	232,351
<b>NET ASSETS AT END OF YEAR</b>							
	\$ -	\$ -	\$ 198,806	\$ 209,977	\$ 36,961	\$ 235,766	\$ 239,299

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

Pro-Bono, Inc.  
Volunteer Services of the Puerto Rico Bar Association  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the years ended December 31, 2023, with comparative totals for 2022

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>2023 Total</u></b>	<b><u>2022 Total</u></b>
<b>PERSONNEL EXPENSES</b>				
Lawyers and staff	\$ 577,745	\$ 36,877	\$ 614,622	\$ 568,087
Other	38,194	2,438	40,631	33,273
Employee benefits	<u>194,268</u>	<u>13,729</u>	<u>207,997</u>	<u>207,867</u>
Total personnel costs	<u>810,206</u>	<u>53,044</u>	<u>863,250</u>	<u>809,227</u>
<b>OTHER EXPENSES</b>				
Space and occupancy	26,214	1,673	27,888	23,817
Office supplies and expenses	44,136	2,817	46,953	36,767
Telephone	15,713	1,003	16,716	16,239
Travel	3,874	247	4,121	8,660
Training	37,088	2,367	39,455	28,478
Library	5,599	357	5,957	3,075
Litigation	27,122	1,731	28,854	30,103
Insurance	35,365	2,257	37,623	11,708
Advertising	10,029	640	10,669	720
Audit and accounting	6,721	429	7,150	6,500
Repair and maintenance	10,453	667	11,120	8,549
Depreciation and amortization	7,549	4,153	11,702	11,694
Other	<u>28,028</u>	<u>1,788</u>	<u>29,817</u>	<u>9,510</u>
Total non-personnel	<u>257,892</u>	<u>20,131</u>	<u>278,024</u>	<u>195,820</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,068,098</u></b>	<b><u>\$ 73,176</u></b>	<b><u>\$ 1,141,274</u></b>	<b><u>\$ 1,005,047</u></b>

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, 2023, with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (3,533)	\$ 6,948
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,702	11,694
(Increase) decrease in operating assets		
Accounts receivable	(12,198)	(430)
Prepaid Expenses	2,116	(4,626)
Increase (decrease) in operating liabilities		
Accounts payable	2,504	(13,094)
Accrued expenses	23,951	(8,859)
Net cash provided by (used in) operating activities	<u>24,542</u>	<u>(8,367)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment	<u>(9,581)</u>	<u>(18,328)</u>
Net cash used in investing activities	<u>(9,581)</u>	<u>(18,328)</u>
<b>NET DECREASE IN CASH</b>	14,961	(26,695)
Cash and cash equivalents at beginning of year	<u>221,706</u>	<u>248,401</u>
Cash and cash equivalents at end of the year	<u>\$ 236,667</u>	<u>\$ 221,706</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, 2023 and 2022

**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**

Grants and contract funds are recognized support on a monthly basis as the entity complies with any conditions attached to the grants. Support is reported 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 or deferred. 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, 2023 and 2022

**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>2023</u>	<u>2022</u>
Library and educational material	\$ 71,978	\$ 71,978
Furniture, fixtures and equipment	186,466	179,475
Leasehold improvements	<u>157,223</u>	<u>157,223</u>
	415,667	408,676
Less: Accumulated depreciation	<u>(364,238)</u>	<u>(355,125)</u>
Total	<u>\$ 51,429</u>	<u>\$ 53,551</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, 2023 and 2022

**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 from 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 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, or as a deferred liability, as applicable.

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, 2023 and 2022

**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, 2023 and 2022.

**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, 2023, and 2022

**NOTE A - SUMMARY OF ACCOUNTING POLICIES – CONTINUED**

**11. 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	\$ 236,667
Prepaid expenses	<u>13,701</u>
Total	<u>\$ 250,368</u>

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.

**12. 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.

Pro-Bono, Inc.  
Volunteer Services of the Puerto Rico Bar Association  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
December 31, 2023 and 2022

**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, 2023 and 2022 Pro Bono, Inc. was granted federal funds of \$611,774 and \$531,938, 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.

2. **Puerto Rico Legislature**

During the years 2023 and 2022 the Puerto Rico Legislature approved through Joint Resolutions annual contributions to Pro Bono, Inc. of \$432,000 for 2023 and \$405,000 for 2022 to provide for operating expenses. The funds were approved for the government's fiscal years ending on June 30, 2023 and 2022.

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

During the year 2023 Pro Bono, Inc. was granted funds of \$94,348 by FFAJ be used for operating expenses related to legal assistance provided to consumers to prevent mortgage executions. As of December 31, 2023 funds expensed were \$90,014.

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.

Pro-Bono, Inc.  
Volunteer Services of the Puerto Rico Bar Association  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
December 31, 2023 and 2022

**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 \$28,888, and \$30,017 for 2023 and 2022, respectively.

**NOTE E - COMMITMENTS**

**Lease commitments**

The Corporation operates on leased premises with contracts on a monthly basis during the year. Annual lease rental was \$27,888 and \$23,817 during 2023 and 2022, 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.



Pro-Bono, Inc.  
Volunteer Services of the Puerto Rico Bar Association  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
December 31, 2023 and 2022

**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:	\$ 237,178
LSC Grants – Property	36,961
Net Property and Equipment:	
Non-LSC Grants	<u>14,103</u>

**Total Net Assets with Donor Restrictions:** **\$ 235,766**

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 \$1,141,274 and \$1,005,047 during 2023 and 2022, 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.

