

WeiserMazars LLP

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

Financial Statements

December 31, 2015 and 2014



Brooklyn Bar Association Volunteer Lawyers Project, Inc

Contents

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

A handwritten signature in black ink that reads 'WeiserMazars LLP'.

July 26, 2016

Brooklyn Bar Association Volunteer Lawyers Project, Inc.

Statements of Financial Position

December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 784,566	\$ 1,064,930
New York State funding receivable	344,867	150,430
Contributions receivable	26,000	1,500
Prepaid expenses	8,155	
Investments, at fair value	415,180	25,616
Security deposit	31,412	31,412
Property and equipment, net	102,206	5,585
	<hr/>	<hr/>
Total assets	\$ 1,712,386	\$ 1,279,473
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Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 26,198	\$ 15,116
Refundable advances	40,594	40,594
	<hr/>	<hr/>
Total liabilities	66,792	55,710
	<hr/>	<hr/>
Net assets		
Unrestricted	1,599,074	1,196,617
Temporarily restricted	22,649	1,546
Permanently restricted	23,871	25,600
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Total net assets	1,645,594	1,223,763
	<hr/>	<hr/>
Total liabilities and net assets	\$ 1,712,386	\$ 1,279,473
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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, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support								
Public support:								
New York State funding	\$ 748,646	\$ -	\$ -	\$ 748,646	\$ 659,763	\$ -	\$ -	\$ 659,763
Contributions and grants	213,486	20,000	-	233,486	143,791	-	-	143,791
Donated services	3,100,250	-	-	3,100,250	2,725,000	-	-	2,725,000
Special events, net of direct costs of \$145,066 and \$7,751, respectively	239,779	-	-	239,779	25,127	-	-	25,127
Investment income (loss)	7,337	1,603	(1,729)	7,211	2,819	220	1,604	4,643
Other income	-	-	-	-	1,125	-	-	1,125
Net assets released from restrictions	500	(500)	-	-	500	(500)	-	-
Total revenue and support	4,309,998	21,103	(1,729)	4,329,372	3,558,125	(280)	1,604	3,559,449
Expenses								
Program	3,758,169	-	-	3,758,169	3,214,608	-	-	3,214,608
General and administrative	89,019	-	-	89,019	47,494	-	-	47,494
Fund-raising	60,353	-	-	60,353	100,796	-	-	100,796
Total expenses	3,907,541	-	-	3,907,541	3,362,898	-	-	3,362,898
Changes in net assets	402,457	21,103	(1,729)	421,831	195,227	(280)	1,604	196,551
Net assets - beginning of year	1,196,617	1,546	25,600	1,223,763	1,001,390	1,826	23,996	1,027,212
Net assets - end of year	<u>\$ 1,599,074</u>	<u>\$ 22,649</u>	<u>\$ 23,871</u>	<u>\$ 1,645,594</u>	<u>\$ 1,196,617</u>	<u>\$ 1,546</u>	<u>\$ 25,600</u>	<u>\$ 1,223,763</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, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 421,831	\$ 196,551
Adjustments to reconcile net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	8,208	(146)
Depreciation	12,378	3,112
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Contributions receivable	(24,500)	3,500
New York State funding receivable	(194,437)	(89,513)
Security deposit	-	(31,412)
Prepaid expenses	(8,155)	
Accounts payable and accrued expenses	11,082	(9,820)
Refundable advances	-	(30,656)
Net cash provided by operating activities	<u>226,407</u>	<u>41,616</u>
Cash flows from investing activities		
Purchase of marketable securities	(489,313)	-
Proceeds from sale of marketable securities	91,541	-
Purchase of equipment	(108,999)	-
Net cash used in investing activities	<u>(506,771)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(280,364)	41,616
Cash and cash equivalents		
Beginning	<u>1,064,930</u>	<u>1,023,314</u>
End	<u>\$ 784,566</u>	<u>\$ 1,064,930</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, 2015 and 2014

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. As of December 31, 2015, cash and cash equivalents with one financial institution exceeded Federal Deposit Insurance Corporation limits of \$250,000 per institution. As of December 31, 2015, the total uninsured cash balance was approximately \$405,000. VLP has not experienced any losses in such accounts.

VLP also has approximately \$129,000 of cash in a brokerage account at December 31, 2015.

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, 2015 and 2014

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.

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.

Contributions received from members of VLP's Board of Directors to approximately \$95,000 in 2015.

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 VLP. 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 2012.

Brooklyn Bar Association Volunteer Lawyers Project, Inc

Notes to Financial Statements

Years Ended December 31, 2015 and 2014

3. Pledges Receivable

Pledges receivable include unconditional promises to give for the 44 Court Campaign as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 5,000	\$ -
Receivable in one to five years	15,000	-
	<u>\$ 20,000</u>	<u>\$ -</u>

4. Investments

Investments consist of the following at December 31, 2015:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Preferred stocks	\$ 63,850	\$ 63,850	\$ -	\$ -
Common stocks	197,920	197,920	-	-
Corporate bonds	50,012	-	50,012	-
Mutual funds - fixed income	103,398	103,398	-	-
	<u>\$ 415,180</u>	<u>\$ 365,168</u>	<u>\$ 50,012</u>	<u>\$ -</u>

Investments consist of the following at December 31, 2014:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Preferred stocks	\$ 16,897	\$ 16,897	\$ -	\$ -
Common stocks	-	-	-	-
Corporate bonds	-	-	-	-
Mutual funds - fixed income	8,719	8,719	-	-
	<u>\$ 25,616</u>	<u>\$ 25,616</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2015 and 2014, no security represents more than 10% of investments.

