

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

PHILADELPHIA VIP, INC.
FINANCIAL STATEMENTS
December 31, 2007 and 2006

PHILADELPHIA VIP, INC.
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For the year ended December 31, 2007
(with comparative totals for the year ended December 31, 2006)

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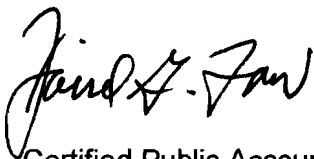
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Philadelphia VIP Inc.
Philadelphia, Pennsylvania

I have audited the accompanying statements of financial position of Philadelphia VIP, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, the related statements of cash flows for the years then ended, and the statements of activities and functional expenses for the year ended December 31, 2007. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits. The prior-year summarized comparative information has been derived from the Organization's December 31, 2006 financial statements and, in my report dated March 28, 2007, I expressed an unqualified opinion on those financial statements.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia VIP, Inc. as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant
April 10, 2008

PHILADELPHIA VIP, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	2007	2006
<u>Assets</u>		
Cash	\$ 267,030	\$ 147,999
Grants and contributions receivable	110,829	66,134
Prepaid expenses	3,965	3,487
Due from the Philadelphia Bar Association	416	770
Unconditional promises to give	62,000	18,000
Equipment, net of accumulated depreciation of \$6,830 and \$9,903 in 2007 and 2006, respectively	10,293	5,810
Total assets	\$ 454,533	\$ 242,200
 <u>Liabilities</u>		
Accounts payable	1,046	3,994
Total liabilities	1,046	3,994
 <u>Net assets</u>		
Unrestricted net assets	313,238	198,381
Temporarily restricted net assets	140,249	39,825
Total net assets	453,487	238,206
Total liabilities and net assets	\$ 454,533	\$ 242,200

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

PHILADELPHIA VIP, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2007
(with comparative totals for the year ended December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
<u>Support and revenue</u>				
Grants and contributions	\$ 660,441	\$ 184,500	\$ 844,941	\$ 672,529
Attorney fees	-	-	-	995
Interest income	614	-	614	143
Contributed services and facilities	3,156,377	-	3,156,377	1,891,682
Net assets released from restrictions:				
Satisfaction of program or time restrictions	84,076	(84,076)	-	-
	<u>3,901,508</u>	<u>100,424</u>	<u>4,001,932</u>	<u>2,565,349</u>
 <u>Expenses</u>				
Program expenses	3,581,332	-	3,581,332	2,316,332
Management and general	145,731	-	145,731	152,924
Fundraising	59,588	-	59,588	52,971
	<u>3,786,651</u>	<u>-</u>	<u>3,786,651</u>	<u>2,522,227</u>
Change in net assets	114,857	100,424	215,281	43,122
Net assets, beginning of year	<u>198,381</u>	<u>39,825</u>	<u>238,206</u>	<u>195,084</u>
Net assets, end of year	<u>\$ 313,238</u>	<u>\$ 140,249</u>	<u>\$ 453,487</u>	<u>\$ 238,206</u>

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

PHILADELPHIA VIP, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 215,281	\$ 43,122
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,195	2,047
Change in assets and liabilities:		
Grants receivable	(44,695)	(39,746)
Prepaid expenses	(478)	2,403
Unconditional promises to give	(44,000)	20,000
Due to Philadelphia Bar Association	354	(770)
Accounts payable and accrued expenses	<u>(2,948)</u>	<u>3,994</u>
Net cash provided by operating activities	<u>126,709</u>	<u>31,050</u>
<u>Cash flows from investing activities</u>		
Purchase of equipment	<u>(7,678)</u>	<u>-</u>
Net cash used in investing activities	<u>(7,678)</u>	<u>-</u>
Increase in cash	119,031	31,050
Cash at beginning of year	<u>147,999</u>	<u>116,949</u>
Cash at end of year	<u>\$ 267,030</u>	<u>\$ 147,999</u>

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

PHILADELPHIA VIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2007
(with comparative totals for the year ended December 31, 2006)

	Program Services	Management and General	Fund Raising	Total 2007	Total 2006
Consultant	\$ -	\$ 5,697	\$ -	\$ 5,697	\$ 675
Contributed services and facilities	3,156,377	-	-	3,156,377	1,891,682
Depreciation	2,205	767	223	3,195	2,046
Employee benefits	51,870	18,042	5,262	75,174	84,539
Fundraising expenses	-	-	19,620	19,620	-
Insurance expense	5,691	1,980	577	8,248	8,440
Miscellaneous	5,258	1,829	534	7,621	10,706
Office expenses	15,980	5,558	1,621	23,159	17,006
Other direct program expense	16,702	-	-	16,702	12,214
Payroll	289,078	100,548	29,328	418,954	439,959
Payroll taxes	23,890	8,310	2,423	34,623	41,651
Professional fees	-	3,000	-	3,000	2,250
Program litigation fees and expenses	4,258	-	-	4,258	1,477
Staff development	10,023	-	-	10,023	9,582
Total expenses	\$ 3,581,332	\$ 145,731	\$ 59,588	\$ 3,786,651	\$ 2,522,227

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

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 - General

Philadelphia VIP, Inc. ("Organization") was incorporated in 1981 under the Non-Profit Corporation Law of 1972 of the Commonwealth of Pennsylvania. The Organization was originally known as the Philadelphia Lawyers' Volunteer Action Program, with the current name being adopted pursuant to a resolution of the Board of Directors in 1987.

