

Regional Housing Legal Services

Financial Statements and
Supplementary Information

Years Ended June 30, 2018 and 2017
with Independent Auditor's Reports

MaherDuessel

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REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

Statements of Financial Position	1
Statement of Activities – Year Ended June 30, 2018	2
Statement of Activities – Year Ended June 30, 2017	3
Statement of Functional Expenses – Year Ended June 30, 2018	4
Statement of Functional Expenses – Year Ended June 30, 2017	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	16
Schedule of Revenues and Other Support, Expenses, and Changes in Net Assets by Primary Funding Sources – Pennsylvania Utility Law Project	18

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>	20
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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, 2018 and 2017, 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 and fair presentation 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 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 RHLS as of June 30, 2018 and 2017, 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

Other 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 directly 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 2, 2018 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 solely 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 the effectiveness of RHLS's 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.

Maher Duessel

Harrisburg, Pennsylvania
October 2, 2018

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 955,167	\$ 238,973
Accounts receivable:		
Pennsylvania Legal Aid Network	30,894	32,788
Other receivables	196,606	574,197
Promises to give, net	259,432	476,284
Prepaid expenses	45,295	36,407
Total Assets	<u>\$ 1,487,394</u>	<u>\$ 1,358,649</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 303,826	\$ 12,690
Total Liabilities	<u>303,826</u>	<u>12,690</u>
Net Assets:		
Unrestricted	719,056	704,533
Temporarily restricted	464,512	641,426
Total Net Assets	<u>1,183,568</u>	<u>1,345,959</u>
Total Liabilities and Net Assets	<u>\$ 1,487,394</u>	<u>\$ 1,358,649</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	2018						
	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:							
Nonprofits	\$ 1,284,897	\$ 417,217	\$ 1,702,114	\$ 1,800	\$ 28,140	\$ 29,940	\$ 1,732,054
Government	75,000	47,000	122,000	-	-	-	122,000
Corporations	85,000	-	85,000	-	-	-	85,000
Foundations	147,029	50,000	197,029	81,501	100,000	181,501	378,530
Individuals	12,354	10,825	23,179	-	-	-	23,179
In-kind contributions	196,665	54,089	250,754	-	-	-	250,754
Interest income	666	98	764	-	-	-	764
Other revenue	5,163	-	5,163	-	-	-	5,163
Subtotal	1,806,774	579,229	2,386,003	83,301	128,140	211,441	2,597,444
Net assets released from restrictions	325,595	62,760	388,355	(325,595)	(62,760)	(388,355)	-
Total revenue and support	2,132,369	641,989	2,774,358	(242,294)	65,380	(176,914)	2,597,444
Expenses:							
Program services	1,871,484	520,643	2,392,127	-	-	-	2,392,127
Management and general	230,571	80,368	310,939	-	-	-	310,939
Fundraising	48,421	8,348	56,769	-	-	-	56,769
Total expenses	2,150,476	609,359	2,759,835	-	-	-	2,759,835
Change in Net Assets	(18,107)	32,630	14,523	(242,294)	65,380	(176,914)	(162,391)
Net Assets:							
Beginning of year	611,500	93,033	704,533	565,223	76,203	641,426	1,345,959
End of year	\$ 593,393	\$ 125,663	\$ 719,056	\$ 322,929	\$ 141,583	\$ 464,512	\$ 1,183,568

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	2017						
	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:							
Nonprofits	\$ 1,189,252	\$ 295,830	\$ 1,485,082	\$ 2,600	\$ -	\$ 2,600	\$ 1,487,682
Government	165,000	47,000	212,000	-	-	-	212,000
Corporations	85,000	-	85,000	-	-	-	85,000
Foundations	127,547	98,090	225,637	69,799	62,760	132,559	358,196
Individuals	4,663	10,735	15,398	-	-	-	15,398
In-kind contributions	153,660	75,097	228,757	-	-	-	228,757
Interest income	321	94	415	-	-	-	415
Other revenue	12,513	-	12,513	-	-	-	12,513
Subtotal	1,737,956	526,846	2,264,802	72,399	62,760	135,159	2,399,961
Net assets released from restrictions	274,605	18,396	293,001	(274,605)	(18,396)	(293,001)	-
Total revenue and support	2,012,561	545,242	2,557,803	(202,206)	44,364	(157,842)	2,399,961
Expenses:							
Program services	1,739,575	437,032	2,176,607	-	-	-	2,176,607
Management and general	222,003	64,407	286,410	-	-	-	286,410
Fundraising	50,983	-	50,983	-	-	-	50,983
Total expenses	2,012,561	501,439	2,514,000	-	-	-	2,514,000
Change in Net Assets	-	43,803	43,803	(202,206)	44,364	(157,842)	(114,039)
Net Assets:							
Beginning of year	611,500	49,230	660,730	767,429	31,839	799,268	1,459,998
End of year	\$ 611,500	\$ 93,033	\$ 704,533	\$ 565,223	\$ 76,203	\$ 641,426	\$ 1,345,959

