

WeiserMazars LLP

**Brooklyn Bar
Association
Volunteer Lawyers
Project, Inc.**

Financial Statements

December 31, 2014 and 2013



WeiserMazars

ACCOUNTING | TAX | ADVISORY

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

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December 31, 2014 and 2013

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Independent Auditors' Report

To the Board of Directors
Brooklyn Bar Association Volunteer Lawyers Project, Inc.

We have audited the accompanying financial statements of the Brooklyn Bar Association Volunteer Lawyers Project, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 the Brooklyn Bar Association Volunteer Lawyers Project, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WeiserMazars LLP

July 29, 2015

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 1,064,930	\$ 1,023,314
Contributions receivable	1,500	5,000
New York State funding receivable	150,430	60,917
Investments, at fair value	25,616	25,470
Security deposit	31,412	-
Property and equipment, net	5,585	8,697
	<hr/>	<hr/>
Total assets	\$ 1,279,473	\$ 1,123,398
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 15,116	\$ 24,936
Refundable advances	40,594	71,250
	<hr/>	<hr/>
Total liabilities	55,710	96,186
	<hr/>	<hr/>
Net assets		
Unrestricted	1,196,617	1,001,390
Temporarily restricted	1,546	1,826
Permanently restricted	25,600	23,996
	<hr/>	<hr/>
Total net assets	1,223,763	1,027,212
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,279,473	\$ 1,123,398
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The accompanying notes are an integral part of these financial statements.

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Statements of Activities

Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Public support:								
New York State funding	\$ 659,763	\$ -	\$ -	\$ 659,763	\$ 443,955	\$ -	\$ -	\$ 443,955
Contributions and grants	143,791	-	-	143,791	124,953	-	-	124,953
Donated services	2,725,000	-	-	2,725,000	2,243,750	-	-	2,243,750
Special events, net of direct costs of \$7,751 and \$66,386, respectively	25,127	-	-	25,127	180,715	-	-	180,715
Investment income (loss)	2,819	220	1,604	4,643	2,363	1,932	(742)	3,553
Other income	1,125	-	-	1,125	-	-	-	-
Net assets released from restrictions	500	(500)	-	-	500	(500)	-	-
Total revenue and support	3,558,125	(280)	1,604	3,559,449	2,996,236	1,432	(742)	2,996,926
Expenses								
Program	3,214,608	-	-	3,214,608	2,733,648	-	-	2,733,648
General and administrative	47,494	-	-	47,494	42,027	-	-	42,027
Fund-raising	100,796	-	-	100,796	111,624	-	-	111,624
Total expenses	3,362,898	-	-	3,362,898	2,887,299	-	-	2,887,299
Changes in net assets	195,227	(280)	1,604	196,551	108,937	1,432	(742)	109,627
Net assets - beginning of year	1,001,390	1,826	23,996	1,027,212	892,453	394	24,738	917,585
Net assets - end of year	<u>\$ 1,196,617</u>	<u>\$ 1,546</u>	<u>\$ 25,600</u>	<u>\$ 1,223,763</u>	<u>\$ 1,001,390</u>	<u>\$ 1,826</u>	<u>\$ 23,996</u>	<u>\$ 1,027,212</u>

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

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 196,551	\$ 109,627
Adjustments to reconcile net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	(146)	742
Depreciation	3,112	2,738
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	3,500	700
New York State funding receivable	(89,513)	(41,551)
Security deposit	(31,412)	-
Accounts payable and accrued expenses	(9,820)	13,441
Refundable advances	(30,656)	(58,167)
Net cash provided by operating activities	<u>41,616</u>	<u>27,530</u>
Cash flows from investing activities		
Purchase of marketable securities	-	(9,000)
Proceeds from sale of marketable securities	-	6,250
Purchase of equipment	-	(7,697)
Net cash used in investing activities	<u>-</u>	<u>(10,447)</u>
Net increase in cash and cash equivalents	41,616	17,083
Cash and cash equivalents		
Beginning	<u>1,023,314</u>	<u>1,006,231</u>
End	<u>\$ 1,064,930</u>	<u>\$ 1,023,314</u>

