

**PUBLIC INTEREST LAW CENTER  
OF PHILADELPHIA**

**FINANCIAL STATEMENTS  
December 31, 2010  
(With Comparative Totals for 2009)**

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
<b><u>Financial Statements:</u></b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

**SNYDER, DAITZ & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANTS**

1617 JOHN F. KENNEDY BLVD., SUITE 1035

PHILADELPHIA, PA. 19103

(215) 563-6141

FAX (215) 563-6620

350 RIVER ROAD

SUITE 614

NEW HOPE, PA. 18938

(215) 862-1648

DENNIS NATALI, CPA  
JOSEPH P. LEONARD, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Public Interest Law Center of Philadelphia  
Philadelphia, Pennsylvania

We have audited the accompanying statement of financial position of Public Interest Law Center of Philadelphia ("PILCOP"), a nonprofit organization as of December 31, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated March 17, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Interest Law Center of Philadelphia as of December 31, 2010 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Snyder, Daitz & Company*

SNYDER, DAITZ & COMPANY

May 26, 2011

# PUBLIC INTEREST LAW CENTER OF PHILADELPHIA

## STATEMENT OF FINANCIAL POSITION December 31, 2010 (With Comparative Totals for 2009)

	2010	2009
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash	\$ 68,678	\$ 117,501
Investments	67,995	62,718
Accounts receivable	49,125	128,491
Grants receivable	159,550	26,640
Prepaid expenses	58,868	13,630
Total Current Assets	\$ 404,216	\$ 348,980
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Furniture and equipment	\$ 122,996	\$ 115,336
Leasehold improvements	7,515	7,515
	\$ 130,511	\$ 122,851
Less: Accumulated depreciation	59,324	48,925
	\$ 71,187	\$ 73,926
<b><u>OTHER ASSETS</u></b>		
Investments	\$ 101,011	\$ 101,011
Total Assets	\$ 576,414	\$ 523,917
<b><u>LIABILITIES &amp; NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Line of credit	\$ 119,917	\$ 59,732
Accounts payable	96,213	102,510
Accrued expenses	25,448	87,060
Deferred revenue	24,801	42,262
Agency funds liability	6,667	0
Due to related parties	104,541	0
Total Current Liabilities	\$ 377,587	\$ 291,564
<b><u>NET ASSETS</u></b>		
Unrestricted	\$ (83,006)	\$ 55,042
Temporarily restricted	180,822	76,300
Permanently restricted	101,011	101,011
	\$ 198,827	\$ 232,353
Total Liabilities & Net Assets	\$ 576,414	\$ 523,917

The accompanying letter and notes are an integral part of this statement.

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA**

**STATEMENT OF ACTIVITIES**  
 Year ended December 31, 2010  
 (With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
<b><u>REVENUE</u></b>					
Foundations	\$ 36,025	\$ 33,475		\$ 69,500	\$ 116,381
Legal community & other support	760,663	11,100		771,763	982,607
Government grants	0	125,000		125,000	0
Grants & contributions	0	44,100		44,100	42,400
Fee awards	298,310			298,310	591,768
Out-of-pocket awards	2,060			2,060	3,786
Contracts and honorarium	48,185			48,185	46,809
Interest income	434			434	3,217
Other	0			0	6,461
Net assets released from restrictions	109,153	(109,153)		0	0
<b>Total Revenue</b>	<b>\$ 1,254,830</b>	<b>\$ 104,522</b>	<b>0</b>	<b>\$ 1,359,352</b>	<b>\$ 1,793,429</b>
<b><u>EXPENSES</u></b>					
Cases and court costs	\$ 502,567			\$ 502,567	\$ 574,310
Conference and travel	3,433			3,433	2,307
Duplicating and outside printing	4,317			4,317	3,587
Insurance	13,814			13,814	14,308
Library and subscriptions	4,065			4,065	7,268
Newsletter and fundraising	5,224			5,224	7,047
Office expense	39,993			39,993	45,971
Professional fees	22,273			22,273	87,178
Rent & electricity	114,100			114,100	125,828
Salaries and related expenses	640,783			640,783	736,506
Miscellaneous expenses	31,910			31,910	57,916
Depreciation	10,399			10,399	11,740
<b>Total Expenses</b>	<b>\$ 1,392,878</b>	<b>0</b>	<b>0</b>	<b>\$ 1,392,878</b>	<b>\$ 1,673,966</b>
<b>Change in Net Assets</b>	<b>\$ (138,048)</b>	<b>\$ 104,522</b>	<b>0</b>	<b>\$ (33,526)</b>	<b>\$ 119,463</b>
<b>Net Assets, Beginning</b>	<b>55,042</b>	<b>76,300</b>	<b>\$ 101,011</b>	<b>232,353</b>	<b>112,890</b>
<b>Net Assets, Ending</b>	<b>\$ (83,006)</b>	<b>\$ 180,822</b>	<b>\$ 101,011</b>	<b>\$ 198,827</b>	<b>\$ 232,353</b>