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	2018					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,040,276	\$ 288,201	\$ 1,328,477	\$ 197,379	\$ 42,725	\$ 1,568,581
Fringe benefits	346,416	97,948	444,364	49,689	8,862	502,915
Consultants and contractors	299,111	95,398	394,509	15,867	2,782	413,158
Travel	39,746	9,507	49,253	15,329	62	64,644
Space costs	69,169	17,502	86,671	12,386	1,456	100,513
Consumable supplies	21,512	2,894	24,406	3,315	390	28,111
Equipment-related expense	11,457	-	11,457	-	-	11,457
Other	43,797	9,193	52,990	16,974	492	70,456
Total expenses	\$ 1,871,484	\$ 520,643	\$ 2,392,127	\$ 310,939	\$ 56,769	\$ 2,759,835

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	2017					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,053,278	\$ 230,129	\$ 1,283,407	\$ 188,350	\$ 39,198	\$ 1,510,955
Fringe benefits	312,489	54,736	367,225	45,355	7,477	420,057
Consultants and contractors	221,643	116,791	338,434	15,833	2,283	356,550
Travel	23,018	7,817	30,835	5,646	86	36,567
Space costs	62,529	14,931	77,460	11,144	1,177	89,781
Consumable supplies	15,145	5,490	20,635	3,087	285	24,007
Equipment-related expense	9,129	-	9,129	-	-	9,129
Other	42,344	7,138	49,482	16,995	477	66,954
Total expenses	\$ 1,739,575	\$ 437,032	\$ 2,176,607	\$ 286,410	\$ 50,983	\$ 2,514,000

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Cash received from contracts, grants and contributions	\$ 2,937,100	\$ 2,278,008
Interest received	764	415
Other revenue received	5,163	12,513
Cash paid to employees and related fringe benefits	(2,071,496)	(1,931,012)
Cash paid for other expenses	(155,337)	(384,311)
Net cash provided by (used in) operating activities	<u>716,194</u>	<u>(24,387)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	716,194	(24,387)
Cash and Cash Equivalents:		
Beginning of year	<u>238,973</u>	<u>263,360</u>
Ending of year	<u>\$ 955,167</u>	<u>\$ 238,973</u>
Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	\$ (162,391)	\$ (114,039)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in:		
Accounts receivable	379,485	(46,377)
Promises to give	216,852	166,109
Prepaid expenses	(8,888)	1,285
Accounts payable and accrued expenses	291,136	(31,365)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 716,194</u>	<u>\$ (24,387)</u>

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 of attorneys and others. RHLS receives funding from Pennsylvania Legal Aid Network (PLAN) (formerly Pennsylvania Legal Services) and other foundations and government grants. Pennsylvania Utility Law Project (PULP) is a program provided by RHLS that helps groups and individuals who meet the income eligibility guidelines of PLAN by providing information, assistance, and advice about residential utility and energy matters affecting low-income consumers.

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 contribution 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, 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.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 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 Statements 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 \$250,754 and \$228,757 for the years ended June 30, 2018 and 2017, respectively. For the year ended June 30, 2018, contributed services consisted of pro bono legal services. For the year ended June 30, 2017, contributed services consisted of \$189,457 of pro bono legal services and \$39,300 for acquisition and implementation fees associated with a new database paid for by PLAN on behalf of RHLS. The legal services are recorded at attorney's cost, based on PLAN's recommend statewide rate.

Exchange Transactions

Services to other legal services and housing organizations and contracts directly with governmental entities that are 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, 2018 and 2017.

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.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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. However, RHLS is subject to federal income tax on certain employee benefits.

Further, RHLS annually files a Form 990 and 990T.

