

Philadelphia VIP, Inc.

Financial Statements
Year Ended December 31, 2021



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PHILADELPHIA VIP, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Philadelphia VIP, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Philadelphia VIP, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Philadelphia VIP, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Philadelphia VIP, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Philadelphia VIP, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Philadelphia VIP, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Philadelphia, Pennsylvania
July 8, 2022

PHILADELPHIA VIP, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,533,126	\$ 1,197,057
Grants and contributions receivable	778,334	619,330
Prepaid expenses and other assets	78,864	43,197
Equipment, net of accumulated depreciation of \$34,692 and \$23,257 as of December 31, 2021 and 2020, respectively	<u>25,548</u>	<u>25,107</u>
Total assets	<u>\$ 2,415,872</u>	<u>\$ 1,884,691</u>
LIABILITIES		
Accounts payable	\$ 13,249	\$ 10,285
Refundable advance	15,000	39,169
Deferred rent	<u>-</u>	<u>14,663</u>
Total liabilities	<u>28,249</u>	<u>64,117</u>
NET ASSETS		
Without donor restrictions		
Operations	1,398,072	830,192
Board designated reserves	<u>675,270</u>	<u>675,270</u>
Total without donor restrictions	2,073,342	1,505,462
With donor restrictions	<u>314,281</u>	<u>315,112</u>
Total net assets	<u>2,387,623</u>	<u>1,820,574</u>
Total liabilities and net assets	<u>\$ 2,415,872</u>	<u>\$ 1,884,691</u>

See accompanying notes

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

Year ended December 31, 2021 with comparative totals for 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,927,215	\$ 54,169	\$ 1,981,384	\$ 1,936,128
Interest income	709	-	709	930
In kind contributions	7,498,205	-	7,498,205	4,889,215
Net assets released from restrictions				
Satisfaction of program or time restrictions	55,000	(55,000)	-	-
Total support and revenue	<u>9,481,129</u>	<u>(831)</u>	<u>9,480,298</u>	<u>6,826,273</u>
EXPENSES				
Program services	8,872,104	-	8,872,104	6,154,416
Supporting services				
Management and general	163,171	-	163,171	170,226
Fundraising	97,493	-	97,493	101,305
Total expenses	<u>9,132,768</u>	<u>-</u>	<u>9,132,768</u>	<u>6,425,947</u>
Change in net assets before loan forgiveness	<u>348,361</u>	<u>(831)</u>	<u>347,530</u>	<u>400,326</u>
Loan forgiveness	<u>219,519</u>	<u>-</u>	<u>219,519</u>	<u>214,362</u>
CHANGE IN NET ASSETS	567,880	(831)	567,049	614,688
NET ASSETS				
Beginning of year	<u>1,505,462</u>	<u>315,112</u>	<u>1,820,574</u>	<u>1,205,886</u>
End of year	<u>\$2,073,342</u>	<u>\$314,281</u>	<u>\$2,387,623</u>	<u>\$1,820,574</u>

See accompanying notes

PHILADELPHIA VIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021 with comparative totals for 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>	
		<u>Management and General</u>	<u>Fund Raising</u>	<u>2021</u>	<u>2020</u>
Payroll	\$ 809,390	\$ 110,114	\$ 51,211	\$ 970,715	\$ 950,986
Payroll taxes	63,495	8,638	4,017	76,150	76,565
Employee benefits	92,554	12,592	5,856	111,002	108,377
Total payroll and related expenses	965,439	131,344	61,084	1,157,867	1,135,928
Contributed services	7,498,205	-	-	7,498,205	4,889,215
Depreciation	11,977	1,842	1,535	15,354	13,888
Fundraising consultant	-	-	14,547	14,547	13,146
Insurance expense	11,898	1,275	992	14,165	13,526
Marketing and communications	618	-	618	1,236	1,231
Office expense	29,249	4,533	3,778	37,560	26,368
Other direct program expense	213,737	-	-	213,737	162,368
Professional fees	18,975	6,325	-	25,300	20,300
Program litigation fees and expenses	1,695	-	-	1,695	730
Rent	113,622	17,480	14,567	145,669	143,243
Staff development	6,689	372	372	7,433	6,004
Total expenses	<u>\$ 8,872,104</u>	<u>\$ 163,171</u>	<u>\$ 97,493</u>	<u>\$ 9,132,768</u>	<u>\$ 6,425,947</u>

See accompanying notes

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

Year ended December 31, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 567,049	\$ 614,688
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	15,354	13,888
(Increase) decrease in		
Grants and contributions receivable	(159,004)	(202,166)
Prepaid expenses and other assets	(35,667)	(1,828)
Increase (decrease) in		
Accounts payable	2,964	(3,911)
Refundable advance	(24,169)	39,169
Deferred rent	(14,663)	(12,838)
Net cash provided by (used for) operating activities	<u>351,864</u>	<u>447,002</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(15,795)</u>	<u>(3,394)</u>
Net change in cash	336,069	443,608
CASH		
Beginning of year	<u>1,197,057</u>	<u>753,449</u>
End of year	<u>\$ 1,533,126</u>	<u>\$ 1,197,057</u>

See accompanying notes

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(1) ORGANIZATION

Philadelphia VIP, Inc. (the "**Organization**" or "**VIP**") has a 40-year history as the only legal aid organization in Philadelphia entirely 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 legal 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. and Philadelphia Legal Assistance Center, Inc., and also receives referrals from other direct service nonprofits, social service agencies, the courts and legislative offices.

