

## **Regional Housing Legal Services**

Financial Statements and  
Supplementary Information

Years Ended June 30, 2017 and 2016  
with Independent Auditor's Reports

**MaherDuessel**

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# REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 4, 2017, 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.

*Maher Duessel*

Harrisburg, Pennsylvania  
October 4, 2017

# REGIONAL HOUSING LEGAL SERVICES

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 238,973	\$ 263,360
Accounts receivable:		
Pennsylvania Legal Aid Network	32,788	156,712
Other receivables	574,197	403,896
Promises to give, net	476,284	642,393
Prepaid expenses	36,407	37,692
<b>Total Assets</b>	<b><u>\$ 1,358,649</u></b>	<b><u>\$ 1,504,053</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,690	\$ 44,055
<b>Total Liabilities</b>	<b><u>12,690</u></b>	<b><u>44,055</u></b>
Net Assets:		
Unrestricted	704,533	660,730
Temporarily restricted	641,426	799,268
<b>Total Net Assets</b>	<b><u>1,345,959</u></b>	<b><u>1,459,998</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,358,649</u></b>	<b><u>\$ 1,504,053</u></b>

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

# REGIONAL HOUSING LEGAL SERVICES

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	2017						Total
	Unrestricted			Temporarily Restricted			
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	Total	
<b>Revenue and Support:</b>							
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
<b>Expenses:</b>							
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
<b>Change in Net Assets</b>	-	43,803	43,803	(202,206)	44,364	(157,842)	(114,039)
<b>Net Assets:</b>							
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 ACTIVITIES

YEAR ENDED JUNE 30, 2016

	2016						
	Unrestricted			Temporarily Restricted			
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	Total	Total
<b>Revenue and Support:</b>							
Nonprofits	\$ 1,317,849	\$ 289,107	\$ 1,606,956	\$ 2,800	\$ 2,093	\$ 4,893	\$ 1,611,849
Government	50,000	47,000	97,000	-	-	-	97,000
Corporations	91,000	-	91,000	-	-	-	91,000
Foundations	81,710	65,000	146,710	95,000	-	95,000	241,710
Individuals	8,534	10,575	19,109	-	-	-	19,109
In-kind contributions	24,212	99,008	123,220	-	-	-	123,220
Interest income	273	29	302	-	-	-	302
Other revenue	30	-	30	-	-	-	30
Subtotal	1,573,608	510,719	2,084,327	97,800	2,093	99,893	2,184,220
Net assets released from restrictions	292,339	2,500	294,839	(292,339)	(2,500)	(294,839)	-
Total revenue and support	1,865,947	513,219	2,379,166	(194,539)	(407)	(194,946)	2,184,220
<b>Expenses:</b>							
Program services	1,546,054	426,824	1,972,878	-	-	-	1,972,878
Management and general	252,082	48,237	300,319	-	-	-	300,319
Fundraising	39,899	-	39,899	-	-	-	39,899
Total expenses	1,838,035	475,061	2,313,096	-	-	-	2,313,096
<b>Change in Net Assets</b>	27,912	38,158	66,070	(194,539)	(407)	(194,946)	(128,876)
<b>Net Assets:</b>							
Beginning of year	583,588	11,072	594,660	961,968	32,246	994,214	1,588,874
End of year	<u>\$ 611,500</u>	<u>\$ 49,230</u>	<u>\$ 660,730</u>	<u>\$ 767,429</u>	<u>\$ 31,839</u>	<u>\$ 799,268</u>	<u>\$ 1,459,998</u>

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
<b>Expenses:</b>						
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	<u>\$ 1,739,575</u>	<u>\$ 437,032</u>	<u>\$ 2,176,607</u>	<u>\$ 286,410</u>	<u>\$ 50,983</u>	<u>\$ 2,514,000</u>