Brooklyn Bar Association Volunteer Lawyers Project, Inc

Notes to Financial Statements

Years Ended December 31, 2015 and 2014

Investment income from these investments for the years ended December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 13,820	\$ 4,497
Net realized gains (losses)	1,599	-
Net unrealized gains (losses)	<u>(8,208)</u>	<u>146</u>
Total investment income	<u>\$ 7,211</u>	<u>\$ 4,643</u>

5. Property and Equipment

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

	Estimated Useful Life	<u>2015</u>	<u>2014</u>
Office equipment	5 Years	\$ 25,502	\$ 24,832
Computer equipment	5 Years	23,663	7,697
Furniture and fixtures	7-10 Years	88,514	5,364
		<u>137,679</u>	<u>37,893</u>
Less accumulated depreciation		<u>35,473</u>	<u>32,308</u>
		<u>\$ 102,206</u>	<u>\$ 5,585</u>

6. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
The Christopher Slattery Fund	\$ 2,649	\$ 1,546
44 Court Campaign (to fund the new offices)	<u>20,000</u>	<u>-</u>
	<u>\$ 22,649</u>	<u>\$ 1,546</u>

Brooklyn Bar Association Volunteer Lawyers Project, Inc

Notes to Financial Statements

Years Ended December 31, 2015 and 2014

7. 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>2015</u>	<u>2014</u>
The Christopher Slattery Fund (a)	\$ 23,871	\$ 25,600

(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 provide 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, 2015 and 2014

Endowment Net Assets by Type of Fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 22,649	\$ 23,871	\$ 46,520

Changes in Endowment Net Assets for the Year Ended December 31, 2015:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 1,546	\$ 25,600
Investment return:		
Investment income	1,603	-
Net appreciation (realized and unrealized)	-	(1,729)
Investment fees	-	-
Total investments return	<u>1,603</u>	<u>(1,729)</u>
Appropriation of endowment for expenditure	<u>(500)</u>	<u>-</u>
Contributions	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 2,649</u>	<u>\$ 23,871</u>

Brooklyn Bar Association Volunteer Lawyers Project, Inc
Notes to Financial Statements
Years Ended December 31, 2015 and 2014

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	<u>(476)</u>	<u>-</u>
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><u>\$ 1,546</u></u>	<u><u>\$ 25,600</u></u>

8. Donated Services

VLP receives donated services from unpaid volunteers, which includes lawyers, law students and others. For the years ended December 31, 2015 and 2014, the amount of volunteer hours received was 12,400 and 10,900, respectively. 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 2015 and 2014, which is the hourly rate used by New York State IOLA. Total donated services for the year ended December 31, 2015 and 2014 amounted to \$3,100,250 and \$2,725,000, respectively.

9. Lease Commitments

VLP leases its office space under a non-cancellable operating lease expiring in October 2019. Future minimum rental payments under this lease are as follows:

Building	<u>Years Ending</u>	<u>Amount</u>
	2016	\$ 61,399
	2017	63,240
	2018	65,138
	2019	<u>61,501</u>
		<u><u>\$ 251,278</u></u>

Rent expense for the year ending December 31, 2015 and 2014 was \$59,990 and \$5,235, respectively.

Brooklyn Bar Association Volunteer Lawyers Project, Inc

Notes to Financial Statements

Years Ended December 31, 2015 and 2014

10. Functional Expenses

Expenses incurred were for the following:

	Year Ended December 31, 2015				2014
	Program Services	General and Administrative	Fundraising	Total	Summarized Comparative Total
Payroll and payroll taxes	\$ 486,892	\$ 39,175	\$ 33,579	\$ 559,646	\$ 461,594
Employee benefits	33,178	384	323	33,885	39,742
Legal services (Note 7)	3,100,250	-	-	3,100,250	2,725,000
Insurance	8,287	1,463	-	9,750	8,501
Development consultant	5,699	-	13,298	18,997	59,548
Professional fees	-	14,449	-	14,449	12,500
Office expense	17,838	14,270	3,568	35,676	31,747
Program expenses	15,246	-	-	15,246	6,224
Telephone	10,592	1,246	623	12,461	5,417
Depreciation	10,522	1,238	619	12,379	3,112
Recruitment and recognition	5,084	-	-	5,084	2,356
Donations	2,950	-	-	2,950	915
Christopher Slattery Award	500	-	-	500	500
Rent	47,992	5,999	5,999	59,990	5,235
Information technology	11,718	9,374	2,344	23,436	-
Miscellaneous	1,421	1,421	-	2,842	507
Total	<u>\$ 3,758,169</u>	<u>\$ 89,019</u>	<u>\$ 60,353</u>	<u>\$ 3,907,541</u>	<u>\$ 3,362,898</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, 2014, from which the summarized information was derived.

11. Employee Benefit Plan

During the year, VLP provided a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covered all employees of VLP and did not contain any eligibility requirements. Participation is entirely voluntary and VLP did 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. In November 2015, VLP converted the tax-deferred annuity plan to the Brooklyn Bar Association Volunteer 401(k) Profit Sharing Plan, a defined contribution retirement plan covering all employees. As at December 31, 2015, VLP has not made any contribution for participating employees. The plan covers all employees of VLP who meet the eligibility requirements of completing two consecutive Months of Eligibility Service beginning on the Employee's date of hire. Participation is entirely voluntary and VLP did not make any contributions for participating employees. From January 2016, VLP will match the participant's contribution up to 3.5% of their compensation for the Plan year, as defined in the Plan.

Brooklyn Bar Association Volunteer Lawyers Project, Inc

Notes to Financial Statements

Years Ended December 31, 2015 and 2014

12. Subsequent Events

VLP has evaluated subsequent events through July 26, 2016, the date that the financial statements were available to be issued.

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