**NOTE H – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 3, 2024, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the current period financial statements.

**SUPPLEMENTARY INFORMATION**

Pro-Bono, Inc.  
Volunteer Services of the Puerto Rico Bar Association  
**STATEMENTS OF SUPPORT, REVENUES AND EXPENSES  
AND CHANGES IN NET ASSETS FOR  
PUERTO RICO LEGAL SERVICES, INCORPORATED (PRLSI) GRANT**  
For the years ended December 31, 2023, with comparative totals for 2022

	<b>PRLSI PRIVATE ATTORNEY INVOLVEMENT</b>	<b>PRLSI PROPERTY</b>	<b>2023 TOTAL</b>	<b>2022 TOTAL</b>
<b>SUPPORT AND REVENUE</b>				
Grant and contracts	\$ 611,774	\$ -	\$ 611,774	\$ 531,938
Total	<u>611,774</u>	<u>-</u>	<u>611,774</u>	<u>531,938</u>
<b>PERSONNEL EXPENSES</b>				
Lawyers	144,448	-	144,448	123,010
Non lawyers	184,112	-	184,112	168,915
Other	23,986	-	23,986	18,979
Employee benefits	<u>127,914</u>	<u>-</u>	<u>127,914</u>	<u>116,158</u>
Total personnel costs	<u>480,460</u>	<u>-</u>	<u>480,460</u>	<u>427,062</u>
<b>OTHER EXPENSES</b>				
Space and occupancy	16,240	-	16,240	13,431
Office supplies and expenses	27,184	-	27,184	14,832
Telephone	9,744	-	9,744	9,129
Travel	2,403	-	2,403	4,845
Training	15,716	-	15,716	15,534
Library	3,473	-	3,473	1,732
Litigation	15,120	-	15,120	15,779
Insurance	11,859	-	11,859	6,637
Audit and accounting	4,169	-	4,169	3,526
Repair and maintenance	6,483	-	6,483	6,894
Depreciation and amortization		7,549	7,549	6,424
Other	<u>6,332</u>	<u>-</u>	<u>6,332</u>	<u>2,280</u>
Total non-personnel	<u>118,723</u>	<u>7,549</u>	<u>126,272</u>	<u>101,043</u>
<b>TOTAL EXPENSES</b>	<u>599,183</u>	<u>7,549</u>	<u>606,732</u>	<u>528,105</u>
<b>SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>				
	<u>12,591</u>	<u>(7,549)</u>	<u>5,042</u>	<u>3,833</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Aquisition of property	(5,586)	5,586	-	-
Excess support over expenses reclassify as payable to PRLSI on statement of financial position	<u>(7,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>-</u>	<u>(1,963)</u>	<u>5,042</u>	<u>3,833</u>
<b>NET ASSETS</b>				
Beginning of year	<u>-</u>	<u>38,924</u>	<u>38,924</u>	<u>35,091</u>
End of year	<u>\$ -</u>	<u>\$ 36,961</u>	<u>\$ 43,966</u>	<u>\$ 38,924</u>

Pro-Bono, Inc.  
 Volunteer Services of the Puerto Rico Bar Association  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 December 31, 2023

<b><u>Federal Grantor/Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Agency or Pass-Through Number</u></b>	<b><u>Federal Expenditures</u></b>
<b>Puerto Rico Legal Services Incorporated</b>			
Pass-through from Legal Services Corporation:			
Private Attorney Involvement	09.253010	N/A	\$ <u>611,774</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$<u>611,774</u>*</b>

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\*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, 2023

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pro Bono, Inc. under programs of the federal government for the year ended December 31, 2023. 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 Pro Bono, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pro Bono, Inc.

**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.

# **Pérez Montalvo & Company, LLC**

## ***Certified Public Accountants***

### **INDEPENDENT AUDITOR'S 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, 2023, 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 3, 2024.

#### **Report on 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) as a basis for designing 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 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 or significant deficiencies may exist that were not identified.

#### **Report on 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 financial statements. 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 E569339 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

A handwritten signature in black ink that reads "Perez Montalvo & Company LLC". The signature is written in a cursive style with a large initial "P" and "M".

San Juan, Puerto Rico  
April 3, 2024

# **Pérez Montalvo & Company, LLC**

## ***Certified Public Accountants***

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Pro-Bono, Inc.

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited Pro-Bono, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pro-Bono, Inc.'s major federal programs for the year ended December 31, 2023. 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.

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, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

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; and 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*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pro-Bono, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pro-Bono, Inc.'s compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pro-Bono, Inc.'s federal programs.



### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pro-Bono, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pro-Bono, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pro-Bono, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pro-Bono, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pro-Bono, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

Stamp number E569340 of the Puerto Rico Society of Certified Public Accountants was affixed to the original of this report.

A handwritten signature in black ink that reads "Pérez Montalvo & Company LLC". The signature is written in a cursive, flowing style.

San Juan, Puerto Rico  
April 3, 2024

Pro-Bono, Inc.  
(Volunteer Services of the Puerto Rico Bar Association)  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Findings and Questioned Costs – Major Federal Award Program Audit 2023**

**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, 2023

**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, 2023

**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, 2023

**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).