

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

PHILADELPHIA VIP, INC.
FINANCIAL STATEMENTS
December 31, 2009 and 2008

PHILADELPHIA VIP, INC.
TABLE OF CONTENTS
For the year ended December 31, 2009
(with comparative totals for the year ended December 31, 2008)

	<u>Page</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statement of Activities (with comparative totals for the year ended December 31, 2008)	3
Statements of Cash Flows	4
Statement of Functional Expenses (with comparative totals for the year ended December 31, 2008)	5
Notes to Financial Statements	6 - 10

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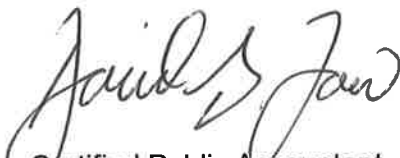
INDEPENDENT AUDITOR'S REPORT

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, 2009 and 2008, 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, 2009. 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, 2008 financial statements and, in my report dated May 4, 2009, 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, 2009 and 2008, 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 30, 2010

PHILADELPHIA VIP, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Cash	\$ 514,531	\$ 348,788
Grants and contributions receivable	104,537	86,964
Prepaid expenses	5,095	3,965
Unconditional promises to give	22,000	55,000
Due from the Philadelphia Bar Association	2,150	-
Equipment, net of accumulated depreciation of \$12,928 and \$9,762 in 2009 and 2008, respectively	<u>2,261</u>	<u>6,217</u>
Total assets	<u>\$ 650,574</u>	<u>\$ 500,934</u>
 <u>Liabilities</u>		
Accounts payable	<u>2,157</u>	<u>3,046</u>
Total liabilities	<u>2,157</u>	<u>3,046</u>
 <u>Net assets</u>		
Unrestricted net assets	626,417	432,888
Temporarily restricted net assets	<u>22,000</u>	<u>65,000</u>
Total net assets	<u>648,417</u>	<u>497,888</u>
Total liabilities and net assets	<u>\$ 650,574</u>	<u>\$ 500,934</u>

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

PHILADELPHIA VIP, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2009
(with comparative totals for the year ended December 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
<u>Support and revenue</u>				
Grants and contributions	\$ 965,851	\$ -	\$ 965,851	\$ 764,467
Attorney fees	6,234	-	6,234	-
Interest income	878	-	878	1,304
Contributed services	4,744,550	-	4,744,550	3,086,255
Contributed services and facilities - Philadelphia Legal Assistance	216,880	-	216,880	165,266
Net assets released from restrictions: Satisfaction of program or time restrictions	43,000	(43,000)	-	-
Total support and revenue	<u>5,977,393</u>	<u>(43,000)</u>	<u>5,934,393</u>	<u>4,017,292</u>
<u>Expenses</u>				
Program expenses	5,575,956	-	5,575,956	3,824,763
Management and general	135,866	-	135,866	94,184
Fundraising	72,042	-	72,042	53,944
Total expenses	<u>5,783,864</u>	<u>-</u>	<u>5,783,864</u>	<u>3,972,891</u>
Change in net assets	193,529	(43,000)	150,529	44,401
Net assets, beginning of year	<u>432,888</u>	<u>65,000</u>	<u>497,888</u>	<u>453,487</u>
Net assets, end of year	<u>\$ 626,417</u>	<u>\$ 22,000</u>	<u>648,417</u>	<u>\$ 497,888</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 150,529	\$ 44,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,957	4,075
Change in assets and liabilities:		
Grants receivable	(17,574)	23,866
Prepaid expenses	(1,130)	-
Unconditional promises to give	33,000	7,000
Due to Philadelphia Bar Association	(2,150)	416
Accounts payable and accrued expenses	<u>(889)</u>	<u>2,000</u>
Net cash provided by operating activities	<u>165,743</u>	<u>81,758</u>
Increase in cash	165,743	81,758
Cash at beginning of year	<u>348,788</u>	<u>267,030</u>
Cash at end of year	<u>\$ 514,531</u>	<u>\$ 348,788</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, 2009
(with comparative totals for the year ended December 31, 2008)

	Program Services	Management and General	Fund Raising	Total 2009	Total 2008
Payroll	\$ 439,329	\$ 71,887	\$ 29,851	\$ 541,067	\$ 472,073
Payroll taxes	34,803	5,695	2,365	42,863	38,035
Pension	7,397	1,210	503	9,110	10,819
Employee benefits	77,445	12,672	5,262	95,379	82,153
Total payroll and related expenses	558,974	91,464	37,981	688,419	603,080
Consultant	10,350	650	11,250	22,250	25,676
Contributed services	4,744,550	-	-	4,744,550	3,086,255
Contributed services and facilities - Philadelphia Legal Assistance	182,098	34,782	-	216,880	165,266
Depreciation	3,213	526	218	3,957	4,075
Fundraising expenses	-	-	20,539	20,539	17,400
Insurance expense	6,952	1,138	472	8,562	8,511
Marketing and communications	7,076	-	-	7,076	-
Miscellaneous	2,068	338	141	2,547	3,797
Office expenses	21,197	3,468	1,441	26,106	25,925
Other direct program expense	28,255	-	-	28,255	18,862
Professional fees	-	3,500	-	3,500	3,500
Program litigation fees and expenses	916	-	-	916	1,088
Staff development	10,307	-	-	10,307	9,456
Total expenses	<u>\$ 5,575,956</u>	<u>\$ 135,866</u>	<u>\$ 72,042</u>	<u>\$ 5,783,864</u>	<u>\$ 3,972,891</u>

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

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 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, 2009

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 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, and 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.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 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 6).

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 \$194,030 and \$189,825 in 2009 and 2008, respectively.

In addition, the Association provides certain administrative services to the Organization and is compensated \$7,500 in 2009 and \$5,000 in 2008. As of December 31, 2009 and 2008, the Organization's liability to the Association for certain shared expenses was \$ -0-.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 5 - Temporarily Restricted Net Assets

	<u>2009</u>	<u>2008</u>
PBA - Business Law Section	\$ 22,000	\$ 40,000
Independence Foundation	-	15,000
The Patricia Kind Foundation	-	<u>10,000</u>
	<u>\$ 22,000</u>	<u>\$ 65,000</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 2009</u>	<u>Fair Value 2008</u>
Pro Bono Attorneys	Legal representation	\$ 4,705,600	\$ 3,070,400
Philadelphia Legal Assistance Center, Inc.	Occupancy	71,878	67,770
	Payroll and related expenses	122,981	78,298
	Equipment expenses	4,935	3,547
	Office	<u>17,086</u>	<u>15,651</u>
		216,880	165,266
Others	Office furniture, technical services and facilities	<u>38,950</u>	<u>15,855</u>
		<u>\$ 4,961,430</u>	<u>\$ 3,251,521</u>

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

Note 7 - 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 two percent of eligible employees' wages. Pension expense for the years ended December 31, 2009 and 2008 was \$9,110 and \$10,819, respectively.

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, 2008 from which the summarized information was derived.