The goal of the Organization is to provide civil legal services to low-income residents of the City of Philadelphia, along with Community Legal Services, Inc. (CLS) and Philadelphia Legal Assistance Center, Inc., (PLA). Philadelphia VIP, Inc. provides legal services in a broad range of civil legal problems. The Organization accepts referrals from other law offices, social service agencies, the courts, legislative offices, and individual attorneys.

The Legal Services Corporation (LSC), the primary funding source for PLA, mandates that PLA designate a portion (12-1/2%) of its annual LSC funding to organizations characterized by private attorney involvement (PAI). Pro bono agencies such as the Organization qualify as beneficiaries of PAI money. There are several of these organizations in the Philadelphia area, and PLA is not contractually required to continue its support of the Organization.

The Organization interacts with PLA, CLS and other client referral sources by evaluating the cases for income eligibility and legal merit. If the cases are deemed appropriate, volunteer attorneys and other legal personnel are referred to the clients for free representation. The Organization actively solicits law firms and private corporations to obtain volunteers to whom it may refer cases.

The By-laws of the Organization specify that members of its Board of Directors are to be appointed by the Chancellor of the Philadelphia Bar Association ("Association"), with such appointments being confirmed subsequently by the Association's Board of Governors. The Organization receives a substantial amount of its overall support and revenue from the Association and PLA in the form of cash and in-kind contributions, and administrative support and assistance. See note 6 regarding contributed services and facilities.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization follows the principles of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions

The Organization also follows SFAS No. 116 "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when a restricted grant or contribution is received and the restrictions are met in the same reporting period, the contribution is recorded as unrestricted.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Office Equipment

Office equipment is carried at cost less accumulated depreciation and is depreciated over five year periods using the straight-line method. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000.

Statement of Cash Flows

The Organization utilizes the indirect method for reporting the increase or decrease in cash and equivalents as prescribed by Statement of Financial Accounting Standards No. 95. Cash equivalents, when applicable, are defined as short term, highly liquid investments with original maturities of less than twelve months.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs, supporting services and fundraising categories. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Income Taxes

The Organization qualifies as a tax exempt organization under existing provisions of the Internal Revenue Code Section 501 (c) (3), and accordingly, no provision has been recorded for Federal or State income taxes. The Organization is not classified as a private foundation.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 2 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions Receivable/Unconditional Promises to Give

All contributions, including unconditional pledges, are reported as revenue in the net asset class (unrestricted, temporarily restricted or permanently restricted) appropriate to any donor restrictions on the gift at the time of receipt. Allowances for uncollectible amounts are recorded based on management's estimate of realizability of the underlying pledges. All contributions receivable are due within approximately one year and are expected to be fully realizable.

Note 3 - Contingencies

The Organization receives a substantial amount of its support from the Association and PLA. A significant reduction in the level of this support, if this were to occur, will have an effect on the Organization's programs and activities.

Note 4 - Related Party Transactions

The Association and the Philadelphia Bar Foundation (the Foundation) annually make direct cash contributions to the Organization. These contributions totaled \$185,000 and \$172,000 in 2007 and 2006, respectively.

In addition, the Association provides certain administrative services to the Organization and is compensated \$5,000 annually. As of December 31, 2007 and 2006, the Organization's liability to the Association for certain shared expenses was \$-0-.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 5 - Sources of Contributions

Cash contributions received were from the following sources:

	<u>2007</u>	<u>2006</u>
Philadelphia Bar Association -	\$ 137,000	\$ 149,500
Philadelphia Bar Foundation	60,000	47,000
United Way	12,123	11,355
Independence Foundation	73,062	54,401
IOLTA	125,000	90,000
The Philadelphia Foundation	25,000	7,500
Patricia Kind Foundation	40,000	-
City of Philadelphia	41,980	37,738
Internal Revenue Service	31,467	31,392
Samuel S. Fels Fund	30,000	11,500
Equal Justice Works	-	22,429
T. Skelton Harrison Foundation	-	15,000
Other contributions and fundraising	241,309	187,714
Other foundations	<u>28,000</u>	<u>7,000</u>
	<u>\$ 844,941</u>	<u>\$ 672,529</u>

Note 6 - Donated Services and Facilities

Pursuant to the provisions of SFAS No. 116, in addition to the cash contributions listed in note 5, the Organization has recognized the following contributed services, facilities and supplies:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u> <u>2007</u>	<u>Fair Value</u> <u>2006</u>
Pro Bono Attorneys	Legal representation	\$ 2,982,870	\$ 1,714,050
Philadelphia Legal Assistance Center, Inc.	Services, office facilities and supplies	165,891	169,054
Others	Office furniture, technical services and facilities	<u>7,616</u>	<u>8,578</u>
		<u>\$ 3,156,377</u>	<u>\$ 1,891,682</u>

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 7- Temporarily Restricted Net Assets

	<u>@CY</u>	<u>@PY</u>
PBA - Business Law Section	\$ 12,000	\$ 18,000
Samuel S. Fels Fund	30,000	11,200
Philadelphia Foundation	25,000	5,625
Independence Foundation	30,000	-
The Patricia Kind Foundation	30,000	-
Claniel Foundation	5,000	-
AFRT - Law Works	4,000	-
Dolfinger - McMahon Foundation	416	-
The Allen Hilles Fund	1,333	-
The Fourjay Foundation	2,500	-
T. Skelton Harrison Foundation	-	5,000
	<u>\$ 140,249</u>	<u>\$ 39,825</u>

Note 8 - Prior Year Information

Certain financial statements contained comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006, from which the summarized information was derived.