Cash and Cash Equivalents

For purposes of the Statements 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 (PA IOLTA Board) 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 and assets in the period the promise is received. The discounts on those amounts are computed using a risk adjusted rate, which was 1.78% and 1.18% as of June 30, 2018 and 2017, respectively, and the total discount taken was \$568 and \$2,391 as of June 30, 2018 and 2017, respectively. 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 were zero for the years ended June 30, 2018 and 2017.

Concentration of Grants

RHLS is funded on a year-to-year basis through a contract with PLAN. For the years ended June 30, 2018 and 2017, approximately 37% and 32%, respectively, of RHLS's funding was

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

received from PLAN. Funding for the contract is provided for by the Commonwealth of Pennsylvania Department of Human Services (DHS) with Commonwealth and Federal Title XX funds, PA IOLTA Board, and by other non-DHS public and private sources. RHLS also receives funding from various foundations. Total revenue and other support used in these calculations do not include in-kind contributions.

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 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.

Pending Standards Update

Accounting Standards Update (ASU) 2014-09, *“Revenue from Contracts from Customers,”* is effective for RHLS’s financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for RHLS’s financial statements for the year ended June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the Statement of Financial Position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for RHLS’s financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

ASU 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,”* is effective for RHLS’s financial statements for the year ending June 30, 2020. This amendment provides guidance for revenue recognition related to contributions by clarifying (1) how to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) how to determine whether a contribution is conditional.

Management has not yet determined the impact of these amendments on RHLS’s financial statements.

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

Unconditional promises to give are as follows at June 30, 2018 and 2017:

	2018	2017
Receivables in less than one year	\$ 230,000	\$ 278,675
Receivables in one to five years	29,432	197,609
Net unconditional promises to give	<u>\$ 259,432</u>	<u>\$ 476,284</u>

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 \$100,907 and \$100,941 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017 in the amounts of zero and \$18,143, respectively, for a mortgage on the building in Glenside. For the year ended June 30, 2018, the Organization received \$115,000 in contributions from CHDC.

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, 2018 and 2017, the organization received \$270,000 and \$365,000 in total from CHLS and, at June 30, 2018 and 2017, had zero and \$220,000 due from CHLS, respectively.

5. Leases and Commitments

RHLS leases office facilities in Glenside, Pittsburgh, and Harrisburg, 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, 2018 and 2017 was \$85,269 and \$76,598, respectively.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 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 \$1,175 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, 2018 and 2017 was \$14,100 per year.

The Pittsburgh lease is renewable on a month-to-month basis.

6. Funding

RHLS receives funding from PLAN, the Pennsylvania IOLTA Board, Commonwealth Cornerstone Group, Department of Community and Economic Development and various foundations and corporations such as Independence Foundation, Philadelphia Foundation, Pittsburgh Foundation and the Oak 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. During the year ended June 30, 2018, RHLS obtained a waiver for PULP from the Pennsylvania IOLTA Board to carry over excess amount of unspent AJA and IOLTA funds. The waiver was to carry over up to 25% of the remaining funding. No waiver was required for the year ended June 30, 2017, as the amount carried over was less than 10%. At June 30, 2018 and 2017, RHLS carried over 23.28% and 9.64% or \$39,783 and \$13,443, respectively, for PULP, 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, 2018. The line expires November 30, 2018. There was no balance on the line of credit at June 30, 2018 and 2017.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

9. Net Assets

Net assets as of June 30, 2018 and 2017 consist of the following:

	2018		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Unrestricted Net Assets	\$ 593,393	\$ 125,663	\$ 719,056
Temporarily Restricted Net Assets:			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	79,701	-	79,701
North Penn/Health Sparks	1,800	-	1,800
Oak Foundation	239,628	-	239,628
PLAN AJA	-	36,068	36,068
PLAN IOLTA	-	3,715	3,715
Law students	1,800	1,800	3,600
Hillman Foundation	-	100,000	100,000
Total temporarily restricted net assets	<u>322,929</u>	<u>141,583</u>	<u>464,512</u>
Total net assets	<u>\$ 916,322</u>	<u>\$ 267,246</u>	<u>\$ 1,183,568</u>

