

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

PHILADELPHIA VIP, INC.
FINANCIAL STATEMENTS

December 31, 2015

PHILADELPHIA VIP, INC.
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For the year ended December 31, 2015

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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, 2015, and the related statements of activities, cash flows and functional expenses 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 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.

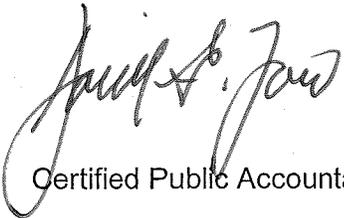
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Philadelphia, VIP, Inc. 2014 financial statements, and my report dated May 12, 2015, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant

Wayne, Pennsylvania
May 12, 2016

PHILADELPHIA VIP, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(with comparative totals as of December 31, 2014)

	2015	2014
<u>Assets</u>		
Cash	\$ 761,112	\$ 413,902
Grants and contributions receivable	68,887	346,307
Prepaid expenses	47,117	42,107
Unconditional promises to give	335,000	470,000
Security deposit	10,850	10,850
Equipment, net	7,068	8,715
Total assets	\$ 1,230,034	\$ 1,291,881
 <u>Liabilities</u>		
Accounts payable	\$ 2,293	\$ 2,599
Total liabilities	2,293	2,599
 <u>Net assets</u>		
Unrestricted	745,766	722,307
Temporarily restricted	481,975	566,975
Total net assets	1,227,741	1,289,282
Total liabilities and net assets	\$ 1,230,034	\$ 1,291,881

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

PHILADELPHIA VIP, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
<u>Support and revenue</u>				
Grants and contributions	\$ 920,273	\$ 97,500	\$1,017,773	\$ 1,642,481
Fundraising event	39,895	-	39,895	37,553
Less: cost of direct donor benefits	(4,036)	-	(4,036)	(3,991)
Interest income	359	-	359	644
Contributed services and facilities	3,694,783	-	3,694,783	2,997,184
Net assets released from restrictions:				
Satisfaction of program or time restrictions	<u>182,500</u>	<u>(182,500)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,833,774</u>	<u>(85,000)</u>	<u>4,748,774</u>	<u>4,673,871</u>
<u>Expenses</u>				
Program	4,559,741	-	4,559,741	3,858,246
Management and general	137,886	-	137,886	131,427
Fundraising	<u>112,688</u>	<u>-</u>	<u>112,688</u>	<u>106,566</u>
Total expenses	<u>4,810,315</u>	<u>-</u>	<u>4,810,315</u>	<u>4,096,239</u>
Change in net assets	23,459	(85,000)	(61,541)	577,632
Net assets at beginning of year	<u>722,307</u>	<u>566,975</u>	<u>1,289,282</u>	<u>711,650</u>
Net assets at end of year	<u>\$ 745,766</u>	<u>\$ 481,975</u>	<u>\$1,227,741</u>	<u>\$ 1,289,282</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, 2015
(with comparative totals for the year ended December 31, 2014)

	2015	2014
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (61,541)	\$ 577,632
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,004	3,093
Change in assets and liabilities:		
Grants and contributions receivable	277,423	(237,174)
Prepaid expenses	(5,014)	1,472
Unconditional promises to give	135,000	(470,000)
Accounts payable	(305)	13
Accrued expense	-	(7,934)
Net cash provided by (used in) operating activities	348,567	(132,898)
<u>Cash flows from investing activities</u>		
Purchase of equipment	(1,357)	(2,628)
Net cash used in investing activities	(1,357)	(2,628)
Increase (decrease) in cash	347,210	(135,526)
Cash at beginning of year	413,902	549,428
Cash at end of year	\$ 761,112	\$ 413,902