The accompanying letter and notes are an integral part of this statement.

## PUBLIC INTEREST LAW CENTER OF PHILADELPHIA

### STATEMENT OF CASH FLOWS Year ended December 31, 2010 (With Comparative Totals for 2009)

	2010	2009
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (33,526)	\$ 119,463
Adjustments to reconcile to cash from operations		
Donated office furniture and equipment	0	(69,682)
Accounts payable amounts forgiven by creditors	0	(10,771)
Depreciation	10,399	11,740
(Increase) decrease in:		
Accounts receivable	79,366	(111,525)
Grants receivable	(132,910)	13,055
Prepaid expenses	(45,238)	(1,431)
Increase (decrease) in:		
Accounts payable	(6,297)	12,579
Accrued expenses	2,899	3,514
Deferred revenue	(17,461)	18,286
Agency funds liability	6,667	0
	<u>\$ (136,101)</u>	<u>\$ (14,772)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Net increase in short term investments	\$ (5,277)	\$ (4,045)
Purchase of computer equipment	(7,660)	(1,166)
Purchase of leasehold improvements	0	(7,515)
	<u>\$ (12,937)</u>	<u>\$ (12,726)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Borrowing on bank line of credit	\$ 60,185	\$ 27,152
Borrowing from related parties	40,030	0
	<u>\$ 100,215</u>	<u>\$ 27,152</u>
Net cash provided by financing activities		
	<u>\$ (48,823)</u>	<u>\$ (346)</u>
Net Decrease in Cash for Year		
Cash balance, beginning	117,501	117,847
Cash balance, ending	<u>\$ 68,678</u>	<u>\$ 117,501</u>
<b><u>SUPPLEMENTAL DISCLOSURES:</u></b>		
Cash paid for interest	<u>\$ 5,711</u>	<u>\$ 2,723</u>
During 2010, certain accrued expenses due to related parties were converted to loans payable to related parties.	<u>\$ 64,511</u>	<u>0</u>

The accompanying letter and notes are an integral part of this statement.

## **PUBLIC INTEREST LAW CENTER OF PHILADELPHIA**

### **NOTES TO FINANCIAL STATEMENTS December 31, 2010 and 2009**

#### **NOTE 1 - ORGANIZATIONAL ACTIVITY**

Public Interest Law Center of Philadelphia (PILCOP) was incorporated January 31, 1974 under the Non-Profit Corporation Law of the Commonwealth of Pennsylvania. Its purpose is to provide legal services in the public interest through legal representation and litigation, counseling, aid and assistance to individuals, groups, and organizations requiring or requesting such services. The major sources of the Organization's revenue come from fee awards and public support. PILCOP is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Date of Management's Review**

Subsequent events were evaluated through May 26, 2011, which is the date the financial statements were available to be issued.

##### **Basis of Accounting**

Awards for fees and out-of-pocket costs are awarded by court order and are recorded when awarded. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Other revenue and gains are recognized when they become measurable and due to the Organization. Expenses and losses are recognized when incurred.