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

# REGIONAL HOUSING LEGAL SERVICES

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	2016					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
<b>Expenses:</b>						
Salaries	\$ 1,025,024	\$ 227,770	\$ 1,252,794	\$ 197,289	\$ 27,309	\$ 1,477,392
Fringe benefits	285,168	48,228	333,396	47,958	6,126	387,480
Consultants and contractors	78,226	119,582	197,808	14,196	4,310	216,314
Travel	24,641	8,916	33,557	5,571	69	39,197
Space costs	63,950	7,396	71,346	11,014	1,224	83,584
Consumable supplies	17,503	2,967	20,470	3,157	335	23,962
Equipment-related expense	12,662	2,898	15,560	-	-	15,560
Other	38,880	9,067	47,947	21,134	526	69,607
Total expenses	\$ 1,546,054	\$ 426,824	\$ 1,972,878	\$ 300,319	\$ 39,899	\$ 2,313,096

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

# REGIONAL HOUSING LEGAL SERVICES

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from contracts, grants and contributions	\$ 2,278,008	\$ 2,122,639
Interest received	415	302
Other revenue received	12,513	30
Cash paid to employees and related fringe benefits	(1,931,012)	(1,864,872)
Cash paid for other expenses	<u>(384,311)</u>	<u>(313,220)</u>
Net cash used in operating activities	<u>(24,387)</u>	<u>(55,121)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(24,387)	(55,121)
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>263,360</u>	<u>318,481</u>
Ending of year	<u>\$ 238,973</u>	<u>\$ 263,360</u>
<b>Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (114,039)	\$ (128,876)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in:		
Accounts receivable	(46,377)	(157,398)
Promises to give	166,109	219,369
Prepaid expenses	1,285	(3,084)
Accounts payable and accrued expenses	<u>(31,365)</u>	<u>14,868</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (24,387)</u>	<u>\$ (55,121)</u>

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

# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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### 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, 2017 AND 2016

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### 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 \$228,757 and \$123,220 for the years ended June 30, 2017 and 2016, respectively. 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. For the year ended June 30, 2016, contributed services consisted of pro bono legal services. 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, 2017 and 2016.

### 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, 2017 AND 2016

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### 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.

### 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 (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 and assets in the period received. The discounts on those amounts are computed using a risk adjusted rate, which was 1.18% and 0.64% as of June 30, 2017 and 2016, respectively, and the total discount taken was \$2,391 and \$2,607 as of June 30, 2017 and 2016, 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, 2017 and 2016.

### Concentration of Grants

RHLS is funded on a year-to-year basis through a contract with PLAN. For the years ended June 30, 2017 and 2016, approximately 32% of RHLS's funding was received from PLAN. Funding for the contract is provided for by the Commonwealth of Pennsylvania Department

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# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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of Human Services (DHS) with Commonwealth and Federal Title XX funds, IOLTA, 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. Management has not yet determined the impact of this amendment on RHLS’s financial statements.

ASU 2016-02, *“Leases (Topic 842),”* is effective for RHLS’s financial statements for the year ending 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,

# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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and uncertainty of cash flows arising from leases. Management has not yet determined the impact of this amendment on RHLS's financial statements.

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. Management has not yet determined the impact of this amendment 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Receivables in less than one year	\$ 278,675	\$ 245,000
Receivables in one to five years	197,609	397,393
Net unconditional promises to give	<u>\$ 476,284</u>	<u>\$ 642,393</u>

## 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.

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# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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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 \$100,941 and \$96,388 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 in the amounts of \$18,143 and \$44,415, 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, 2017 and 2016, the organization received \$365,000 and \$434,800 in total from CHLS and, at June 30, 2017 and 2016, had \$220,000 and \$114,800 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, 2017 and 2016 was \$76,598 and \$67,776, 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, 2017 and 2016 was \$51,600 per year.

# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016 was \$14,100 and \$7,164 per year, respectively.