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

	2017		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Unrestricted Net Assets	\$ 611,500	\$ 93,033	\$ 704,533
Temporarily Restricted Net Assets:			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	10,001	-	10,001
Connelly	43,195	-	43,195
Oak Foundation	439,628	-	439,628
PLAN AJA	-	12,411	12,411
PLAN IOLTA	-	1,032	1,032
Law Students	2,600	-	2,600
Pittsburgh Foundation	14,662	-	14,662
Hillman Foundation	55,137	62,760	117,897
Total temporarily restricted net assets	<u>565,223</u>	<u>76,203</u>	<u>641,426</u>
Total net assets	<u>\$ 1,176,723</u>	<u>\$ 169,236</u>	<u>\$ 1,345,959</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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Pennsylvania Legal Aid Network							Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total	Special IOLTA	Other	2018	2017
Revenue and Support:									
Nonprofits	\$ 133,672	\$ 64,809	\$ 273,948	\$ 26,746	\$ 499,175	\$ 339,962	\$ 447,560	\$ 1,286,697	\$ 1,191,852
Government	-	-	-	-	-	-	75,000	75,000	165,000
Corporations	-	-	-	-	-	-	85,000	85,000	85,000
Foundations	-	-	-	-	-	-	228,530	228,530	197,346
Individuals	-	-	-	-	-	-	12,354	12,354	4,663
In-kind contributions	-	-	-	-	-	-	196,665	196,665	153,660
Interest income	-	-	145	14	159	-	507	666	321
Other revenue	-	-	-	-	-	-	5,163	5,163	12,513
Total revenues and support	133,672	64,809	274,093	26,760	499,334	339,962	1,050,779	1,890,075	1,810,355
Expenses:									
Salaries:									
Attorneys	61,900	33,161	149,633	13,890	258,584	162,276	592,822	1,013,682	1,016,637
Support staff	12,154	5,351	8,430	2,053	27,988	30,637	134,841	193,466	211,767
Law students	-	-	-	-	-	-	5,800	5,800	4,800
Total salaries	74,054	38,512	158,063	15,943	286,572	192,913	733,463	1,212,948	1,233,204
Fringe benefits:									
Payroll taxes	5,664	2,946	12,092	1,220	21,922	14,758	51,259	87,939	88,325
Unemployment tax	1,126	579	2,624	241	4,570	2,614	9,134	16,318	4,743
Hospitalization insurance	11,903	6,117	27,726	2,548	48,294	28,383	100,228	176,905	154,261
Life, accident and disability	1,161	597	2,705	249	4,712	2,713	9,513	16,938	13,963
Dental insurance	842	433	1,961	180	3,416	2,015	7,145	12,576	67,907
Retirement	5,821	2,991	13,559	1,246	23,617	14,369	46,785	84,771	29,423
Workers' compensation	314	161	731	67	1,273	385	748	2,406	2,754
Total fringe benefits	26,831	13,824	61,398	5,751	107,804	65,237	224,812	397,853	361,376
Consultants and contractors:									
Auditing	-	-	659	64	723	1,492	3,973	6,188	6,100
Other consultants	17,295	4,519	17,917	1,689	41,420	42,476	28,324	112,220	77,312
In-kind services	-	-	-	-	-	-	196,665	196,665	153,660
Total consultants and contractors	17,295	4,519	18,576	1,753	42,143	43,968	228,962	315,073	237,072
Travel:									
Employee travel - local	411	211	958	88	1,668	313	2,817	4,798	5,235
Employee travel - out of town	1,373	705	3,197	294	5,569	8,141	25,708	39,418	20,173
Board meetings	780	401	1,817	167	3,165	911	5,357	9,433	1,781
Total travel	2,564	1,317	5,972	549	10,402	9,365	33,882	53,649	27,189

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)
(Continued)

