

Regional Housing Legal Services

Financial Statements and
Supplementary Information

Years Ended June 30, 2014 and 2013 with
Independent Auditor's Reports

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®
www.md-cpas.com

REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statement of Activities – Year Ended June 30, 2014	2
Statement of Activities – Year Ended June 30, 2013	3
Statement of Functional Expenses – Year Ended June 30, 2014	4
Statement of Functional Expenses – Year Ended June 30, 2013	5
Statements of Cash Flows	6
Notes to Financial Statements	7

Supplementary Information:

Schedule of Revenues and Other Support, Expenses, and Changes in Net Assets by Primary Funding Sources – Legal Services for Housing and Community Development	15
Schedule of Revenues and Other Support, Expenses, and Changes in Net Assets by Primary Funding Sources – Pennsylvania Utility Law Project	17

Independent Auditor's Report in Accordance with *Government Auditing Standards*:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
---	----

Independent Auditor's Report

The Board of Directors
Regional Housing Legal Services

Report on the Financial Statements

We have audited the accompanying financial statements of Regional Housing Legal Services (RHLS) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, 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 of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 RHLS as of June 30, 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.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Revenues and Other Support, Expenses, and Changes in Net Assets by Primary Funding Sources, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of RHLS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RHLS's internal control over financial reporting and compliance.

Mahe Duessel

Harrisburg, Pennsylvania
October 8, 2014

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 360,806	\$ 337,249
Accounts receivable:		
Pennsylvania Legal Aid Network	57,716	43,362
Other receivables	373,251	426,985
Promises to give	-	508,966
Prepaid expenses	33,713	39,911
Total Assets	<u>\$ 825,486</u>	<u>\$ 1,356,473</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 20,848	\$ 28,684
Total Liabilities	<u>20,848</u>	<u>28,684</u>
Net Assets:		
Unrestricted	583,374	570,772
Temporarily restricted	221,264	757,017
Total Net Assets	<u>804,638</u>	<u>1,327,789</u>
Total Liabilities and Net Assets	<u>\$ 825,486</u>	<u>\$ 1,356,473</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	2014						
	Unrestricted			Temporarily Restricted			
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	Total	Total
Revenue and Support:							
Purely public charities	\$ 1,026,169	\$ 303,114	\$ 1,329,283	\$ 2,000	\$ 2,860	\$ 4,860	\$ 1,334,143
Foundations	342,705	-	342,705	83,787	40,000	123,787	466,492
Individuals	12,051	500	12,551	-	-	-	12,551
In-kind contributions	-	2,356	2,356	-	-	-	2,356
Interest income	469	63	532	-	-	-	532
Other revenue	261	-	261	-	-	-	261
Subtotal	1,381,655	306,033	1,687,688	85,787	42,860	128,647	1,816,335
Net assets released from restrictions	644,855	19,545	664,400	(644,855)	(19,545)	(664,400)	-
Total revenue and support	2,026,510	325,578	2,352,088	(559,068)	23,315	(535,753)	1,816,335
Expenses:							
Program services	1,760,770	305,742	2,066,512	-	-	-	2,066,512
Management and general	208,918	18,760	227,678	-	-	-	227,678
Fundraising	44,720	576	45,296	-	-	-	45,296
Total expenses	2,014,408	325,078	2,339,486	-	-	-	2,339,486
Change in Net Assets	12,102	500	12,602	(559,068)	23,315	(535,753)	(523,151)
Net Assets:							
Beginning of year	570,772	-	570,772	724,095	32,922	757,017	1,327,789
End of year	<u>\$ 582,874</u>	<u>\$ 500</u>	<u>\$ 583,374</u>	<u>\$ 165,027</u>	<u>\$ 56,237</u>	<u>\$ 221,264</u>	<u>\$ 804,638</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	2013						
	Unrestricted			Temporarily Restricted			
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	Total	Total
Revenue and Support:							
Purely public charities	\$ 987,110	\$ 285,138	\$ 1,272,248	\$ 210,115	\$ 32,922	\$ 243,037	\$ 1,515,285
Foundations	154,706	-	154,706	143,736	-	143,736	298,442
Individuals	108,724	-	108,724	-	-	-	108,724
In-kind contributions	12,098	10,395	22,493	-	-	-	22,493
Interest income	458	63	521	-	-	-	521
Other revenue	7,374	-	7,374	4,900	-	4,900	12,274
Subtotal	1,270,470	295,596	1,566,066	358,751	32,922	391,673	1,957,739
Net assets released from restrictions	731,489	2,300	733,789	(731,489)	(2,300)	(733,789)	-
Total revenue and support	2,001,959	297,896	2,299,855	(372,738)	30,622	(342,116)	1,957,739
Expenses:							
Program services	1,647,181	270,989	1,918,170	-	-	-	1,918,170
Management and general	269,530	25,657	295,187	-	-	-	295,187
Fundraising	65,525	1,250	66,775	-	-	-	66,775
Total expenses	1,982,236	297,896	2,280,132	-	-	-	2,280,132
Change in Net Assets	19,723	-	19,723	(372,738)	30,622	(342,116)	(322,393)
Net Assets:							
Beginning of year	551,049	-	551,049	1,096,833	2,300	1,099,133	1,650,182
End of year	<u>\$ 570,772</u>	<u>\$ -</u>	<u>\$ 570,772</u>	<u>\$ 724,095</u>	<u>\$ 32,922</u>	<u>\$ 757,017</u>	<u>\$ 1,327,789</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	2014					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,103,693	\$ 234,008	\$ 1,337,701	\$ 145,398	\$ 18,470	\$ 1,501,569
Fringe benefits	291,933	39,697	331,630	36,670	4,176	372,476
Consultants and contractors	191,104	6,475	197,579	15,706	21,300	234,585
Travel	34,938	4,670	39,608	6,260	52	45,920
Space costs	66,995	9,566	76,561	8,467	773	85,801
Consumable supplies	17,235	711	17,946	2,092	224	20,262
Equipment-related expense	9,594	2,280	11,874	-	-	11,874
Other	45,278	8,335	53,613	13,085	301	66,999
Total expenses before depreciation	1,760,770	305,742	2,066,512	227,678	45,296	2,339,486
Depreciation and amortization	-	-	-	-	-	-
Total expenses	\$ 1,760,770	\$ 305,742	\$ 2,066,512	\$ 227,678	\$ 45,296	\$ 2,339,486