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

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

1. Organization and Nature of Activities

The Brooklyn Bar Association Volunteer Lawyers Project, Inc. ("VLP"), was incorporated under the laws of the State of New York. The Internal Revenue Service has determined that VLP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Since its founding in 1990 by the members of the Brooklyn Bar Association, and its incorporation as an independent not-for-profit organization on July 14, 1992, VLP has maintained as its objective, the practical realization of justice for the poor. VLP maintains a standing commitment to the principle that the legal system will fail unless it is accessible to all. Recognizing that the Federal Poverty Guidelines for obtaining service from other legal service providers excludes many members of the working poor, the elderly, and others, VLP endeavors to make available pro bono counsel to such underserved residents of Brooklyn, New York.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. VLP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

VLP considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

VLP maintains cash in multiple bank accounts which, at time, may exceed federally-insured limits. VLP has not experienced any losses in such accounts.

VLP also has approximately \$400,000 of cash in a brokerage account at December 31, 2014.

Investments

Investments are reported at their fair values in the statements of financial position, which is the prevailing market value. Unrealized gains and losses are included in the statement of activities.

Fair Value of Financial Instruments

VLP follows the accounting standards for fair value measurement and disclosures for financial assets and liabilities which clarify the definition of fair value, prescribe methods for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and expand disclosure about the use of fair value measurements. The following table presents financial assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Level 1 Fair Value Measurements:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Fair Value Measurements:

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full-term of the financial instrument.

Level 3 Fair Value Measurements:

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

At December 31, 2014 and 2013, all marketable equity and fixed income securities are classified as Level 1 within the fair value hierarchy.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets. Renewals and betterments that materially extend the life of the assets are capitalized.

Revenue Recognition and Refundable Advances

VLP recognizes funding from state agencies as revenue over the term of the grant period as stipulated in the grant agreement. Amounts received from grants in excess of the allocated amount earned in the current reporting period are recorded as refundable advances on the accompanying statements of financial position.

Contributions

VLP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restricted 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. Donor-restricted contributions whose restrictions are met within the same year as received are classified as unrestricted contributions in the accompanying financial statements.

New York State Funding

VLP receives funding from multiple state assistance programs that supplement its traditional funding sources. VLP recognizes the award as revenue over the term of the grant period as stipulated in the grant agreement.

In-Kind Contributions

In-kind contributions for services or the use of equipment, materials or facilities at less than fair value are recorded at their fair value in accordance with accounting literature, if the services (a) create or enhance non financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by PILnet. In-kind contributed goods and materials are recorded at their fair value.

Income Taxes

VLP is no longer subject to federal and state tax examinations by the respective taxing authorities for years prior to 2011.

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

3. Investments

Investments consist of the following:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Equities - preferred stocks	\$ 16,608	\$ 16,889	\$ 16,608	\$ 16,450
Fixed income - mutual funds	9,000	8,711	9,000	9,020
	<u>\$ 25,608</u>	<u>\$ 25,600</u>	<u>\$ 25,608</u>	<u>\$ 25,470</u>

Investment income from this investment for the years ended December 31, 2014 and 2013 is summarized as follows:

	2014	2013
Interest and dividend income	\$ 4,497	\$ 4,295
Net realized losses	-	(477)
Net unrealized gains (losses)	146	(265)
	<u>\$ 4,643</u>	<u>\$ 3,553</u>

4. Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation, as follows:

	Estimated Useful Life	2014	2013
Office equipment	5 Years	\$ 24,832	\$ 24,832
Computer equipment	5 Years	7,697	7,697
Furniture and fixtures	7 Years	5,364	5,364
		<u>37,893</u>	<u>37,893</u>
Less accumulated depreciation		<u>32,308</u>	<u>29,196</u>
		<u>\$ 5,585</u>	<u>\$ 8,697</u>

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2014</u>	<u>2013</u>
The Christopher Slattery Fund	\$ 1,546	\$ 1,826

6. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity, the investment income from which is available for the following purpose at December 31:

	<u>2014</u>	<u>2013</u>
The Christopher Slattery Fund (a)	\$ 25,600	\$ 23,996

(a) A memorial fund created in memory and honor of Christopher Slattery. Investment income earned in the fund is available for a \$500 annual grant to be awarded to a young attorney who has demonstrated outstanding commitment to provided pro bono representation of the indigent.