	Pennsylvania Legal Aid Network					Special IOLTA	All Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total			2018	2017
Space costs:									
Rent	4,388	2,255	10,221	939	17,803	10,687	35,167	63,657	58,577
Utilities	477	245	1,110	102	1,934	363	3,267	5,564	4,978
Maintenance	829	426	1,932	178	3,365	632	5,683	9,680	8,205
Total space costs	<u>5,694</u>	<u>2,926</u>	<u>13,263</u>	<u>1,219</u>	<u>23,102</u>	<u>11,682</u>	<u>44,117</u>	<u>78,901</u>	<u>71,760</u>
Consumable supplies:									
Office supplies	2,059	1,058	4,796	441	8,354	9,254	6,930	24,538	17,380
Total consumable supplies	<u>2,059</u>	<u>1,058</u>	<u>4,796</u>	<u>441</u>	<u>8,354</u>	<u>9,254</u>	<u>6,930</u>	<u>24,538</u>	<u>17,380</u>
Equipment-related expense:									
Equipment leased	664	341	1,546	142	2,693	493	4,373	7,559	7,874
Repairs and maintenance	342	176	797	73	1,388	255	2,255	3,898	1,255
Total equipment-related expense	<u>1,006</u>	<u>517</u>	<u>2,343</u>	<u>215</u>	<u>4,081</u>	<u>748</u>	<u>6,628</u>	<u>11,457</u>	<u>9,129</u>
Other:									
Insurance and bonding	604	310	1,406	129	2,449	1,378	4,776	8,603	9,889
Printing costs	17	9	39	4	69	3	104	176	3,414
Professional dues	472	243	1,100	101	1,916	1,046	3,567	6,529	4,796
Tuition and seminar fees	537	276	1,252	115	2,180	1,447	4,229	7,856	6,513
Advertising	-	-	-	-	-	-	1,950	1,950	5,050
Law library upkeep and subscriptions	1,142	587	2,660	244	4,633	549	7,328	12,510	5,026
Telephone	1,182	601	2,721	249	4,753	1,883	8,750	15,386	14,702
Postage	126	65	293	27	511	287	994	1,792	4,525
Miscellaneous	89	45	211	20	365	202	688	1,255	1,536
Total other	<u>4,169</u>	<u>2,136</u>	<u>9,682</u>	<u>889</u>	<u>16,876</u>	<u>6,795</u>	<u>32,386</u>	<u>56,057</u>	<u>55,451</u>
Total expenses	<u>133,672</u>	<u>64,809</u>	<u>274,093</u>	<u>26,760</u>	<u>499,334</u>	<u>339,962</u>	<u>1,311,180</u>	<u>2,150,476</u>	<u>2,012,561</u>
Change in Net Assets	-	-	-	-	-	-	(260,401)	(260,401)	(202,206)
Net Assets:									
Beginning of year	-	-	-	-	-	-	1,176,723	1,176,723	1,378,929
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916,322</u>	<u>\$ 916,322</u>	<u>\$ 1,176,723</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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Pennsylvania Legal Aid Network										Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	MLK Fellow	Total	Special IOLTA	IOLTA CRLA	Other	2018	2017
	Revenue and Support:											
Nonprofits	\$ 73,176	\$ 35,478	\$ 155,591	\$ 15,283	\$ 53,280	\$ 32,400	\$ 365,208	\$ 52,198	\$ 6,151	\$ 21,800	\$ 445,357	\$ 295,830
Government	-	-	-	-	-	-	-	-	-	47,000	47,000	47,000
Foundations	-	-	-	-	-	-	-	-	-	150,000	150,000	160,850
Individuals	-	-	-	-	-	-	-	-	-	10,825	10,825	10,735
In-kind contributions	-	-	-	-	-	-	-	-	-	54,089	54,089	75,097
Interest income	-	-	85	12	-	-	97	-	-	1	98	94
Total revenue and support	<u>73,176</u>	<u>35,478</u>	<u>155,676</u>	<u>15,295</u>	<u>53,280</u>	<u>32,400</u>	<u>365,305</u>	<u>52,198</u>	<u>6,151</u>	<u>283,715</u>	<u>707,369</u>	<u>589,606</u>
Expenses:												
Salaries:												
Attorneys	28,958	14,474	55,184	4,742	31,757	23,906	159,021	32,825	3,504	88,224	283,574	242,851
Paralegal	3,862	1,765	8,469	1,152	-	-	15,248	1,230	689	1,692	18,859	-
Support staff	14,334	6,313	18,138	1,824	3,150	-	43,759	652	618	4,971	50,000	33,000
Law students	-	-	-	-	-	3,200	3,200	-	-	-	3,200	1,900
Total salaries	<u>47,154</u>	<u>22,552</u>	<u>81,791</u>	<u>7,718</u>	<u>34,907</u>	<u>27,106</u>	<u>221,228</u>	<u>34,707</u>	<u>4,811</u>	<u>94,887</u>	<u>355,633</u>	<u>277,751</u>
Fringe benefits:												
Payroll taxes	3,607	1,725	6,257	590	2,670	1,829	16,678	2,655	368	6,759	26,460	21,369
Unemployment tax	163	81	310	27	190	184	955	196	21	520	1,692	1,112
Retirement	1,851	926	3,528	303	1,807	543	8,958	1,868	199	5,111	16,136	14,940
Hospitalization insurance	6,369	3,183	12,134	1,044	3,280	2,156	28,166	5,916	632	16,396	51,110	13,873
Life, accident and disability	308	154	588	50	350	307	1,757	362	39	967	3,125	2,599
Dental insurance	639	319	1,217	105	625	192	3,097	646	69	1,765	5,577	4,126
Workers' compensation	98	49	186	16	108	83	540	111	12	299	962	662
Total fringe benefits	<u>13,035</u>	<u>6,437</u>	<u>24,220</u>	<u>2,135</u>	<u>9,030</u>	<u>5,294</u>	<u>60,151</u>	<u>11,754</u>	<u>1,340</u>	<u>31,817</u>	<u>105,062</u>	<u>58,681</u>
Consultants and contractors:												
Auditing	-	-	1,265	631	-	-	1,896	300	-	491	2,687	2,687
Other consultants	6,198	3,098	11,809	1,016	500	-	22,621	1,671	-	17,016	41,308	41,694
Pro bono attorneys	-	-	-	-	-	-	-	-	-	54,090	54,090	75,097
Total consultants and contractors	<u>6,198</u>	<u>3,098</u>	<u>13,074</u>	<u>1,647</u>	<u>500</u>	<u>-</u>	<u>24,517</u>	<u>1,971</u>	<u>-</u>	<u>71,597</u>	<u>98,085</u>	<u>119,478</u>
Travel:												
Employee travel - local	36	18	69	6	20	-	149	-	-	31	180	265
Employee travel - out of town	969	484	1,845	159	1,600	-	5,057	1,081	-	2,424	8,562	9,113
Board meetings	562	281	1,071	92	-	-	2,006	-	-	247	2,253	-
Total travel	<u>1,567</u>	<u>783</u>	<u>2,985</u>	<u>257</u>	<u>1,620</u>	<u>-</u>	<u>7,212</u>	<u>1,081</u>	<u>-</u>	<u>2,702</u>	<u>10,995</u>	<u>9,378</u>