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

2013

	Program Services		Total	Management and General	Fund- raising	Total
	Housing and Community Development	Pennsylvania Utility Law Project				
Expenses:						
Salaries	\$ 1,009,217	\$ 206,037	\$ 1,215,254	\$ 180,160	\$ 26,678	\$ 1,422,092
Fringe benefits	268,669	31,127	299,796	46,293	7,115	353,204
Consultants and contractors	136,248	13,258	149,506	31,281	25,372	206,159
Travel	24,597	2,528	27,125	5,031	87	32,243
Space costs	63,257	10,179	73,436	10,905	1,460	85,801
Consumable supplies	16,043	1,621	17,664	2,686	417	20,767
Equipment-related expense	44,585	-	44,585	-	-	44,585
Other	84,065	6,239	90,304	18,831	5,646	114,781
Total expenses before depreciation	1,646,681	270,989	1,917,670	295,187	66,775	2,279,632
Depreciation and amortization	500	-	500	-	-	500
Total expenses	\$ 1,647,181	\$ 270,989	\$ 1,918,170	\$ 295,187	\$ 66,775	\$ 2,280,132

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Cash received from contracts, grants and contributions	\$ 2,361,532	\$ 2,123,242
Interest received	532	521
Other income received	261	12,274
Cash paid to employees and related fringe benefits	(1,874,045)	(1,775,296)
Cash paid for other expenses	(464,723)	(453,527)
Net cash provided by (used in) operating activities	<u>23,557</u>	<u>(92,786)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	23,557	(92,786)
Cash and Cash Equivalents:		
Beginning of year	<u>337,249</u>	<u>430,035</u>
Ending of year	<u><u>\$ 360,806</u></u>	<u><u>\$ 337,249</u></u>
Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	\$ (523,151)	\$ (322,393)
Adjustments to reconcile change in net assets to net cash provided used in operating activities:		
Depreciation and amortization	-	500
(Increase) decrease in:		
Accounts receivable	39,380	123,528
Promises to give	508,966	77,263
Prepaid expenses	6,198	22,695
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(7,836)</u>	<u>5,621</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 23,557</u></u>	<u><u>\$ (92,786)</u></u>

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Regional Housing Legal Services (RHLS) is a nonprofit corporation organized to build more self-sufficient communities by providing legal services and technical assistance to clients who develop affordable housing and engage in neighborhood revitalization and economic development activities throughout Pennsylvania. RHLS is part of a network of separate organizations, each with its own management team serving all of Pennsylvania's 67 counties. RHLS represents its clients in matters relating to the development of affordable housing with support from discretionary government funding, the philanthropic community and the volunteer services or attorneys and others. RHLS receives funding from Pennsylvania Legal Aid Network (PLAN) (formerly Pennsylvania Legal Services) and other foundations and government grants.