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. No waiver was required for the year ended June 30, 2017, as the amount carried over was less than 10%. During the year ended June 30, 2016, RHLS obtained a waiver for PULP from the Pennsylvania IOLTA Board to carry over excess amount of unspent AJA and IOLTA grant funds. The waiver was to carry over up to 25% of the remaining funding. At June 30, 2017 and 2016, RHLS carried over 9.64% and 23.43% or \$13,443 and \$29,939, 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, 2017. The line expires November 30, 2017. There was no balance on the line of credit at June 30, 2017 and 2016.

### **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

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# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016 consist of the following:

	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	565,223	76,203	641,426
Total net assets	\$ 1,176,723	\$ 169,236	\$ 1,345,959

# REGIONAL HOUSING LEGAL SERVICES

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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	2016		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Unrestricted Net Assets	\$ 611,500	\$ 49,230	\$ 660,730
Temporarily Restricted Net Assets:			
Net Assets Restricted by Purpose and Time:			
Law students	2,800	1,900	4,700
Independence Foundation	30,001	-	30,001
Connelly	80,000	-	80,000
North Penn	15,000	-	15,000
Oak Foundation	639,628	-	639,628
PLAN AJA	-	28,730	28,730
PLAN IOLTA	-	1,209	1,209
Total temporarily restricted net assets	<u>767,429</u>	<u>31,839</u>	<u>799,268</u>
Total net assets	<u>\$ 1,378,929</u>	<u>\$ 81,069</u>	<u>\$ 1,459,998</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, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	Pennsylvania Legal Aid Network							Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total	Special IOLTA	Other	2017	2016
<b>Revenue and Support:</b>									
Nonprofits	\$ 133,040	\$ 70,104	\$ 225,990	\$ 19,818	\$ 448,952	\$ 50,000	\$ 692,900	\$ 1,191,852	\$ 1,320,649
Government	-	-	-	-	-	-	165,000	165,000	50,000
Corporations	-	-	-	-	-	-	85,000	85,000	91,000
Foundations	-	-	-	-	-	-	197,346	197,346	176,710
Individuals	-	-	-	-	-	-	4,663	4,663	8,534
In-kind contributions	-	-	-	-	-	-	153,660	153,660	24,212
Interest income	-	-	65	6	71	-	250	321	273
Other revenue	-	-	-	-	-	-	12,513	12,513	30
Total revenues and support	<u>133,040</u>	<u>70,104</u>	<u>226,055</u>	<u>19,824</u>	<u>449,023</u>	<u>50,000</u>	<u>1,311,332</u>	<u>1,810,355</u>	<u>1,671,408</u>
<b>Expenses:</b>									
Salaries:									
Attorneys	68,025	43,820	135,480	11,557	258,882	30,848	726,907	1,016,637	1,034,696
Support staff	20,957	3,092	14,402	1,698	40,149	3,559	168,059	211,767	178,282
Law students	-	-	-	-	-	-	4,800	4,800	2,200
Total salaries	<u>88,982</u>	<u>46,912</u>	<u>149,882</u>	<u>13,255</u>	<u>299,031</u>	<u>34,407</u>	<u>899,766</u>	<u>1,233,204</u>	<u>1,215,178</u>
Fringe benefits:									
Payroll taxes	6,806	3,589	11,466	1,014	22,875	2,632	62,818	88,325	88,724
Unemployment tax	339	178	582	50	1,149	144	3,450	4,743	3,997
Hospitalization insurance	11,026	5,800	18,926	1,627	37,379	4,674	112,208	154,261	131,175
Life, accident and disability	998	525	1,713	147	3,383	423	10,157	13,963	13,535
Dental insurance	810	426	1,390	119	2,745	2,606	62,556	67,907	11,118
Retirement	6,147	3,234	10,551	907	20,839	343	8,241	29,423	85,390
Workers' compensation	388	204	665	57	1,314	83	1,357	2,754	2,459
Total fringe benefits	<u>26,514</u>	<u>13,956</u>	<u>45,293</u>	<u>3,921</u>	<u>89,684</u>	<u>10,905</u>	<u>260,787</u>	<u>361,376</u>	<u>336,398</u>
Consultants and contractors:									
Auditing	-	-	748	65	813	185	5,102	6,100	6,000
Other consultants	4,955	2,606	8,505	731	16,797	-	60,515	77,312	62,728
In-kind services	-	-	-	-	-	-	153,660	153,660	24,212
Total consultants and contractors	<u>4,955</u>	<u>2,606</u>	<u>9,253</u>	<u>796</u>	<u>17,610</u>	<u>185</u>	<u>219,277</u>	<u>237,072</u>	<u>92,940</u>
Travel:									
Employee travel - local	374	198	642	55	1,269	159	3,807	5,235	4,232
Employee travel - out of town	713	375	1,224	105	2,417	611	17,145	20,173	23,647
Board meetings	132	69	226	19	446	54	1,281	1,781	1,132
Total travel	<u>1,219</u>	<u>642</u>	<u>2,092</u>	<u>179</u>	<u>4,132</u>	<u>824</u>	<u>22,233</u>	<u>27,189</u>	<u>29,011</u>