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)
(Continued)

	Pennsylvania Legal Aid Network										Totals	
	Federal	State	Access to	IOLTA	PHARE	MLK	Special	IOLTA	Other	2018	2017	
	Title XX		Justice Act			Fellow						Total
Space costs:												
Rent	2,608	1,304	4,970	427	5,000	-	14,309	1,500	-	5,803	21,612	18,021
Total space costs	2,608	1,304	4,970	427	5,000	-	14,309	1,500	-	5,803	21,612	18,021
Consumable supplies:												
Office supplies	343	172	654	56	400	-	1,625	-	-	1,948	3,573	6,627
Total consumable supplies	343	172	654	56	400	-	1,625	-	-	1,948	3,573	6,627
Equipment-related expense:												
Equipment purchases	-	-	-	-	-	-	-	-	-	-	-	-
Total equipment-related expense	-	-	-	-	-	-	-	-	-	-	-	-
Other:												
Insurance and bonding	588	294	1,121	96	440	-	2,539	500	-	887	3,926	3,440
Printing	32	16	61	5	18	-	132	-	-	32	164	-
Professional dues	93	47	178	15	68	-	401	100	-	106	607	1,136
Tuition and seminar fees	336	168	640	55	193	-	1,392	-	-	331	1,723	1,433
Advertising	-	-	-	-	-	-	-	-	-	90	90	-
Law library - research	162	81	308	26	100	-	677	-	-	216	893	110
Telephone	512	253	973	85	689	-	2,512	373	-	1,083	3,968	2,859
Postage	338	169	643	55	209	-	1,414	-	-	451	1,865	1,567
Miscellaneous	210	104	401	35	106	-	856	212	-	95	1,163	958
Total other	2,271	1,132	4,325	372	1,823	-	9,923	1,185	-	3,291	14,399	11,503
Total expenses	73,176	35,478	132,019	12,612	53,280	32,400	338,965	52,198	6,151	212,045	609,359	501,439
Change in Net Assets	-	-	23,657	2,683	-	-	26,340	-	-	71,670	98,010	88,167
Net Assets:												
Beginning of year	-	-	12,411	1,032	-	-	13,443	-	-	155,793	169,236	81,069
End of year	\$ -	\$ -	\$ 36,068	\$ 3,715	\$ -	\$ -	\$ 39,783	\$ -	\$ -	\$ 227,463	\$ 267,246	\$ 169,236

(Concluded)

Regional Housing Legal Services

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2018

**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, 2018, 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 2, 2018.

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 and on Compliance and Other Matters

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 2, 2018