Basis of Accounting

The financial statements of RHLS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. RHLS recognizes contract revenue received as unrestricted support to the extent that eligible costs are incurred and as temporarily restricted support to the extent that eligible costs have yet to be incurred or additional time restrictions apply.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of RHLS and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of RHLS and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by RHLS.

Management's use of Estimates

The preparation of financial statements in conformity 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 and disclosure of

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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.

In-Kind Contributions

In-kind contributions are recorded at fair market value at the time of receipt. The contributions are recognized as both support and expenses in the Statement of Activities. Only those services that create or enhance non-financial assets, require skills and are provided by such individuals possessing those skills and would typically need to be purchased, if not by donation, are recognized in the financial statements. In-kind contributed services totaled \$2,356 and \$22,493 for the years ended June 30, 2014 and 2013, respectively, and consisted of pro bono legal services. The legal fees are recorded at attorney's cost, based on the market rate of the attorney providing legal services.

Exchange Transactions

Services to other legal services and housing organizations and contracts directly with governmental entities that are unrestricted reciprocal transfers are accounted for as exchange transactions. Revenue is recorded as earned and an allowance for uncollectibility against receivables is considered if there is an indication that the organization is unable to pay for services rendered. The receivable would be written off after collection efforts have been exhausted. No allowance was deemed warranted at June 30, 2014 and 2013.

Expense Allocation

The costs of providing services have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated to the program and support services benefited.

Income Tax Status

RHLS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, RHLS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

Further, RHLS annually files a Form 990, which is subject to examination by the Internal Revenue Service generally for three years after it is filed.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, RHLS considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

RHLS maintains a separate interest-bearing checking account for funding received from the Pennsylvania Interest on Lawyers' Trust Accounts (IOLTA) through PLAN, as required by policy enacted by the PA IOLTA Board effective November 1, 2010.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost. Depreciation is computed using the straight-line method. Depreciation and amortization expense applied against support and revenues were zero and \$500 for the years ended June 30, 2014 and 2013, respectively.

Concentration of Grants

RHLS is funded on a year-to-year basis through a contract with PLAN. For the years ended June 30, 2014 and 2013, approximately 39% and 43%, respectively, of RHLS's funding was received from PLAN. Funding for the contract is provided for by the Commonwealth of Pennsylvania Department of Public Welfare (DPW) with Commonwealth and Federal Title XX funds, IOLTA and by other non-DPW public and private sources. RHLS also receives funding from various foundations.

Restricted and Unrestricted Revenue and Support

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Funding Source Expense Allocation

RHLS allocates expenses among PLAN and other funding sources. The allocation of expenses among funding sources is based on a timekeeping system for personnel costs and allocation of common expenses based on the relative personnel cost base. The funding source expense allocation is summarized on the Schedule of Revenues and Other Support, Expenses and Changes in Net Assets by Primary Funding Sources included in supplementary information.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. PROMISES TO GIVE

As of June 30, 2014 and 2013, RHLS had promises to give of zero and \$508,966, respectively. The promises to give at June 30, 2013 were collected within one year and were reported at net realizable value.

3. PENSION PLANS

RHLS maintains a 403(b) retirement savings plan for all eligible employees. Under the plan, a percentage of the eligible employees' gross wages is contributed to the plan by RHLS. The percentage contributed is based upon the employees' years of service.

As of May 1, 2011, RHLS established a tax-exempt 457(b) "Top Hat" plan for a select group of employees. The purpose of the plan is to provide deferred compensation for these employees. Contributions to the plan can consist of employee and employer contributions. The assets of the plan are subject to claims of creditors of RHLS.

