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CERTIFIED PUBLIC
ACCOUNTANT

PHILADELPHIA VIP, INC.
FINANCIAL STATEMENTS

December 31, 2012

PHILADELPHIA VIP, INC.
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For the year ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Philadelphia, VIP, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. The prior-year summarized comparative information has been derived from the Organization's December 31, 2011 financial statements and, in my report dated April 10, 2012, I expressed an unqualified opinion on those 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

My responsibility is to express an opinion on these financial statements based on my audit. 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2012, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Paul A. Jan". The signature is written in a cursive style with a large initial "P" and "J".

Certified Public Accountant
April 17, 2013

PHILADELPHIA VIP, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012
(with comparative totals as of December 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash	\$ 609,668	\$ 639,757
Grants and contributions receivable	43,854	118,863
Prepaid expenses	45,871	44,879
Unconditional promises to give	178,975	384,555
Security deposit	10,850	10,850
Equipment, net of accumulated depreciation of \$14,520 in 2012 and \$7,757 in 2011	<u>12,994</u>	<u>16,511</u>
Total assets	<u>\$ 902,212</u>	<u>\$ 1,215,415</u>
<u>Liabilities</u>		
Accounts payable	\$ 3,759	\$ 5,767
Accrued expense	<u>11,250</u>	<u>-</u>
Total liabilities	<u>15,009</u>	<u>5,767</u>
<u>Net assets</u>		
Unrestricted	606,253	708,118
Temporarily restricted	<u>280,950</u>	<u>501,530</u>
Total net assets	<u>887,203</u>	<u>1,209,648</u>
Total liabilities and net assets	<u>\$ 902,212</u>	<u>\$ 1,215,415</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, 2012
(with comparative totals for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (322,445)	\$ (497,855)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,763	5,008
Change in assets and liabilities:		
Grants and contributions receivable	75,009	(70,401)
Prepaid expenses	(992)	(15,618)
Unconditional promises to give	205,580	552,549
Security deposit	-	(10,850)
Accounts payable	(2,008)	(366)
Accrued expense	<u>11,250</u>	<u>-</u>
Net cash used in operating activities	<u>(26,843)</u>	<u>(37,533)</u>
<u>Cash flows from investing activities</u>		
Sales of securities	-	24,320
Purchase of equipment	<u>(3,246)</u>	<u>(11,680)</u>
Net cash (used in) provided by investing activities	<u>(3,246)</u>	<u>12,640</u>
Decrease in cash	(30,089)	(24,893)
Cash at beginning of year	<u>639,757</u>	<u>664,650</u>
Cash at end of year	<u>\$ 609,668</u>	<u>\$ 639,757</u>

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

PHILADELPHIA VIP, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<u>Support and revenue</u>				
Grants and contributions	\$ 928,775	\$ -	\$ 928,775	\$ 1,107,642
Attorney fees	500	-	500	-
Interest income	1,165	-	1,165	1,351
Contributed services and facilities	4,001,179	-	4,001,179	3,909,840
Net assets released from restrictions:				
Satisfaction of program or time restrictions	<u>220,580</u>	<u>(220,580)</u>	<u>-</u>	<u>-</u>
	<u>5,152,199</u>	<u>(220,580)</u>	<u>4,931,619</u>	<u>5,018,833</u>
<u>Expenses</u>				
Program	5,019,000	-	5,019,000	5,227,193
Management and general	153,908	-	153,908	141,577
Fundraising	<u>81,156</u>	<u>-</u>	<u>81,156</u>	<u>147,918</u>
Total expenses	<u>5,254,064</u>	<u>-</u>	<u>5,254,064</u>	<u>5,516,688</u>
Change in net assets	(101,865)	(220,580)	(322,445)	(497,855)
Net assets at beginning of year	<u>708,118</u>	<u>501,530</u>	<u>1,209,648</u>	<u>1,707,503</u>
Net assets at end of year	<u>\$ 606,253</u>	<u>\$ 280,950</u>	<u>\$ 887,203</u>	<u>\$ 1,209,648</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, 2012
(with comparative totals for the year ended 2011)