## 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, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)  
(Continued)

	Pennsylvania Legal Aid Network					Special IOLTA	All Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total			2017	2016
Space costs:									
Rent	4,178	2,202	7,185	617	14,182	1,775	42,620	58,577	60,612
Utilities	377	199	649	56	1,281	-	3,697	4,978	4,822
Maintenance	622	328	1,069	92	2,111	-	6,094	8,205	9,635
Total space costs	<u>5,177</u>	<u>2,729</u>	<u>8,903</u>	<u>765</u>	<u>17,574</u>	<u>1,775</u>	<u>52,411</u>	<u>71,760</u>	<u>75,069</u>
Consumable supplies:									
Office supplies	1,926	1,015	3,312	284	6,537	527	10,316	17,380	20,547
Total consumable supplies	<u>1,926</u>	<u>1,015</u>	<u>3,312</u>	<u>284</u>	<u>6,537</u>	<u>527</u>	<u>10,316</u>	<u>17,380</u>	<u>20,547</u>
Equipment-related expense:									
Equipment leased	617	325	1,059	91	2,092	-	5,782	7,874	7,054
Repairs and maintenance	98	52	169	15	334	-	921	1,255	5,608
Total equipment-related expense	<u>715</u>	<u>377</u>	<u>1,228</u>	<u>106</u>	<u>2,426</u>	<u>-</u>	<u>6,703</u>	<u>9,129</u>	<u>12,662</u>
Other:									
Insurance and bonding	705	372	1,213	104	2,394	300	7,195	9,889	13,077
Printing costs	268	141	459	39	907	-	2,507	3,414	1,484
Professional dues	354	186	608	52	1,200	145	3,451	4,796	4,192
Tuition and seminar fees	481	253	826	71	1,631	197	4,685	6,513	6,407
Advertising	-	-	-	-	-	-	5,050	5,050	1,228
Law library upkeep and subscriptions	371	195	638	55	1,259	152	3,615	5,026	4,248
Telephone	1,050	552	1,791	148	3,541	445	10,716	14,702	15,271
Postage	323	168	557	49	1,097	138	3,290	4,525	3,934
Miscellaneous	-	-	-	-	-	-	1,536	1,536	6,389
Total other	<u>3,552</u>	<u>1,867</u>	<u>6,092</u>	<u>518</u>	<u>12,029</u>	<u>1,377</u>	<u>42,045</u>	<u>55,451</u>	<u>56,230</u>
Total expenses	<u>133,040</u>	<u>70,104</u>	<u>226,055</u>	<u>19,824</u>	<u>449,023</u>	<u>50,000</u>	<u>1,513,538</u>	<u>2,012,561</u>	<u>1,838,035</u>
<b>Change in Net Assets</b>	-	-	-	-	-	-	(202,206)	(202,206)	(166,627)
<b>Net Assets:</b>									
Beginning of year	-	-	-	-	-	-	1,378,928	1,378,929	1,545,556
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,176,722</u>	<u>\$ 1,176,723</u>	<u>\$ 1,378,929</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, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	Pennsylvania Legal Aid Network						Totals		
	Federal Title XX	State	Access to Justice Act	IOLTA	Total	Special IOLTA	Other	2017	2016