Contributions to the plans amount to \$97,750 and \$94,753 for the years ended June 30, 2014 and 2013, respectively.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

4. RELATED PARTY TRANSACTIONS

RHLS appoints two members from its Board of Directors to serve on the Board of Directors of Commonwealth Housing Development Corporation (CHDC), which has a total of five board members. As explained in Note 5, CHDC leases the Glenside facilities to RHLS. RHLS is also the guarantor on behalf of CHDC at June 30, 2014 and 2013 in the amounts of \$94,655 and \$116,784, respectively, for a mortgage on the building in Glenside.

RHLS is a beneficiary of a supporting organization, Commonwealth Housing Legal Services (CHLS), whose charitable purpose is to support RHLS and CHDC. The Chief Counsel for RHLS is the Executive Director for CHLS and the two corporations have overlapping board members. For the years ended June 30, 2014 and 2013, the organization received \$381,849 and \$200,000 in total from CHLS and, at June 30, 2014 and 2013, had \$167,698 and \$30,000 due from CHLS, respectively.

5. LEASES AND COMMITMENTS

RHLS leases office facilities in Glenside, Pittsburgh, Harrisburg and Gettysburg, Pennsylvania. The leases hold RHLS responsible for fixed monthly rental payments, plus certain real estate and utility expenses. Total annual rent expense for the years ended June 30, 2014 and 2013 was \$68,964 and \$70,644, respectively.

The office facilities in Glenside, Pennsylvania are leased from CHDC, a nonprofit organization. The lease is renewable on a month-to-month basis with rent currently set at \$4,300 per month. Either party may cancel the lease by giving the other party a 90-day notice. Total rent paid to CHDC for the years ended June 30, 2014 and 2013 was \$51,600 per year.

The office facilities in Harrisburg, Pennsylvania are leased from PLAN, a nonprofit organization. The lease is renewable on a year-to-year basis with rent currently set at \$597 per month. Either party may cancel the lease by giving the other party a 30-day notice. Total rent paid to PLAN for the years ended June 30, 2014 and 2013 was \$7,164 and \$9,033, respectively.

The Pittsburgh and Gettysburg leases are renewable on a month-to-month basis.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

6. FUNDING

RHLS receives funding from PLAN, the Pennsylvania IOLTA Board and various foundations and corporations such as Independence Foundation, Department of Community and Economic Development and the William Penn Foundation.

Funding from IOLTA requires that no more than 10% of the grant be carried over to a subsequent fiscal year. The recipient may request a written waiver to carry over up to 25% to the subsequent fiscal year. No such waiver was required for the year ended June 30, 2014. During the year ended June 30, 2013, RHLS obtained a waiver from the Pennsylvania IOLTA Board to carry over excess amounts of unspent Homeowner Assistance Settlement Act (HASA) funds. The waiver was to carry over up to \$65,800 of the remaining funding. At June 30, 2013, RHLS carried over \$44,490, which was included in temporarily restricted net assets.

7. LINE OF CREDIT

RHLS has an unsecured line of credit of \$400,000 at 3.5% at June 30, 2014. The line expires November 30, 2014. There was no balance on the line of credit at June 30, 2014 and 2013.

8. CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject RHLS to concentration of credit risk, consist principally of temporary cash investments. RHLS invests its temporary cash with several financial institutions. The cash balances are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The balances, at times, may exceed federally insured limits.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

9. NET ASSETS

Net assets as of June 30, 2014 and 2013 consist of the following:

	2014		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Unrestricted Net Assets	\$ 582,874	\$ 500	\$ 583,374
Temporarily Restricted Net Assets:			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	31,582	-	31,582
Plan MLK	2,000	2,860	4,860
PNC Foundation	6,205	-	6,205
Oak Foundation	10,490	-	10,490
McAuley	25,000	-	25,000
The Heinze Endowments	50,000	-	50,000
Action Housing	18,750	-	18,750
Energy Foundation	10,000	40,000	50,000
PLAN AJA	-	10,907	10,907
PLAN IOLTA	-	2,470	2,470
Philadelphia Foundation	11,000	-	11,000
Total temporarily restricted net assets	165,027	56,237	221,264
Total net assets	\$ 747,901	\$ 56,737	\$ 804,638