VIP is independently governed and operated, and relies on funding from the legal community, private foundations, corporations, individuals and government contracts.

(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:

Without donor restrictions

Net assets which are not subject to donor-imposed restrictions. The Board has designated a portion of its net assets without donor restriction for future operational purposes.

With donor restrictions

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Also included in this category are net assets that are subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Organization to expense the income generated in accordance with the provisions of the contributions.

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, 2020, 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.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Conditional promises to VIP include a \$100,000 pledge from an individual donor in which VIP has to meet a matching goal by a specified date. These funds are conditional upon meeting that matching goal. VIP recognized \$39,169 of revenue from this pledge in 2021 as a portion of the match had been met.

A portion of the Organization's revenue is derived from cost-reimbursement grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded cost-reimbursable grants of approximately \$417,000 that have not been recognized at December 31, 2021 because qualifying expenditures have not yet been incurred.

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

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, 2021.

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

Contributed Services

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.

Equipment

Equipment is stated at cost if purchased. Contributions of equipment are 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.

Functional Expenses

The costs of providing the Organization's various programs and supporting services have been presented 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.

The financial statements have certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related expenses, insurance, office expenses, rent, and depreciation, which are allocated on the basis of estimates of time and effort.

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.

Revenues from three sources accounted for 41% of revenues in 2021. These same sources comprise 63% of accounts receivable at December 31, 2021.

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(3) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects VIP's financial assets as of the statement of financial position date and the amounts available within one year of that date.

Cash	\$ 1,533,126
Grants and contributions receivable	<u>778,334</u>
Total financial assets	2,311,460
Less: Financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(314,281)
Board designated reserves	<u>(675,270)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,321,909</u>

Liquidity Management

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

(4) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31, 2021 are as follows:

Foundations and organizations	\$ 132,298
Individuals	138,937
City of Philadelphia	407,148
Employee Retention Credit	<u>99,951</u>
	<u>\$ 778,334</u>

Grants and contributions receivable consist of amounts expected to be collected as follows:

Amount due in:	
Less than one year	\$ 758,334
One to five years	<u>20,000</u>
	<u>\$ 778,334</u>

Present value discount on grants and contributions to be collected or paid after one year is not material.

(5) IN KIND CONTRIBUTIONS

The Organization has recognized the following in kind contributions for the year ended December 31, 2021:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro bono attorneys	Legal representation	\$7,482,059
Other	Technical services, printing, other	<u>16,146</u>
		<u>\$ 7,498,205</u>

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

(6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, as of December 31, 2021, consist of the following:

	<u>December 31,</u> <u>2020</u>	<u>Contributions</u>	<u>Releases</u> <u>from</u> <u>Restrictions</u>	<u>December 31,</u> <u>2021</u>
Purpose Restricted				
Long Term Projects	\$ 190,112	\$ 39,169	\$ -	\$ 229,281
Preserving Homeownership and Family Wealth Initiatives	-	15,000	-	15,000
Time Restricted	<u>125,000</u>	<u>-</u>	<u>(55,000)</u>	<u>70,000</u>
	<u>\$ 315,112</u>	<u>\$ 54,169</u>	<u>\$ (55,000)</u>	<u>\$ 314,281</u>

(7) LOAN FORGIVENESS

In March 2021, VIP borrowed \$219,519 under the Paycheck Protection Program funded by the Coronavirus Aid, Relief and Economic Security ("**CARES**") Act. This loan is underwritten by Customers Bank and bears interest at 1% maturing April 1, 2026. VIP complied with the terms of the program and payment relief was received in 2022. Therefore, this amount has been recorded as an increase in net assets on the statement of activities.

(8) LEASE COMMITMENT

The Organization leases office space under a noncancelable operating lease expiring in November 2022. Rent expense for the year ended December 31, 2021 was \$145,669. Scheduled future minimum lease payments due in 2022 are \$143,858.

(9) PENSION

The Organization has a discretionary contributory 403(b) retirement plan (the "**Plan**") which covers all employees who meet certain service requirements. The Organization, at its discretion, may make contributions to the Plan. Pension expense was \$22,685 for the year ended December 31, 2021.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 8, 2022, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our VIP clients and employees and impact on our donors and their level of contributions, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. No other material subsequent events have occurred since December 31, 2021 that require recognition or disclosure in the financial statements.