

Philadelphia VIP, Inc.

Financial Statements
Year Ended December 31, 2017



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

PHILADELPHIA VIP, INC.

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Philadelphia VIP, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia VIP, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Philadelphia VIP, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD 2LP

Philadelphia, Pennsylvania
May 17, 2018

PHILADELPHIA VIP, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 917,226	\$ 902,083
Grants and contributions receivable	290,248	399,857
Prepaid expenses and other assets	46,618	23,744
Equipment, net of accumulated depreciation of \$19,314 and \$7,367 as of December 31, 2017 and 2016, respectively	<u>24,412</u>	<u>32,441</u>
Total assets	<u>\$ 1,278,504</u>	<u>\$ 1,358,125</u>
LIABILITIES		
Accounts payable	\$ 8,030	\$ 9,646
Deferred rent	<u>19,130</u>	<u>10,537</u>
Total liabilities	<u>27,160</u>	<u>20,183</u>
NET ASSETS		
Unrestricted	963,493	939,467
Temporarily restricted	<u>287,851</u>	<u>398,475</u>
Total net assets	<u>1,251,344</u>	<u>1,337,942</u>
Total liabilities and net assets	<u>\$ 1,278,504</u>	<u>\$ 1,358,125</u>

See accompanying notes

PHILADELPHIA VIP, INC.**STATEMENT OF ACTIVITIES**

Year ended December 31, 2017 with comparative totals for 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,037,762	\$ 134,376	\$ 1,172,138	\$ 1,370,445
Fundraising event	53,145	-	53,145	95,159
Interest income	424	-	424	358
In kind contributions	3,728,370	-	3,728,370	4,231,635
Net assets released from restrictions				
Satisfaction of program or time restrictions	<u>245,000</u>	<u>(245,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,064,701</u>	<u>(110,624)</u>	<u>4,954,077</u>	<u>5,697,597</u>
EXPENSES				
Program services	4,745,809	-	4,745,809	5,222,757
Supporting services				
Management and general	147,099	-	147,099	151,165
Fundraising	142,108	-	142,108	121,504
Costs of direct benefit to donor	<u>5,659</u>	<u>-</u>	<u>5,659</u>	<u>91,970</u>
Total expenses	<u>5,040,675</u>	<u>-</u>	<u>5,040,675</u>	<u>5,587,396</u>
Change in net assets	<u>24,026</u>	<u>(110,624)</u>	<u>(86,598)</u>	<u>110,201</u>
NET ASSETS				
Beginning of year	<u>939,467</u>	<u>398,475</u>	<u>1,337,942</u>	<u>1,227,741</u>
End of year	<u>\$ 963,493</u>	<u>\$ 287,851</u>	<u>\$ 1,251,344</u>	<u>\$ 1,337,942</u>

See accompanying notes

PHILADELPHIA VIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2017 with comparative totals for 2016

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Cost of Direct Benefit To Donor</u>	<u>Totals</u>	
		<u>Management and General</u>	<u>Fund Raising</u>		<u>2017</u>	<u>2016</u>
Payroll	\$ 645,324	\$ 99,281	\$ 82,734	\$ -	\$ 827,339	\$ 733,096
Payroll taxes	51,305	7,893	6,578	-	65,776	58,312
Employee benefits	<u>70,766</u>	<u>10,887</u>	<u>9,073</u>	-	<u>90,726</u>	<u>97,345</u>
Total payroll and related expenses	767,395	118,061	98,385	-	983,841	888,753
Consultants	7,708	424	339	-	8,471	28,550
Contributed services and facilities	3,717,709	-	8,050	2,611	3,728,370	4,231,635
Depreciation	9,340	1,434	1,173	-	11,947	2,939
Event expenses	-	-	-	3,048	3,048	77,530
Fundraising consultant	-	-	12,781	-	12,781	11,584
Insurance expense	8,292	888	691	-	9,871	9,482
Marketing and communications	1,372	-	-	-	1,372	18,610
Office expense	51,043	7,841	6,459	-	65,343	76,639
Other direct program expense	50,056	-	-	-	50,056	90,877
Professional fees	4,125	1,375	-	-	5,500	5,605
Program litigation fees and expenses	880	-	-	-	880	-
Rent	110,996	17,076	14,230	-	142,302	135,303
Staff development	<u>16,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,893</u>	<u>9,889</u>
Total expenses	<u>\$ 4,745,809</u>	<u>\$ 147,099</u>	<u>\$ 142,108</u>	<u>\$ 5,659</u>	<u>\$ 5,040,675</u>	<u>\$ 5,587,396</u>

See accompanying notes

PHILADELPHIA VIP, INC.**STATEMENT OF CASH FLOWS**

Year ended December 31, 2017 with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (86,598)	\$ 110,201
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	11,947	2,939
(Increase) decrease in		
Grants and contributions receivable	109,609	4,030
Prepaid expenses and other assets	(22,874)	34,223
Increase (decrease) in		
Accounts payable	(1,616)	7,353
Deferred rent	<u>8,593</u>	<u>10,537</u>
Net cash provided by operating activities	<u>19,061</u>	<u>169,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(3,918)</u>	<u>(28,312)</u>
Net increase in cash	15,143	140,971
CASH		
Beginning of year	<u>902,083</u>	<u>761,112</u>
End of year	<u>\$ 917,226</u>	<u>\$ 902,083</u>

See accompanying notes

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(1) ORGANIZATION

Philadelphia VIP, Inc. (the "**Organization**" or "**VIP**") has a 37-year history as the only legal aid organization in Philadelphia dedicated to securing pro bono (i.e., free) legal assistance for low-income individuals, families, businesses, and nonprofits. Created by the Philadelphia Bar Association, the Organization was incorporated in 1981 under the Non-Profit Corporation Law of 1972 of the Commonwealth of Pennsylvania. Originally, the Organization was named the Philadelphia Volunteer Lawyers Action Program, and was renamed Philadelphia VIP, Inc. in 1986.

