

Philadelphia VIP, Inc.

Financial Statements
Year Ended December 31, 2016



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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**

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, 2016, 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, 2016, 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

The financial statements of Philadelphia VIP, Inc. as of and for the year ended December 31, 2015, were audited by other auditors whose report, dated May 12, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD 2LS

Philadelphia, Pennsylvania
May 11, 2017

PHILADELPHIA VIP, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2016 with comparative totals for 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 902,083	\$ 761,112
Grants and contributions receivable	399,857	403,887
Prepaid expenses and other assets	23,744	57,967
Equipment, net of accumulated depreciation of \$7,367 and \$13,145 as of December 31, 2016 and 2015, respectively	<u>32,441</u>	<u>7,068</u>
Total assets	<u>\$ 1,358,125</u>	<u>\$ 1,230,034</u>
LIABILITIES		
Accounts payable	\$ 9,646	\$ 2,293
Deferred rent	<u>10,537</u>	<u>-</u>
Total liabilities	<u>20,183</u>	<u>2,293</u>
NET ASSETS		
Unrestricted	939,467	745,766
Temporarily restricted	<u>398,475</u>	<u>481,975</u>
Total net assets	<u>1,337,942</u>	<u>1,227,741</u>
Total liabilities and net assets	<u>\$ 1,358,125</u>	<u>\$ 1,230,034</u>

See accompanying notes

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

Year ended December 31, 2016 with comparative totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,210,445	\$ 160,000	\$ 1,370,445	\$ 1,017,773
Fundraising event	95,159	-	95,159	39,895
Interest income	358	-	358	359
In kind contributions	4,231,635	-	4,231,635	3,694,783
Net assets released from restrictions				
Satisfaction of program or time restrictions	<u>243,500</u>	<u>(243,500)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>5,781,097</u>	<u>(83,500)</u>	<u>5,697,597</u>	<u>4,752,810</u>
EXPENSES				
Program services	5,222,757	-	5,222,757	4,559,741
Supporting services				
Management and general	151,165	-	151,165	137,886
Fundraising	121,504	-	121,504	112,688
Cost of direct benefit to donor	<u>91,970</u>	<u>-</u>	<u>91,970</u>	<u>4,036</u>
Total expenses	<u>5,587,396</u>	<u>-</u>	<u>5,587,396</u>	<u>4,814,351</u>
Change in net assets	<u>193,701</u>	<u>(83,500)</u>	<u>110,201</u>	<u>(61,541)</u>
NET ASSETS				
Beginning of year	<u>745,766</u>	<u>481,975</u>	<u>1,227,741</u>	<u>1,289,282</u>
End of year	<u>\$ 939,467</u>	<u>\$ 398,475</u>	<u>\$1,337,942</u>	<u>\$1,227,741</u>

See accompanying notes

PHILADELPHIA VIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2016 with comparative totals for 2015

	Program Services	Supporting Services		Cost of Direct Benefit to Donor	Totals	
		Management and General	Fund Raising		2016	2015
Payroll	\$ 564,858	\$ 96,082	\$ 72,156	\$ -	\$ 733,096	\$ 667,756
Payroll taxes	44,930	7,642	5,740	-	58,312	52,108
Employee benefits	75,006	12,759	9,580	-	97,345	96,108
Total payroll and related expenses	684,794	116,483	87,476	-	888,753	815,972
Consultants	28,201	-	349	-	28,550	24,529
Contributed services and facilities	4,231,635	-	-	-	4,231,635	3,694,783
Depreciation	2,265	385	289	-	2,939	3,004
Event expenses	-	-	-	77,530	77,530	4,036
Fundraising consultant	-	-	11,584	-	11,584	13,120
Insurance expense	7,305	1,243	934	-	9,482	9,047
Marketing and communications	5,538	-	-	13,072	18,610	1,002
Office expense	57,970	9,860	7,441	1,368	76,639	69,650
Other direct program expense	90,877	-	-	-	90,877	52,612
Professional fees	-	5,605	-	-	5,605	5,000
Program litigation fees and expenses	-	-	-	-	-	790
Rent	104,283	17,589	13,431	-	135,303	113,943
Staff development	9,889	-	-	-	9,889	6,863
Total expenses	\$5,222,757	\$151,165	\$121,504	\$91,970	\$5,587,396	\$4,814,351

See accompanying notes

PHILADELPHIA VIP, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2016 with comparative totals for 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 110,201	\$ (61,541)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	2,939	3,004
(Increase) decrease in		
Grants and contributions receivable	4,030	412,423
Prepaid expenses and other assets	34,223	(5,014)
Increase (decrease) in		
Accounts payable	7,353	(305)
Deferred rent	10,537	-
Net cash provided by operating activities	<u>169,283</u>	<u>348,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(28,312)</u>	<u>(1,357)</u>
Net increase in cash	140,971	347,210
CASH		
Beginning of year	<u>761,112</u>	<u>413,902</u>
End of year	<u>\$ 902,083</u>	<u>\$ 761,112</u>

See accompanying notes

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(1) ORGANIZATION

Philadelphia VIP, Inc. (the "**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 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."

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, 2016.

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, 2015, from which the summarized information was derived.

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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, 2016.

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. All in kind contributions are included in program expenses on the statement of functional expenses.

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.

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).

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

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 2017.

(3) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31, 2016 are as follows:

Foundations and organizations	\$ 262,500
Individuals	107,851
City of Philadelphia	29,506
	<u>\$ 399,857</u>

(4) IN KIND CONTRIBUTIONS

The Organization has recognized the following in kind contributions as of December 31, 2016:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro bono attorneys	Legal representation	\$4,176,178
Other	Technical services, printing, other	55,457
		<u>\$ 4,231,635</u>

(5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, as of December 31, 2016, consist of the following:

	<u>December 31,</u> <u>2015</u>	<u>Contributions</u>	<u>Releases</u> <u>from</u> <u>Restrictions</u>	<u>December 31,</u> <u>2016</u>
Purpose Restricted				
Housing Legal Assistance (Oak Foundation)	\$ 300,000	\$ -	\$ (150,000)	\$ 150,000
Foreclosure Rescue	25,000	-	(12,500)	12,500
Home Ownership	10,000	-	(10,000)	-
Communications/Events position	30,000	-	(30,000)	-
Family Law Initiative	10,000	-	(10,000)	-
Long Term Projects	96,975	100,000	(6,000)	190,975
Time restricted	10,000	60,000	(25,000)	45,000
	<u>\$ 481,975</u>	<u>\$ 160,000</u>	<u>\$ (243,500)</u>	<u>\$ 398,475</u>

PHILADELPHIA VIP, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

(6) LEASE COMMITMENT

The Organization leases office space under a noncancelable operating lease expiring in November 2021. Rent expense for the year then ended December 31, 2016 was \$135,303.

Schedule future minimum lease payments are as follows:

<u>Year ending December 31,</u>	
2017	\$ 123,564
2018	126,622
2019	129,684
2020	144,994
2021	<u>135,807</u>
	<u>\$ 660,671</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 \$10,375 for the year ended December 31, 2016.

(8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2017, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that would require recognition or disclosure in the financial statements.