

# Philadelphia VIP, Inc.

Financial Statements  
Year Ended December 31, 2023



1835 Market Street, 3rd Floor  
Philadelphia, PA 19103

215/567-7770 | [bbdcpa.com](http://bbdcpa.com)

# 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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**BBD, LLP**

**Philadelphia, Pennsylvania**  
**June 14, 2024**

**PHILADELPHIA VIP, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2023 with comparative totals for 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash	\$ 796,954	\$ 712,844
Certificates of deposit	1,027,000	982,532
Grants and contributions receivable	746,832	823,672
Prepaid expenses and other assets	34,200	27,399
Leasehold improvements	116,741	138,511
Less: accumulated depreciation	(38,869)	(44,590)
Right to use asset	<u>613,453</u>	<u>709,296</u>
<b>Total assets</b>	<u>\$ 3,296,311</u>	<u>\$ 3,349,664</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 20,598	\$ 56,628
Refundable advance	25,000	-
Lease liability	<u>629,688</u>	<u>709,296</u>
<b>Total liabilities</b>	<u>675,286</u>	<u>765,924</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Operations	1,643,137	1,614,875
Board designated reserves	<u>675,270</u>	<u>675,270</u>
Total without donor restrictions	2,318,407	2,290,145
With donor restrictions	<u>302,618</u>	<u>293,595</u>
<b>Total net assets</b>	<u>2,621,025</u>	<u>2,583,740</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,296,311</u>	<u>\$ 3,349,664</u>

**PHILADELPHIA VIP, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2023 with comparative totals for 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<b>Totals</b>	
			<u>2023</u>	<u>2022</u>
<b>SUPPORT AND REVENUE</b>				
Grants and contributions	\$ 2,150,373	\$ 29,023	\$ 2,179,396	\$ 2,251,778
Interest income	45,518	-	45,518	11,476
In kind contributions	8,469,342	-	8,469,342	6,418,859
Net assets released from restrictions				
Satisfaction of program or time restrictions	20,000	(20,000)	-	-
<b>Total support and revenue</b>	<u>10,685,233</u>	<u>9,023</u>	<u>10,694,256</u>	<u>8,682,113</u>
<b>EXPENSES</b>				
Program services	10,329,228	-	10,329,228	8,020,475
Supporting services				
Management and general	199,606	-	199,606	188,173
Fundraising	128,137	-	128,137	277,348
<b>Total expenses</b>	<u>10,656,971</u>	<u>-</u>	<u>10,656,971</u>	<u>8,485,996</u>
<b>Change in net assets before loan forgiveness</b>	<u>28,262</u>	<u>9,023</u>	<u>37,285</u>	<u>196,117</u>
<b>CHANGE IN NET ASSETS</b>	<b>28,262</b>	<b>9,023</b>	<b>37,285</b>	<b>196,117</b>
<b>NET ASSETS</b>				
Beginning of year	<u>2,290,145</u>	<u>293,595</u>	<u>2,583,740</u>	<u>2,387,623</u>
<b>End of year</b>	<b><u>\$2,318,407</u></b>	<b><u>\$302,618</u></b>	<b><u>\$2,621,025</u></b>	<b><u>\$2,583,740</u></b>

**See accompanying notes**

# PHILADELPHIA VIP, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2023 with comparative totals for 2022

	Program Services	Supporting Services			Totals	
		Management and General	Fund Raising		2023	2022
Payroll	\$ 1,056,959	\$ 138,022	\$ 65,591	\$ 1,260,572	\$ 1,167,559	
Payroll taxes	83,050	10,845	5,154	99,049	92,771	
Employee benefits	113,840	14,866	7,064	135,770	132,434	
<b>Total payroll and related expenses</b>	<b>1,253,849</b>	<b>163,733</b>	<b>77,809</b>	<b>1,495,391</b>	<b>1,392,764</b>	
Contributed services	8,469,342	-	-	8,469,342	6,418,859	
Depreciation	20,744	3,191	2,659	26,594	18,634	
Fundraising consultant and services	-	-	29,464	29,464	13,881	
Insurance expense	12,629	1,353	1,052	15,034	15,112	
Marketing and communications	752	-	753	1,505	6,370	
Office expense	31,390	4,829	4,024	40,243	56,388	
Other direct program expense	384,069	-	-	384,069	256,527	
Professional fees	35,171	11,724	-	46,895	35,290	
Program litigation fees and expenses	4,688	-	-	4,688	628	
Occupancy	109,835	14,400	12,000	136,235	164,825	
Staff development	6,759	376	376	7,511	5,533	
<b>Total expenses</b>	<b>\$ 10,329,228</b>	<b>\$ 199,606</b>	<b>\$ 128,137</b>	<b>\$ 10,656,971</b>	<b>\$ 8,384,811</b>	