##### **Accounts Receivable Reserves**

The Organization reviews its receivables on a regular basis for collectibility. When a question of the collectibility of a particular receivable arises it is written off or reserved for at that time. The reserve was \$5,000 and \$ -0- as of December 31, 2010 and 2009, respectively. Recoveries of items previously charged off are recognized as income when received.

##### **Depreciation**

PILCOP provides depreciation over the estimated useful life of its assets by using the straight-line method of depreciation. Furniture and equipment are estimated to have useful lives of three to five (3-5) years. Since depreciation is based on estimated useful lives, actual results could differ from estimates.

##### **Contributions**

PILCOP has adopted FASB ASC 598 (formerly SFAS No. 116, *Accounting for Contributions received and Contributions Made*). Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenue or gains in the year in which the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated marketable securities and long-lived assets are recorded as contributions as their fair values at the date of donation.

PUBLIC INTEREST LAW CENTER OF PHILADELPHIA

NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Services

As prescribed by FASB ASC 598 (formerly SFAS No. 116), PILCOP has recognized contributions of \$473,254 in professional services from 31 individuals and firms in 2010, and \$582,733 in professional services, from 31 individuals and firms in 2009, which were donated to the organization in connection with its operations. There was significant time contributed in 2009 in connection with the office move. This amount is included both in revenue under legal community and other support, and in expense under cases and court costs, and professional fees.

In addition, PILCOP receives a significant amount of additional professional services in connection with certain cases, which is not recognized in these statements as those individuals and firms may possibly be compensated if the cases result in a favorable outcome.

A substantial number of unpaid volunteers also donate their time and effort to PILCOP, in particular during 2009 significant such assistance was in connection with the move to the new office space. The value of these services is not recognized in the financial statements as they do not meet the criteria for recognition under FASB 116 ASC 598.

Net Assets

In accordance to FASB ASC 598 (formerly SFAS No. 117, "Financial Statements of Not-for-Profit Organizations"), PILCOP is reporting net assets as follows:

Unrestricted - Support contributions with donor-imposed restrictions are reported as unrestricted contributions when these restrictions are met in the same year that the contribution was received. All other revenues and expenses without donor restrictions will result in increases or decreases to unrestricted net assets. Dependent upon the availability of unrestricted net assets as of December 31, 2010 and 2009, the Board of Directors has designated \$25,300 to be used for educational purposes.

In addition, the board is currently considering the designation, for its National Disabilities Programs, of an additional \$40,070 which the Organization has received from certain sources.

Temporarily Restricted - Support contributions with donor-imposed restrictions that have not been met in the current year are reported as temporarily restricted net assets. Once the donor-imposed restrictions have been met, the net assets will be released to the unrestricted net assets.

Temporarily restricted funds consist of the following:

	<u>2010</u>	<u>2009</u>
Environmental projects	\$117,656	0
Specific case costs	16,949	21,943
Time restricted	27,050	26,640
Strategic Plan	0	20,234
Desegregation	0	2,650
Education	19,167	8,333
Special Event	0	3,500
	<u>\$180,822</u>	<u>\$83,300</u>

Permanently Restricted - Permanently restricted net assets are to be preserved in accordance with the donor's intentions. Income earned on the permanently restricted principal of a \$101,011 endowment can be used for operating purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Functional Allocation of Expenses**

The cost of providing the various programs and other activities have been summarized on a functional basis as detailed in Note 7. Costs are allocated to program and supporting services based on the specific nature of the expenditures.

**NOTE 3 - CERTIFICATE OF DEPOSIT**

Investments consist of the following at December 31 :