	Program	Management and General	Fund Raising	Total 2012	Total 2011
Payroll	\$ 589,851	\$ 90,654	\$ 44,740	\$ 725,245	\$ 695,608
Payroll taxes	47,057	7,232	3,569	57,858	57,137
Employee benefits	112,080	17,225	8,502	137,807	124,498
Pension expense	13,779	2,118	1,045	16,942	13,262
Total payroll and related expenses	762,767	117,229	57,856	937,852	890,505
Case management project	33,523	-	-	33,523	442,172
Consultants	12,250	10,300	-	22,550	1,553
Contributed services and facilities	4,001,179	-	-	4,001,179	3,909,840
Depreciation	5,500	845	418	6,763	5,008
Fundraising expenses	-	-	12,500	12,500	82,766
Insurance expense	7,988	1,228	606	9,822	11,386
Marketing and communications	960	-	-	960	15,805
Office expense	36,205	5,564	2,746	44,515	50,031
Other direct program expense	53,326	-	-	53,326	20,635
Professional fees	-	4,500	-	4,500	4,000
Program litigation fees and expenses	951	-	-	951	1,873
Relocation expense	-	-	-	-	27,493
Rent	92,670	14,242	7,030	113,942	43,407
Staff development	11,681	-	-	11,681	10,214
Total expenses	<u>\$ 5,019,000</u>	<u>\$ 153,908</u>	<u>\$ 81,156</u>	<u>\$ 5,254,064</u>	<u>\$ 5,516,688</u>

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

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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 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 Organization is independently operated and governed, however 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 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, 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. The Organization uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific amounts due. All grants and contributions receivable are due within approximately one year and are expected to be fully realizable. See also Note 8.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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)

Equipment

Equipment is depreciated using the straight-line method over a period of 3 to 10 years. The Organization follows the practice of capitalizing, at cost, all expenditures for equipment in excess of \$1,000.

	Cost	Accumulated Depreciation 12/31/11	Depreciation Year end 12/31/12	Net book Value 12/31/12
Equipment	<u>\$ 27,514</u>	<u>\$ 7,757</u>	<u>\$ 6,763</u>	<u>\$ 12,994</u>

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 carrying amount of cash, promises to give, grant contracts and contributions receivable, prepaid expenses, payables, and accruals approximate fair value due to their short-term nature.

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.

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

Effective beginning in the December 31, 2012 reporting year, a liability for vacation days earned but not taken has been charged to operations in the amount of \$11,250, based on a maximum allowable carryover to 2013 of 10 days. In prior years, the liability was not considered to be material.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings. The Organization regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, the Organization has concluded that no tax benefits or liabilities are required to be recognized.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2012, 2011 and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Note 3 - Temporarily Restricted Net Assets (TRNA)

Funds classified as temporarily restricted net assets, as of December 31, 2012, consist of the following:

	<u>TRNA Balance 12/31/2011</u>	<u>Current Grants and Contributions</u>	<u>Released from Restrictions</u>	<u>TRNA Balance 12/31/2012</u>
William Penn Foundation				
Case management	\$ 58,190	\$ -	\$ (39,710)	\$ 18,480
Oak Foundation				
Tangled Title	316,365	-	(155,870)	160,495
Patricia Kind Foundation				
Foreclosure Rescue	15,000	-	(10,000)	5,000
F. Devine				
Long Term Project	96,975	-	-	96,975
Nonprofit Finance Fund				
Capacity building	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
	<u>\$ 501,530</u>	<u>\$ -</u>	<u>\$ (220,580)</u>	<u>\$ 280,950</u>

Note 4 - 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, 2012 is \$16,942.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 5 - Donated Services and Facilities

The Organization has recognized the following contributed services, facilities and supplies as of December 31, 2012:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro Bono Attorneys	Legal representation	\$ 3,867,400
Philadelphia Legal Assistance Center, Inc.	Occupancy	7,636
	Personnel	84,650
	Equipment expenses	1,112
	Office	<u>13,406</u>
		106,804
Other	Technical services, printing, other	<u>26,975</u>
		<u>\$ 4,001,179</u>

Note 6 - Concentration of Credit Risk

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. As of December 31, 2012 cash balances in excess of insured limits were \$189,036. 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 7 - 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, 2011, from which the summarized information was derived.

Note 8 - Unconditional Promises to Give

Unconditional Promises to Give as of December 31, 2012 in the Statement of Financial Position is as follows:

William Penn Foundation - Case Management	\$ 18,480
Oak Foundation - Tangled Title	<u>160,495</u>
	<u>\$ 178,975</u>

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 9 - Lease Commitment

Effective July 15, 2011, the Organization moved its office facility to 1500 Walnut Street in Philadelphia, PA. The Organization entered into a five-year operating lease agreement for the use of this facility. Rent expense for 2012 was \$113,942. Future minimum lease payments are as follows:

Year ending December 31, 2013	\$ 113,943
2014	113,943
2015	113,943
2016	<u>75,962</u>
	<u>\$ 417,791</u>

Note 10 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through April 17, 2013, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.