

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

PHILADELPHIA VIP, INC.

FINANCIAL STATEMENTS

December 31, 2010

PHILADELPHIA VIP, INC.
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For the year ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of Philadelphia VIP, Inc. (a nonprofit corporation) as of December 31, 2010 and the related statements of activities, cash flows and functional expenses for the year then ended. 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 audit. The prior-year summarized comparative information has been derived from the Organization's December 31, 2009 financial statements and, in my report dated April 30, 2010, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 audit provides 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, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.


Certified Public Accountant
April 1, 2011

PHILADELPHIA VIP, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2010
(with comparative totals as of December 31, 2009)

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash	\$ 664,650	\$ 514,531
Grants and contributions receivable	48,461	104,537
Due from Philadelphia Bar Association	-	2,150
Prepaid expense	29,263	5,095
Investment in marketable securities	24,320	-
Unconditional promises to give	937,104	22,000
Equipment, net of accumulated depreciation of \$17,938 in 2010 and \$12,928 in 2009	9,839	2,261
Total assets	\$ 1,713,637	\$ 650,574
<u>Liabilities</u>		
Accounts payable	\$ 4,794	\$ 2,157
Due to Philadelphia Bar Association	1,340	-
Total liabilities	6,134	2,157
<u>Net assets</u>		
Unrestricted	588,725	626,417
Temporarily restricted	1,118,778	22,000
Total net assets	1,707,503	648,417
Total liabilities and net assets	\$ 1,713,637	\$ 650,574

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

PHILADELPHIA VIP, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
<u>Support and revenue</u>				
Grants and contributions	\$ 829,193	\$ 1,113,778	\$ 1,942,971	\$ 965,851
Attorney fees	-	-	-	6,234
Interest income	1,631	-	1,631	878
Contributed services	4,414,330	-	4,414,330	4,744,550
Contributed services and facilities - Philadelphia Legal Assistance	218,959	-	218,959	216,880
Net assets released from restrictions: Satisfaction of program or time restrictions	17,000	(17,000)	-	-
	<u>5,481,113</u>	<u>1,096,778</u>	<u>6,577,891</u>	<u>5,934,393</u>
<u>Expenses</u>				
Program expense	5,314,118	-	5,314,118	5,575,956
Management and general	136,364	-	136,364	135,866
Fundraising	68,323	-	68,323	72,042
Total expenses	<u>5,518,805</u>	<u>-</u>	<u>5,518,805</u>	<u>5,783,864</u>
Change in net assets	(37,692)	1,096,778	1,059,086	150,529
Net assets at beginning of year	<u>626,417</u>	<u>22,000</u>	<u>648,417</u>	<u>497,888</u>
Net assets at beginning of year	<u>\$ 588,725</u>	<u>\$ 1,118,778</u>	<u>\$ 1,707,503</u>	<u>\$ 648,417</u>

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

PHILADELPHIA VIP, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2010
(with comparative totals for the year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,059,086	\$ 150,529
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,010	3,957
Donated securities	(24,320)	-
Change in assets and liabilities:		
Grants receivable	56,076	(17,574)
Prepaid expenses	(24,167)	(1,130)
Accounts payable	2,636	(889)
Due to Philadelphia Bar Association	1,340	(2,150)
Unconditional promises to give	(915,104)	33,000
Due from Philadelphia Bar Association	2,150	-
Net cash provided by operating activities	<u>162,707</u>	<u>165,743</u>
<u>Cash flows from investing activities</u>		
Purchase of equipment	<u>(12,588)</u>	<u>-</u>
Net cash used in investing activities	<u>(12,588)</u>	<u>-</u>
Increase in cash	150,119	165,743
Cash at beginning of year	<u>514,531</u>	<u>348,788</u>
Cash at end of year	<u>\$ 664,650</u>	<u>\$ 514,531</u>

PHILADELPHIA VIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2010
(with comparative totals for the year ended 2009)

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2010</u>	<u>Total 2009</u>
Payroll	\$ 477,430	\$ 71,813	\$ 31,428	\$ 580,671	\$ 541,067
Payroll taxes	39,490	5,940	2,599	48,029	42,863
Employee benefits	86,804	13,057	5,714	105,575	95,379
Pension expense	11,754	1,768	774	14,296	9,110
Total payroll and related expenses	615,478	92,578	40,515	748,571	688,419
Consultants	1,625	300	5,250	7,175	22,250
Contributed services	4,414,330	-	-	4,414,330	4,744,550
Contributed services and facilities -					
Philadelphia Legal Assistance	185,955	33,004	-	218,959	216,880
Depreciation	4,119	620	271	5,010	3,957
Fundraising expenses	-	-	19,609	19,609	20,539
Insurance expense	6,583	990	433	8,006	8,562
Marketing and communications	13,033	-	-	13,033	7,076
Office expense	34,049	5,122	2,245	41,416	28,653
Other direct program expense	27,940	-	-	27,940	28,255
Professional fees	-	3,750	-	3,750	3,500
Program litigation fees and expenses	1,788	-	-	1,788	916
Staff development	9,218	-	-	9,218	10,307
Total expenses	<u>\$5,314,118</u>	<u>\$ 136,364</u>	<u>\$ 68,323</u>	<u>\$5,518,805</u>	<u>\$5,783,864</u>

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

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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 support. 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 5 regarding contributed services and facilities.