		<u>Cost</u>	<u>Unrealized Appreciation Depreciation</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<b><u>2010</u></b>					
Certificate of Deposit					
Sovereign Bank,					
0.06% interest, maturing 3/26/11	(A)	\$101,000	0	\$101,000	\$101,000
0.20% interest, maturing 3/18/11		40,069	0	40,069	40,069
0.20% interest, maturing 4/4/11	(A)	25,448	0	25,448	25,448
Common Stock		<u>2,482</u>	<u>7</u>	<u>2,489</u>	<u>2,489</u>
		<u>\$168,999</u>	<u>0</u>	<u>\$169,006</u>	<u>\$169,006</u>
Current Assets					\$ 67,995
Other Assets	(B)				<u>101,011</u>
					<u>\$169,006</u>
<b><u>2009</u></b>					
Certificate of Deposit					
Sovereign Bank,					
0.06% interest, maturing 2/28/10	(A)	\$126,447	0	\$126,447	\$126,447
0.20% interest, maturing 3/23/10	(A)	34,880	0	34,880	34,880
Common Stocks		<u>2,489</u>	<u>( 87)</u>	<u>2,402</u>	<u>2,402</u>
		<u>\$163,816</u>	<u>(\$87)</u>	<u>\$163,729</u>	<u>\$163,729</u>
Current Assets					\$ 62,718
Other Assets	(B)				<u>101,011</u>
					<u>\$163,729</u>

(A) - These certificates have subsequently been renewed for additional terms of three months each at the interest rate applicable at the renewal date.

(B) - Represents the \$101,011 of permanently restricted funds

Gains and losses (realized and unrealized) included in changes in net assets for the years ended December 31, 2010 and 2009 are reported in net losses on investments. All such losses for 2010 and 2009 were a result of transactions where values have been measure using Level 1 inputs.

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 3 - CERTIFICATE OF DEPOSIT - CONTINUED**

FASB ASC 820-10 (formerly No. 157, *Fair Value Measurements*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are those other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 inputs are those unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Organization, and Level 3 inputs are only used when Level 1 and 2 inputs are not available.

**Level 1 Fair Value Measurements**

The fair value of investments are based on quoted net asset values of the shares held at year-end.

**NOTE 4 - LINE OF CREDIT**

PILCOP has a \$120,000 revolving line of credit with Sovereign Bank dated March 24, 2009 renewable annually. Outstanding balances are due on demand and carry interest at the bank's prime rate, which is 3.25% at December 31, 2010. The line is secured by one of the organization's certificates of deposit. Draws on the line of credit are governed by a board-approved policy, under which the Executive Director has the discretion to make draws from the line of credit up to 80% of the line. Advance written approval is required from the Chair of the Audit/Finance committee and from the Chair of the Board, or their designees, before making any draws from the line of credit that would take the balance over 80% of the line.

The duration of outstanding balances on the line, and the expected repayments are monitored by the Audit/Finance committee.

The balance outstanding on the line as of December 31, 2010 and 2009 was \$119,917 and \$ 59,432.

**NOTE 5 - COMMITMENTS FOR LEASED FACILITIES AND EQUIPMENT**

PILCOP signed a ten-year lease beginning in November 2009 for office space rental. Rent expense for the year ended December 31, 2010 was \$114,100. Total rent expense for the year ended December 31, 2009 was \$125,828, including additional expenses of \$26,543 for real estate taxes and other common area expenses.

PILCOP also has lease payment due on two copiers, which expire in May 2011 and July 2014.

The future minimum rental payments for office space, not including utilities, real estate taxes and other overhead expenses passed through, and equipment for the next five years are as follows:

<u>Fiscal Year</u> <u>Ended December 31,</u>	<u>Office</u> <u>Space</u>	<u>Office</u> <u>Equipment</u>
2011	114,000	12,646
2012	114,000	9,156
2013	114,000	9,156
2014	113,288	5,341
2015	109,963	0
and thereafter	<u>434,625</u>	<u>0</u>
Total	<u>\$999,875</u>	<u>\$36,299</u>

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 6 - CONCENTRATION OF CREDIT RISK**

PILCOP maintains cash accounts in two banks. The FDIC insures the accounts held in each bank up to \$250,000. At times during the year, PILCOP may maintain cash balances in excess of the FDIC limits.

**NOTE 7 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

Program and support services were as follows for the year ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Program expenses - Law Center	\$1,100,204	\$1,396,806
Management & general	146,260	130,848
Fundraising	146,414	146,311
	<u>\$1,392,878</u>	<u>\$1,673,965</u>