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

PHILADELPHIA VIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Program	Management and General	Fund Raising	Total 2015	Total 2014
Payroll	\$ 514,513	\$ 87,518	\$ 65,725	\$ 667,756	\$ 662,014
Payroll taxes	40,150	6,829	5,129	52,108	52,722
Employee benefits	66,283	11,275	8,466	86,024	88,399
Pension expense	7,770	1,322	992	10,084	10,953
Total payroll and related expenses	628,716	106,944	80,312	815,972	814,088
Consultants	24,229	300	-	24,529	20,050
Contributed services and facilities	3,694,783	-	-	3,694,783	2,997,184
Depreciation	2,315	394	295	3,004	3,093
Fundraising consultant	-	-	13,120	13,120	8,750
Insurance expense	6,970	1,186	891	9,047	5,802
Marketing and communications	1,002	-	-	1,002	1,638
Office expense	53,641	9,124	6,885	69,650	54,249
Other direct program expense	52,612	-	-	52,612	65,307
Professional fees	-	5,000	-	5,000	5,000
Program litigation fees and expenses	790	-	-	790	1,009
Rent	87,820	14,938	11,185	113,943	113,942
Staff development	6,863	-	-	6,863	6,127
Total expenses	<u>\$ 4,559,741</u>	<u>\$ 137,886</u>	<u>\$ 112,688</u>	<u>\$ 4,810,315</u>	<u>\$ 4,096,239</u>

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

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 named the Philadelphia Volunteer Lawyers Action Program but was renamed Philadelphia VIP, Inc. in 1986.

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

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.

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.

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 7)

Property and Equipment

All acquisitions of property and equipment over \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

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 three months or less.

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.

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. Management 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, management 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, 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Note 3 - Pension

The Organization has established a 403(b) discretionary retirement plan for the benefit of all employees who meet certain service requirements. Pension expense was \$10,084 for the year ended December 31, 2015.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 4 - Equipment

As of December 31, 2015, property and equipment is as follows:

Computers	\$ 14,004
Phone system	<u>6,209</u>
Total	20,213
Less accumulated depreciation	<u>(13,145)</u>
Total equipment, net	<u>\$ 7,068</u>

Depreciation expense was \$3,004 for the year ended December 31, 2015.

The estimated useful lives were as follows:

Computers	3 years
Phone system	10 years

Note 5 - Temporarily Restricted Net Assets (TRNA)

Funds classified as temporarily restricted net assets, as of December 31, 2015, consist of the following:

	TRNA Balance <u>12/31/2014</u>	Current Grants and Contributions	Released from Restrictions	TRNA Balance <u>12/31/2015</u>
Independence Foundation				
Time restricted	\$ 20,000	\$ -	\$ (10,000)	\$ 10,000
Oak Foundation				
Tangled Title	450,000	-	(150,000)	300,000
Patricia Kind Foundation				
Foreclosure Rescue	-	37,500	(12,500)	25,000
Connelly Foundation				
Home Ownership	-	20,000	(10,000)	10,000
Samuel S. Fels Fund				
Communications/Events position	-	30,000	-	30,000
First Hospital				
Family Law Initiative	-	10,000	-	10,000
F. Devine				
Long Term Project	<u>96,975</u>	<u>-</u>	<u>-</u>	<u>96,975</u>
	<u>\$ 566,975</u>	<u>\$ 97,500</u>	<u>\$ (182,500)</u>	<u>\$ 481,975</u>

Note 6 - Unconditional Promises to Give

Unconditional promises to give as of December 31, 2015 are as follows:

Receivable in less than one year	\$ 172,500
Receivable in one to five years	<u>162,500</u>
Total unconditional promises to give	<u>\$ 335,000</u>

The discount to present value of promises to give in one to five years has been waived. It is not considered to be material.

All unconditional promises to give are expected to be fully realizable.

PHILADELPHIA VIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Note 7 - Donated Services and Facilities

The Organization has recognized the following contributed services, facilities and supplies as of December 31, 2015:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro Bono Attorneys	Legal representation	\$ 3,630,250
Other	Technical services, printing, other	64,533
		<u>\$ 3,694,783</u>

Note 8 - Concentration of Credit Risk

The Organization maintains cash accounts, which, at times, may exceed federally insured limits. As of December 31, 2015 cash balances in excess of insured limits were \$251,290. 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 - Lease Commitment

Effective July 15, 2011, the Organization moved its office facility to 1500 Walnut Street in Philadelphia, PA. The Organization extended its original five year lease for an additional 5.5 years on August 4, 2014. Rent expense for 2015 was \$113,943. Future minimum lease payments are as follows:

Year ending December 31, 2016	\$ 120,490
2017	123,563
2018	126,622
2019	129,684
2020	144,994
Thereafter	<u>135,807</u>
	<u>\$ 781,160</u>

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, 2014, from which the summarized information was derived.

Note 11 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through May 12, 2016, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.