Too often, a person's ability to achieve a fair and just outcome in a legal matter depends not on the merits of the case but on her/his ability to pay for a lawyer. This results in a "civil justice gap" whereby each year tens of thousands of Philadelphians confront daunting legal matters that implicate basic needs and central relationships – housing, income, family composition – on their own without counsel, simply because they cannot afford to hire an attorney. VIP was founded and continues to exist to help close that gap.

To that end, the goal of VIP is to provide civil legal services to low-income residents of the City of Philadelphia. VIP pursues this goal by recruiting, training, and supporting thousands of professionals throughout Philadelphia who then provide pro bono legal services to VIP's low-income clients. VIP volunteers represent individuals, small businesses, and nonprofits on civil legal matters in four priority areas: (1) preventing homelessness; (2) supporting family stability; (3) maintaining family income; and (4) promoting community economic development. VIP has earned a reputation as the "hub of pro bono" in Philadelphia.

VIP primarily accepts referrals from Community Legal Services, Inc. ("**CLS**") and Philadelphia Legal Assistance Center, Inc. ("**PLA**"), and also receives referrals from other law offices, social service agencies, the courts, legislative offices, and individual attorneys.

VIP relies on funding from the legal community, private foundations, corporations, individuals, and, to a lesser extent, government grants.

VIP is independently operated and governed. The by-laws of VIP specify that appointments to its Board of Directors are to be confirmed subsequently by the Board of Governors of the Philadelphia Bar Association ("**Association**").

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following classes of net assets:

Unrestricted net assets

Net assets which are not subject to donor-imposed restrictions.

Temporarily restricted net assets

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Permanently restricted net assets

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely. There were no permanently restricted net assets at December 31, 2017.

Summarized Prior-Year Information

The financial statements include certain 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 U.S. generally accepted accounting principles ("**GAAP**"). Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Estimates

In preparing financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates.

Grants and contributions

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

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. Management has determined that a provision for doubtful accounts is not necessary as of December 31, 2017.

In kind Contributions

The Organization recognizes revenue for donated services received when they require specialized skills which would need to be purchased if they were not donated. Donated services are recorded as both revenue and expenses in the accompanying statement of activities at their estimated value at the date of receipt.

Property and Equipment

Equipment is stated at cost. Contributions of equipment is recorded at fair value at the date of donation. The Organization capitalizes all significant additions over \$1,000 while all other costs that do not improve or extend the useful lives of the respective assets are expensed in the period in which they occur. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

Computers	3 years
Phone system	10 years

Deferred Rent

The deferred rent liability represents the cumulative excess of straight line rent expense over the actual rent paid according to the lease terms.

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Functional Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). As a result, no provision or liability for income taxes is included in the accompanying financial statements.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Organization believes that it had no uncertain tax positions as defined in GAAP.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are cash and grants and contributions receivable. The Organization maintains its cash at high quality financial institutions. At times, such deposits may exceed federally-insured limits. Grants and contributions receivable are expected to be fully collectible in 2018 and 2019.

(3) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31, 2017 are as follows:

Foundations and organizations	\$ 151,376
Individuals	69,057
City of Philadelphia	69,815
	<u>\$ 290,248</u>

Grants and contributions receivable are expected to be collected as follows:

Receivable in less than one year	\$ 280,248
Receivable in one to five years	10,000
	<u>\$ 290,248</u>

(4) IN KIND CONTRIBUTIONS

The Organization has recognized the following in kind contributions as of December 31, 2017:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro bono attorneys	Legal representation	\$3,669,000
Other	Event-related expenses	10,661
Other	Technical services, printing, other	48,709
		<u>\$ 3,728,370</u>

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, as of December 31, 2017, consist of the following:

	<u>December 31,</u> <u>2016</u>	<u>Contributions</u>	<u>Releases</u> <u>from</u> <u>Restrictions</u>	<u>December 31,</u> <u>2017</u>
Purpose Restricted				
Housing Legal Assistance (Oak Foundation)	\$ 150,000	\$ -	\$(150,000)	\$ -
Foreclosure Rescue	12,500	-	(12,500)	-
Home Ownership	-	20,000	(20,000)	-
Tangled Title Fund	-	25,000	(25,000)	-
Long Term Projects	190,975	-	-	190,975
Time restricted	<u>45,000</u>	<u>89,376</u>	<u>(37,500)</u>	<u>96,876</u>
	<u>\$ 398,475</u>	<u>\$ 134,376</u>	<u>\$(245,000)</u>	<u>\$ 287,851</u>

(6) LEASE COMMITMENT

The Organization leases office space under a noncancelable operating lease expiring in November 2021. Rent expense for the year ended December 31, 2017 was \$142,302.

Schedule future minimum lease payments are as follows:

Year ending December 31,

2018	\$ 126,622
2019	129,684
2020	144,994
2021	<u>135,807</u>
	<u>\$ 537,107</u>

(7) PENSION

The Organization has a discretionary contributory 403(b) retirement plan which covers all employees who meet certain service requirements. There is no matching contribution required by the Organization. Pension expense was \$12,276 for the year ended December 31, 2017.

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2018, the date on which the financial statements were available to be issued. No material subsequent events, except as disclosed below, have occurred since December 31, 2017 that would require recognition or disclosure in the financial statements.

In January 2018, the Organization was awarded a multi-year grant for \$1 million from a foundation to be used during the period July 2018 through June 2022.