

**PUBLIC INTEREST LAW CENTER
OF PHILADELPHIA**

**FINANCIAL STATEMENTS
December 31, 2009
(With Comparative Totals for 2008)**

PUBLIC INTEREST LAW CENTER OF PHILADELPHIA
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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, 2009, 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 2008 financial statements and, in our report dated May 26, 2009 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, 2009, 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

March 17, 2010

PUBLIC INTEREST LAW CENTER OF PHILADELPHIA

STATEMENT OF FINANCIAL POSITION

December 31, 2009

(With Comparative Totals for 2008)

	2009	2008
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 117,501	\$ 117,847
Investments	62,718	58,673
Accounts receivable	128,491	16,966
Grants receivable	26,640	39,695
Prepaid expenses	13,630	12,199
	\$ 348,980	\$ 245,380
 <u>PROPERTY AND EQUIPMENT</u>		
Furniture and equipment	\$ 115,336	\$ 44,488
Leasehold improvements	7,515	4,618
	\$ 122,851	\$ 49,106
Less: Accumulated depreciation	48,925	41,803
	\$ 73,926	\$ 7,303
 <u>OTHER ASSETS</u>		
Investments	\$ 101,011	\$ 101,011
	\$ 523,917	\$ 353,694
 <u>LIABILITIES & NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Line of credit	\$ 59,732	\$ 32,580
Accounts payable	102,510	90,702
Accrued expenses	87,060	93,546
Deferred revenue	42,262	23,976
	\$ 291,564	\$ 240,804
 <u>NET ASSETS</u>		
Unrestricted	\$ 55,042	\$ (42,641)
Temporarily restricted	76,300	54,520
Permanently restricted	101,011	101,011
	\$ 232,353	\$ 112,890
	\$ 523,917	\$ 353,694
 Total Liabilities & Net Assets	 \$ 523,917	 \$ 353,694

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, 2009
 (With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
REVENUE					
Foundations	\$ 48,000	\$ 68,381		\$ 116,381	\$ 56,290
Legal community & other support	981,607	1,000		982,607	695,919
Grants & contributions	0	42,400		42,400	47,300
Fee & out-of-pocket awards	595,554			595,554	396,125
Contracts and honorarium	46,809			46,809	12,349
Interest income	2,657	560		3,217	6,515
Other	6,461			6,461	15,767
Net assets released from restrictions	90,561	(90,561)		0	0
Total Revenue	\$ 1,771,649	\$ 21,780	0	\$ 1,793,429	\$ 1,230,265
EXPENSES					
Cases and court costs	\$ 574,310			\$ 574,310	\$ 438,838
Conference and travel	2,307			2,307	1,484
Duplicating and outside printing	3,587			3,587	2,827
Insurance	14,308			14,308	15,698
Library and subscriptions	7,268			7,268	6,404
Newsletter and fundraising	7,047			7,047	9,482
Office expense	45,971			45,971	41,241
Professional fees	87,178			87,178	13,025
Rent & electricity	125,828			125,828	116,868
Salaries and related expenses	736,506			736,506	686,550
Miscellaneous expenses	57,916			57,916	53,835
Depreciation	11,740			11,740	5,762
Total Expenses	\$ 1,673,966	0	0	\$ 1,673,966	\$ 1,392,014
Change in Net Assets	\$ 97,683	\$ 21,780	0	\$ 119,463	\$ (161,749)
Net Assets, Beginning	(42,641)	54,520	\$ 101,011	112,890	274,639
Net Assets, Ending	\$ 55,042	\$ 76,300	\$ 101,011	\$ 232,353	\$ 112,890