See accompanying notes

**PHILADELPHIA VIP, INC.**

**STATEMENT OF CASH FLOWS**

**Year ended December 31, 2023 with comparative totals for 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ 37,285	\$ 196,117
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	26,594	18,634
(Increase) decrease in		
Grants and contributions receivable	76,840	(45,338)
Right to use asset	95,843	-
Prepaid expenses and other assets	(6,801)	51,465
Increase (decrease) in		
Accounts payable	(36,030)	43,379
Lease liability	(79,608)	-
Refundable advance	<u>25,000</u>	<u>(15,000)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>139,123</u>	<u>249,257</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements and equipment	(10,545)	(87,007)
Sale of certificates of deposits	2,045,000	
Purchase of certificates of deposits	<u>(2,089,468)</u>	<u>(99,521)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>(55,013)</u>	<u>(186,528)</u>
<b>Net change in cash</b>	84,110	62,729
<b>CASH</b>		
Beginning of year	<u>712,844</u>	<u>650,115</u>
<b>End of year</b>	<u>\$ 796,954</u>	<u>\$ 712,844</u>

**See accompanying notes**

# PHILADELPHIA VIP, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### (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 Organization, 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."

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 expend the income generated in accordance with the provisions of the contributions.

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# PHILADELPHIA VIP, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### **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, 2022 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.

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 \$475,000 that have not been recognized at December 31, 2023 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, 2023.

### **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 and Leasehold improvements**

Equipment and leasehold improvements are stated at cost if purchased. Contributions of equipment and leasehold improvements 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.

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# PHILADELPHIA VIP, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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Computers	3 years
Phone system	10 years
Leasehold improvements	6 years

### **Lease Liability and Right-to-use Asset**

The Organization has entered into a noncancelable operating lease for commercial space related to program and administrative facilities. The Organization determines if an arrangement is a lease at inception.

Right to use lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, the Organization uses a risk free borrowing rate based on the information available at commencement date in determining the present value of lease payments. Leases with a term of twelve months or less are considered short term leases and are accounted for as an expense in the statements of activities as rental payments are incurred.

The Organization's lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments are recognized on a straight-line basis over the lease term.

### **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, 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 two sources accounted for 57% of revenues in 2023. These same sources comprise 95% of accounts receivable at December 31, 2023.

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# PHILADELPHIA VIP, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

### (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 and certificates of deposit	\$ 1,823,954
Grants and contributions receivable	<u>746,832</u>
Total financial assets	2,570,786
Less: Financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(302,618)
Board designated reserves	<u>(675,270)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,592,898</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, expected to be collected in 2024, as of December 31, 2023 are as follows:

Foundations and organizations	\$ 10,000
Individuals	29,272
City of Philadelphia	<u>707,560</u>
	<u>\$ 746,832</u>

### (5) IN KIND CONTRIBUTIONS

The Organization has recognized the following in kind contributions for the year ended December 31, 2023:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Pro bono attorneys	Legal representation	\$ 8,465,642
Other	Event-related expenses	<u>3,700</u>
		<u>\$ 8,469,342</u>

### (6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, as of December 31, 2023, consist of the following:

	<u>December 31, 2022</u>	<u>Contributions</u>	<u>Releases from Restrictions</u>	<u>December 31, 2023</u>
Purpose Restricted				
Long Term Projects	\$ 253,595	\$ 29,023	\$ -	\$ 282,618
Time Restricted	<u>40,000</u>	<u>-</u>	<u>(20,000)</u>	<u>20,000</u>
	<u>\$ 293,595</u>	<u>\$ 29,023</u>	<u>\$ (20,000)</u>	<u>\$ 302,618</u>

# PHILADELPHIA VIP, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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### (7) LEASES

The Organization leases office space under a noncancelable operating lease expiring in April 2029. The components of lease costs were as follows for the year ended December 31, 2023:

Operating lease costs	Occupancy	<u>\$ 136,235</u>
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As of December 31, 2023, the maturities of the Organization's lease liabilities were as follows:

<u>Year ending June 30,</u>	
2024	\$ 120,000
2025	134,665
2026	134,665
2027	151,496
2028	151,496
Thereafter	<u>50,498</u>
 Total lease payments	 742,820
Imputed interest	<u>(113,132)</u>
	<u><u>\$ 629,688</u></u>

The weighted average remaining lease term and weighted average discount rate were as follows as of December 31, 2023:

Weighted Average remaining lease term (in years)	5.33
Weighted Average discount rate	6%

### (8) 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 \$28,309 for the year ended December 31, 2023.

### (9) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that require recognition or disclosure in the financial statements.

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\_\_\_\_\_, 2019

Rida Haq, Esq.  
Executive Director  
1500 Walnut Street, Suite 400  
Philadelphia, Pennsylvania 19102

Dear Ms. Haq:

Enclosed are copies of each of the following December 31, 2023 reports for Philadelphia VIP, Inc.:

- Financial statements – general purpose (5 copies)

If you need additional copies, please call.

Sincerely,

Steven M. Glueck

SMG/ms

Enclosures