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

	2013		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Unrestricted Net Assets	\$ 570,772	\$ -	\$ 570,772
Temporarily Restricted Net Assets:			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	30,000	-	30,000
Plan MLK	4,900	-	4,900
Connelly Foundation	50,000	-	50,000
Oak Foundation	157,890	-	157,890
United Way of SE PA	20,000	-	20,000
The Heinz Endowments	251,190	-	251,190
Action Housing	56,250	-	56,250
Project HOME	109,375	-	109,375
PLAN AJA	-	24,175	24,175
PLAN IOLTA	-	8,747	8,747
PLAN AJA Foreclosure	44,490	-	44,490
Total temporarily restricted net assets	<u>724,095</u>	<u>32,922</u>	<u>757,017</u>
Total net assets	<u>\$ 1,294,867</u>	<u>\$ 32,922</u>	<u>\$ 1,327,789</u>

10. CONTINGENCIES

Grants received are subject to audit and adjustment by grantor agencies, principally PLAN. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although RHLS expects such amounts, if any, to be immaterial.

Supplementary Information

REGIONAL HOUSING LEGAL SERVICES

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES - LEGAL SERVICES FOR HOUSING AND COMMUNITY DEVELOPMENT

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Pennsylvania Legal Aid Network						Totals		
	Federal Title XX	State	Access to Justice Act	IOLTA	IOLTA Mortgage Foreclosure	Total	Other	2014	2013
Revenue and Other Support:									
Purely public charities	\$ 133,918	\$ 65,283	\$ 211,984	\$ 43,225	\$ -	\$ 454,410	\$ 573,759	\$ 1,028,169	\$ 1,197,225
Foundations	-	-	-	-	-	-	426,492	426,492	298,442
Individuals	-	-	-	-	-	-	12,051	12,051	108,724
In-kind contributions	-	-	-	-	-	-	-	-	12,098
Interest income	-	-	74	15	16	105	364	469	458
Other revenue	-	-	-	-	-	-	261	261	12,274
Total revenues and other support	<u>133,918</u>	<u>65,283</u>	<u>212,058</u>	<u>43,240</u>	<u>16</u>	<u>454,515</u>	<u>1,012,927</u>	<u>1,467,442</u>	<u>1,629,221</u>
Expenses:									
Salaries:									
Attorneys	72,363	43,334	131,533	20,394	28,091	295,715	812,217	1,107,932	1,052,458
Support staff	22,134	7,295	14,880	8,408	2,466	55,183	84,686	139,869	140,655
Law students	-	-	-	-	-	-	7,700	7,700	6,400
Total salaries	<u>94,497</u>	<u>50,629</u>	<u>146,413</u>	<u>28,802</u>	<u>30,557</u>	<u>350,898</u>	<u>904,603</u>	<u>1,255,501</u>	<u>1,199,513</u>
Fringe benefits:									
Payroll taxes	6,412	3,748	11,592	1,841	2,338	25,931	64,129	90,060	86,615
Unemployment tax	289	95	472	110	94	1,060	4,292	5,352	4,770
Hospitalization insurance	6,825	2,250	11,140	2,593	2,193	25,001	99,404	124,405	115,028
Life, accident and disability	1,012	334	1,651	384	301	3,682	13,389	17,071	16,918
Dental insurance	345	147	741	174	157	1,564	7,341	8,905	9,653
Retirement	4,789	1,578	7,817	1,819	1,463	17,466	65,513	82,979	83,577
Workers' compensation	465	153	758	177	-	1,553	1,417	2,970	2,964
Total fringe benefits	<u>20,137</u>	<u>8,305</u>	<u>34,171</u>	<u>7,098</u>	<u>6,546</u>	<u>76,257</u>	<u>255,485</u>	<u>331,742</u>	<u>319,525</u>
Consultants and contractors:									
Auditing	-	-	-	-	-	-	6,031	6,031	6,714
Other consultants	4,841	1,595	7,901	1,839	750	16,926	202,519	219,445	171,073
In-kind services	-	-	-	-	-	-	-	-	12,098
Total consultants and contractors	<u>4,841</u>	<u>1,595</u>	<u>7,901</u>	<u>1,839</u>	<u>750</u>	<u>16,926</u>	<u>208,550</u>	<u>225,476</u>	<u>189,885</u>
Travel:									
Employee travel - local	285	94	466	108	81	1,034	3,549	4,583	4,023
Employee travel - out of town	2,128	701	3,473	808	600	7,710	26,326	34,036	23,949
Board meetings	161	53	263	61	-	538	1,864	2,402	1,539
Total travel	<u>2,574</u>	<u>848</u>	<u>4,202</u>	<u>977</u>	<u>681</u>	<u>9,282</u>	<u>31,739</u>	<u>41,021</u>	<u>29,511</u>