Note 2 - Summary of Significant Accounting Policies

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization has no permanently restricted net assets.

Grants and Contributions Receivable/Unconditional Promises to Give

All grants and contributions 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 grants and contributions receivable are due within approximately one year and are expected to be fully realizable. See also Note 11.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 2 - Summary of Significant Accounting Policies (continued)

Contributed Services

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. (see Note 5)

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. Cash equivalents, when applicable, are defined as short term, highly liquid investments with original maturities of less than three months.

Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, promises to give, grant contracts and contributions receivable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

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 tax-exempt under the provisions of Section 501 (c) (3) of the Internal Revenue Code and, accordingly, no provision has been recorded for federal or state income taxes. The Organization is not classified as a private foundation. The Organization adopted the income tax standard for uncertain tax positions on January 1, 2009. The implementation of the standard had no effect on the net assets of the Organization. Should the tax-exempt status be challenged in the future, the Organization's 2007, 2008 and 2009 tax years are open for examination by the IRS.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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.

Compensated Absences

The Organization has a policy of compensating personnel who leave the employ of the Organization for unused vacation time. It has been the policy not to reflect this contingent liability in the financial statements. The Organization estimates that its liability for compensable vacation time amounted to approximately \$9,037 as of December 31, 2010.

Note 3 - Related Party Transactions

The Association and the Philadelphia Bar Foundation, the charitable arm of the Association, annually make direct cash contributions to the Organization. These contributions totaled \$192,500 in 2010.

In addition, the Association provides certain administrative services to the Organization and has been compensated \$7,500 in 2010. As of December 31, 2010, the Organization's liability to the Association for certain shared expenses was \$1,340.

Note 4 - Temporarily Restricted Net Assets (TRNA)

Funds classified as temporarily restricted net assets, as of December 31, 2010, consist of the following:

	<u>TRNA Balance 12/31/2009</u>	<u>Current Grants and Contributions</u>	<u>Released from Restrictions</u>	<u>TRNA Balance 12/31/2010</u>
PBA Business Law Section Time restricted	\$ 22,000	\$ -	\$ (12,000)	\$ 10,000
William Penn Foundation Case management	-	590,739	-	590,739
Oak Foundation Housing	-	468,039	-	468,039
Patricia Kind Foundation Housing	-	30,000	(5,000)	25,000
F. Devine Time restricted	-	25,000	-	25,000
	<u>\$ 22,000</u>	<u>\$ 1,113,778</u>	<u>\$ (17,000)</u>	<u>\$ 1,118,778</u>

The above amounts are restricted by the donor for use in future periods or programs.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 5 - Donated Services and Facilities

The Organization has recognized the following contributed services, facilities and supplies as of December 31, 2010:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro Bono Attorneys	Legal representation	\$ 4,407,880
Philadelphia Legal Assistance Center, Inc.	Occupancy	69,556
	Payroll and related expenses	122,677
	Equipment expenses	3,754
	Office	<u>22,972</u>
		218,959
Other	Technical services, printing	<u>6,450</u>
		<u>\$ 4,633,289</u>

Note 6 - Investment in Marketable Securities

Investment assets consist primarily of securities traded on the national stock exchanges. Securities are stated at market value in the statement of financial position in the amount of \$24,320.

Note 7 - 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, would have an effect on the Organization's programs and activities if the Organization were not able to find a timely substitution for the occupancy and office contributions currently made by PLA. (see Note 5)

Note 8 - Concentration of Credit Risk

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. As of December 31, 2010, cash balances in excess of insured limits were \$159,378. The Organization has not experienced any losses from maintaining cash accounts which are in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

Note 9 - Pension

The Organization has established a 403(b) retirement plan for the benefit of all employees who meet certain service requirements. The current contribution is computed based on three percent of eligible employees' wages. Pension expense for the year ended December 31, 2010 is \$14,296.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 10 - Prior Year Information

Certain financial statements contained herein include prior-year summarized 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, 2009, from which the summarized information was derived.

Note 11 - Unconditional Promises to Give

During the year ended December 31, 2010, the Organization received several significant multi-year unconditional promises to give. The unpaid balance as of December 31, 2010 in the Statement of Financial Position is as follows:

William Penn Foundation	\$ 590,739
Oak Foundation	316,365
Others	<u>30,000</u>
	<u>\$ 937,104</u>

Note 12 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through April 1, 2011, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.