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, 2009
 (With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 119,463	\$ (161,749)
Adjustments to reconcile to cash from operations		
Donated office furniture and equipment	(69,682)	0
Related party loans reclassified as contribution revenue	0	(4,325)
Accounts payable amounts forgiven by creditors	(10,771)	(4,100)
Depreciation	11,740	5,762
(Increase) decrease in:		
Accounts receivable	(111,525)	80,853
Grants receivable	13,055	18,305
Prepaid expenses	(1,431)	2,733
Increase (decrease) in:		
Accounts payable	12,579	13,785
Accrued expenses	3,514	(13,040)
Deferred revenue	18,286	23,976
	<u>\$ (14,772)</u>	<u>\$ (37,800)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net increase in short term investments	\$ (4,045)	\$ (22,994)
Purchase of computer equipment	(1,166)	(4,569)
Purchase of leasehold improvements	(7,515)	0
	<u>\$ (12,726)</u>	<u>\$ (27,563)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowing on bank line of credit	\$ 27,152	\$ 32,580
	<u>\$ (346)</u>	<u>\$ (32,783)</u>
Net Decrease in Cash for Year		
Cash balance, beginning	117,847	150,630
Cash balance, ending	<u>\$ 117,501</u>	<u>\$ 117,847</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Cash paid for interest	<u>\$ 2,723</u>	<u>\$ 867</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, 2009 and 2008

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

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

The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If any amounts become uncollectible, they will be charged to operations when that determination is made. 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 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.

Contributed Services

As prescribed by FASB 116, PILCOP has recognized contributions of \$582,733 in professional services from 31 individuals and firms in 2009, and \$365,994 in professional services, from 29 individuals and firms in 2008, which were donated to the organization in connection with its operations. 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.

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Net Assets

In accordance to FAS 117, 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, 2009 and 2008, 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>2009</u>	<u>2008</u>
Specific case costs	\$21,943	\$24,825
Time restricted	26,640	29,695
Strategic Plan	13,234	0
Desegregation	2,650	0
Education	8,333	0
Special Event	3,500	0
	<u>\$76,300</u>	<u>\$54,520</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.

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.

Reclassification

Certain prior year's amounts have been reclassified to conform with the 2009 presentation.

**PUBLIC INTEREST LAW CENTER OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS**

December 31, 2009 and 2008

NOTE 3 - CERTIFICATE OF DEPOSIT

Investments consist of the following at December 31, 2009:

<u>2009</u>	<u>Cost</u>	<u>Unrealized Appreciation Depreciation</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
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	2,489	(87)	2,402	2,402
	<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>
 <u>2008</u>				
Certificate of Deposit				
Sovereign Bank,				
2.53% interest, maturing 4/28/09 (A)	\$125,275	0	\$125,275	\$125,275
0.20% interest, maturing 5/1/09 (A)	34,409	0	34,409	34,409
	<u>\$159,684</u>	<u>0</u>	<u>\$159,684</u>	<u>\$159,684</u>
Current Assets				\$ 58,673
Other Assets (B)				<u>101,011</u>
				<u>\$159,684</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, 2009 and 2008 are reported in net losses on investments. All such losses for 2009 and 2008 were a result of transactions where values have been measure using Level 1 inputs.

SFAS 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.

PUBLIC INTEREST LAW CENTER OF PHILADELPHIA

**NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4 - LINE OF CREDIT

PILCOP has a \$120,000 revolving line of credit with Sovereign Bank dated March 24, 2008 renewable annually. Outstanding balances are due on demand and carry interest at the bank's prime rate, which is 3.25% at December 31, 2009. 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 which limits such draws to 75% of the amounts contained in written commitments for payments that are expected to be received within 90 days. The policy also requires approval by the chair of the audit/finance committee and by the chair or vice chair of the board for each draw request. The balance outstanding on the line as of December 31, 2009 and 2008 was \$59,432 and \$32,580.

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, 2009, plus real estate taxes and other common area expenses were an additional \$26,543, for a total of \$125,828. The total for 2008 was \$116,868.

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 Ended December 31,</u>	<u>Office Space</u>	<u>Office Equipment</u>
2010	114,000	17,532
2011	114,000	12,646
2012	114,000	9,156
2013	114,000	9,156
2014	113,288	5,341
and thereafter	<u>544,588</u>	<u>0</u>
Total	<u>\$1,113,876</u>	<u>\$53,831</u>

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. At December 31, 2009 the amount in excess of the FDIC insured limit was approximately \$28,800.

NOTE 7 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Program and support services were as follows for the year ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Program expenses - Law Center	\$1,396,806	\$1,111,694
Management & general	130,848	165,780
Fundraising	146,311	114,540
	<u>\$1,673,965</u>	<u>\$1,392,014</u>