(Continued)

REGIONAL HOUSING LEGAL SERVICES
SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND
CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES -
LEGAL SERVICES FOR HOUSING AND COMMUNITY DEVELOPMENT

YEAR ENDED JUNE 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)
(Continued)

	Pennsylvania Legal Aid Network						All Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	IOLTA Mortgage Foreclosure	Total		2014	2013
Space costs:									
Rent	3,845	1,267	6,275	1,461	1,090	13,938	47,875	61,813	61,312
Utilities	269	89	439	102	76	975	3,346	4,321	4,244
Maintenance	616	203	1,006	234	169	2,228	7,382	9,610	9,177
Total space costs	<u>4,730</u>	<u>1,559</u>	<u>7,720</u>	<u>1,797</u>	<u>1,335</u>	<u>17,141</u>	<u>58,603</u>	<u>75,744</u>	<u>74,733</u>
Consumable supplies:									
Office supplies	3,176	1,047	5,183	1,206	344	10,956	8,558	19,514	19,004
Total consumable supplies	<u>3,176</u>	<u>1,047</u>	<u>5,183</u>	<u>1,206</u>	<u>344</u>	<u>10,956</u>	<u>8,558</u>	<u>19,514</u>	<u>19,004</u>
Equipment-related expense:									
Equipment leased	472	156	770	179	130	1,707	5,654	7,361	5,078
Furniture purchases (non-capitalized)	-	-	-	-	-	-	-	-	7,179
Equipment purchases (non-capitalized)	-	-	-	-	-	-	-	-	27,697
Repairs and maintenance	143	47	234	54	39	517	1,716	2,233	4,631
Total equipment-related expense	<u>615</u>	<u>203</u>	<u>1,004</u>	<u>233</u>	<u>169</u>	<u>2,224</u>	<u>7,370</u>	<u>9,594</u>	<u>44,585</u>
Other expenses:									
Insurance and bonding	431	142	703	164	122	1,562	5,361	6,923	11,845
Printing costs	190	63	310	72	-	635	2,195	2,830	3,230
Professional dues	411	135	671	156	113	1,486	4,920	6,406	5,724
Tuition and seminar fees	410	135	669	156	113	1,483	4,909	6,392	3,465
Advertising	74	24	121	28	-	247	857	1,104	525
Law library upkeep and subscriptions	371	122	605	141	102	1,341	4,435	5,776	8,426
Telephone	896	289	1,461	354	249	3,249	10,893	14,142	11,513
Postage	277	91	453	105	79	1,005	3,453	4,458	6,088
Miscellaneous	288	96	471	112	3,346	4,313	3,472	7,785	54,164
Total other expenses	<u>3,348</u>	<u>1,097</u>	<u>5,464</u>	<u>1,288</u>	<u>4,124</u>	<u>15,321</u>	<u>40,495</u>	<u>55,816</u>	<u>104,980</u>
Depreciation and amortization	-	-	-	-	-	-	-	-	500
Total expenses	<u>133,918</u>	<u>65,283</u>	<u>212,058</u>	<u>43,240</u>	<u>44,506</u>	<u>499,005</u>	<u>1,515,403</u>	<u>2,014,408</u>	<u>1,982,236</u>
Change in Net Assets	-	-	-	-	(44,490)	(44,490)	(502,476)	(546,966)	(353,015)
Net Assets:									
Beginning of year	-	-	-	-	44,490	44,490	1,250,377	1,294,867	1,647,882
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,901</u>	<u>\$ 747,901</u>	<u>\$ 1,294,867</u>

(Concluded)

REGIONAL HOUSING LEGAL SERVICES

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES - PENNSYLVANIA UTILITY LAW PROJECT

YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

	Pennsylvania Legal Aid Network					Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total		2014	2013
Revenue and Other Support:								
Purely public charities	\$ 73,323	\$ 35,743	\$ 120,183	\$ 24,700	\$ 253,949	\$ 52,025	\$ 305,974	\$ 318,060
Foundations	-	-	-	-	-	40,000	40,000	-
Individuals	-	-	-	-	-	500	500	-
In-kind contributions	-	-	-	-	-	2,356	2,356	10,395
Interest income	-	-	46	11	57	6	63	63
Total revenue and support	73,323	35,743	120,229	24,711	254,006	94,887	348,893	328,518
Expenses:								
Salaries:								
Attorneys	52,789	25,741	95,680	23,138	197,348	30,000	227,348	203,925
Support staff	2,933	1,430	5,508	1,146	11,017	5,563	16,580	16,354
Law students	-	-	-	-	-	2,140	2,140	2,300
Total salaries	55,722	27,171	101,188	24,284	208,365	37,703	246,068	222,579
Fringe benefits:								
Payroll taxes	4,262	2,078	7,992	1,665	15,997	2,721	18,718	17,586
Unemployment tax	187	91	350	73	701	-	701	801
Hospitalization insurance	196	96	368	77	737	-	737	-
Life, accident and disability	681	332	1,277	266	2,556	423	2,979	1,532
Dental insurance	481	235	903	188	1,807	427	2,234	2,056
Retirement	3,262	1,591	6,118	1,274	12,245	2,525	14,770	11,176
Workers' compensation	159	77	297	62	595	-	595	528
Total fringe benefits	9,228	4,500	17,305	3,605	34,638	6,096	40,734	33,679
Consultants and contractors:								
Auditing	-	-	2,182	447	2,629	5	2,634	3,016
Other consultants	966	471	1,804	378	3,619	500	4,119	2,863
Pro bono attorneys	-	-	-	-	-	2,356	2,356	10,395
Total consultants and contractors	966	471	3,986	825	6,248	2,861	9,109	16,274
Travel:								
Employee travel - local	-	-	-	-	-	45	45	47
Employee travel - out of town	1,228	599	2,292	480	4,599	255	4,854	2,685
Total travel	1,228	599	2,292	480	4,599	300	4,899	2,732

(Continued)

REGIONAL HOUSING LEGAL SERVICES

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES - PENNSYLVANIA UTILITY LAW PROJECT

YEAR ENDED JUNE 30, 2014

(With Comparative Totals for the Year Ended June 30, 2013)

(Continued)

	Pennsylvania Legal Aid Network					Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total		2014	2013
	Space costs:							
Rent	1,976	963	3,707	771	7,417	2,640	10,057	11,068
Total space costs	1,976	963	3,707	771	7,417	2,640	10,057	11,068
Consumable supplies:								
Office supplies	199	97	374	78	748	-	748	1,763
Total consumable supplies	199	97	374	78	748	-	748	1,763
Equipment-related expense:								
Equipment purchases (non-capitalized)	1,528	752	-	-	2,280	-	2,280	-
Total Equipment-related expense	1,528	752	-	-	2,280	-	2,280	-
Other expenses:								
Insurance and bonding	482	235	905	188	1,810	827	2,637	3,255
Printing	283	138	528	110	1,059	-	1,059	-
Professional dues	323	158	604	126	1,211	-	1,211	713
Tuition and seminar fees	311	152	581	122	1,166	-	1,166	270
Advertising for employees	-	-	-	-	-	-	-	175
Law library upkeep and subscriptions	105	51	196	41	393	400	793	1,514
Telephone	602	275	1,138	214	2,229	500	2,729	2,837
Postage	239	117	447	93	896	200	1,096	115
Miscellaneous	131	64	246	51	492	-	492	922
Total other expenses	2,476	1,190	4,645	945	9,256	1,927	11,183	9,801
Total expenses	73,323	35,743	133,497	30,988	273,551	51,527	325,078	297,896
Change in Net Assets	-	-	(13,268)	(6,277)	(19,545)	43,360	23,815	30,622
Net Assets:								
Beginning of year	-	-	24,175	8,747	32,922	-	32,922	2,300
End of year	\$ -	\$ -	\$ 10,907	\$ 2,470	\$ 13,377	\$ 43,360	\$ 56,737	\$ 32,922

(Concluded)

Regional Housing Legal Services

Independent Auditor's Report in
Accordance with *Government Auditing
Standards*

Year Ended June 30, 2014

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Regional Housing Legal Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Regional Housing Legal Services (RHLS) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RHLS’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RHLS’s internal control. Accordingly, we do not express an opinion on the effectiveness of RHLS’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Directors
Regional Housing Legal Services
Independent Auditor's Report on Internal Control
over Financial Reporting

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RHLS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
October 8, 2014