VLP's endowment consists of a donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

The Board of Directors of VLP has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, VLP classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by VLP in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, VLP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of VLP and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of VLP
- (7) Where appropriate and circumstances would otherwise warrant, alternative to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have had on VLP
- (8) The investment policy of VLP.

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Endowment Net Assets by Type of Fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,546	\$ 25,600	\$ 27,146

Changes in Endowment Net Assets for the Year Ended December 31, 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 1,826	\$ 23,996
Investment return:		
Investment income	696	-
Net appreciation (realized and unrealized)	-	1,604
Investment fees	(476)	-
Total investments return	<u>220</u>	<u>1,604</u>
Appropriation of endowment for expenditure	<u>(500)</u>	<u>-</u>
Contributions	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 1,546</u>	<u>\$ 25,600</u>

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

Changes in Endowment Net Assets for the Year Ended December 31, 2013:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 394	\$ 24,738
Investment return:		
Investment income	1,962	-
Net appreciation (realized and unrealized)		(742)
Investment fees	(30)	-
Total investments return	<u>1,932</u>	<u>(742)</u>
Appropriation of endowment for expenditure	<u>(500)</u>	<u>-</u>
Contributions	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 1,826</u>	<u>\$ 23,996</u>

7. Donated Services

VLP receives donated services from unpaid volunteers, which includes lawyers, law students and others. For the years ended December 31, 2014 and 2013, the amount of volunteer hours received was 10,900 and 8,975, respectively, and has been determined to have a fair value of \$250 per hour. All of the donated services were provided directly to clients of VLP. These donated services did not include any professional services provided directly to VLP for its corporate purposes. Donated legal services were valued at \$250 per hour for 2014 and 2013, which is the hourly rate used by New York State IOLA. Total donated services for the year ended December 31, 2014 and 2013 amounted to \$2,725,000 and \$2,243,750, respectively.

8. Lease Commitments

VLP entered into a non-cancellable operating lease for its office space which commenced in November 2014. Future minimum rental payments under this lease are:

<u>Years Ending</u>	<u>Amount</u>
2015	\$ 57,874
2016	57,874
2017	57,874
2018	57,874
2019	<u>53,051</u>
	<u>\$ 284,547</u>

Rent expense for the year ending December 31, 2014 was \$5,235.

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Notes to Financial Statements

Years Ended December 31, 2014 and 2013

9. Functional Expenses

Expenses incurred were for the following:

	Year Ended December 31, 2014				2013
	Program Services	General and Administrative	Fundraising	Total	Summarized Comparative Total
Payroll and payroll taxes	\$ 376,291	\$ 31,019	\$ 54,284	\$ 461,594	\$ 447,267
Employee benefits	32,400	2,670	4,672	39,742	71,501
Legal services (Note 7)	2,725,000	-	-	2,725,000	2,243,750
Insurance	8,501	-	-	8,501	6,833
Development consultant	17,864	-	41,684	59,548	71,752
Professional fees	12,500	-	-	12,500	10,000
Office expense	19,048	12,699	-	31,747	17,250
Program expenses	6,224	-	-	6,224	5,370
Telephone	4,875	542	-	5,417	5,243
Depreciation	2,645	311	156	3,112	2,738
Recruitment and recognition	2,356	-	-	2,356	4,076
Donations	915	-	-	915	650
Christopher Slattery Award	500	-	-	500	500
Repairs and maintenance	-	-	-	-	-
Rent	5,235	-	-	5,235	-
Miscellaneous	254	253	-	507	369
Total	<u>\$ 3,214,608</u>	<u>\$ 47,494</u>	<u>\$ 100,796</u>	<u>\$ 3,362,898</u>	<u>\$ 2,887,299</u>

The functional expenses above include certain prior-year summarized comparative information in total, but not by functional expense. Accordingly, such information should be read in conjunction with the VLP's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

10. Employee Benefit Plan

VLP provides a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees of VLP and does not contain any eligibility requirements. Participation is entirely voluntary and VLP does not make any contributions for participating employees. Employees may make voluntary contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

11. Subsequent Events

VLP has evaluated subsequent events through July 29, 2015, the date that the financial statements were available to be issued.

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