<b>Revenue and Support:</b>									
Nonprofits	\$ 72,904	\$ 38,415	\$ 128,187	\$ 11,324	\$ 250,830	\$ 45,000	\$ -	\$ 295,830	\$ 291,200
Government	-	-	-	-	-	-	47,000	47,000	47,000
Foundations	-	-	-	-	-	-	160,850	160,850	65,000
Individuals	-	-	-	-	-	-	10,735	10,735	10,575
In-kind contributions	-	-	-	-	-	-	75,097	75,097	99,008
Interest income	-	-	45	4	49	-	45	94	29
Total revenue and support	<u>72,904</u>	<u>38,415</u>	<u>128,232</u>	<u>11,328</u>	<u>250,879</u>	<u>45,000</u>	<u>293,727</u>	<u>589,606</u>	<u>512,812</u>
<b>Expenses:</b>									
Salaries:									
Attorneys	40,658	21,251	79,658	6,293	147,860	31,024	63,967	242,851	226,614
Support staff	8,027	4,487	15,952	1,329	29,795	904	2,301	33,000	30,000
Law students	-	-	-	-	-	-	1,900	1,900	5,600
Total salaries	<u>48,685</u>	<u>25,738</u>	<u>95,610</u>	<u>7,622</u>	<u>177,655</u>	<u>31,928</u>	<u>68,168</u>	<u>277,751</u>	<u>262,214</u>
Fringe benefits:									
Payroll taxes	3,724	1,969	7,314	583	13,590	2,444	5,335	21,369	20,037
Unemployment tax	186	97	365	29	677	142	293	1,112	857
Retirement	2,501	1,307	4,901	387	9,096	1,908	3,936	14,940	12,574
Hospitalization insurance	2,324	1,215	4,555	360	8,454	1,772	3,647	13,873	2,343
Life, accident and disability	435	227	853	67	1,582	332	685	2,599	3,658
Dental insurance	691	361	1,353	107	2,512	527	1,087	4,126	10,998
Workers' compensation	111	58	217	17	403	84	175	662	615
Total fringe benefits	<u>9,972</u>	<u>5,234</u>	<u>19,558</u>	<u>1,550</u>	<u>36,314</u>	<u>7,209</u>	<u>15,158</u>	<u>58,681</u>	<u>51,082</u>
Consultants and contractors:									
Auditing	-	-	1,465	110	1,575	560	552	2,687	2,700
Other consultants	6,706	3,505	13,140	1,038	24,389	-	17,305	41,694	21,666
Pro bono attorneys	-	-	-	-	-	-	75,097	75,097	99,008
Total consultants and contractors	<u>6,706</u>	<u>3,505</u>	<u>14,605</u>	<u>1,148</u>	<u>25,964</u>	<u>560</u>	<u>92,954</u>	<u>119,478</u>	<u>123,374</u>
Travel:									
Employee travel - local	53	28	104	8	193	-	72	265	513
Employee travel - out of town	1,383	723	2,711	214	5,031	991	3,091	9,113	9,673
Total travel	<u>1,436</u>	<u>751</u>	<u>2,815</u>	<u>222</u>	<u>5,224</u>	<u>991</u>	<u>3,163</u>	<u>9,378</u>	<u>10,186</u>

(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, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)  
(Continued)

	Pennsylvania Legal Aid Network					Special IOLTA	Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total			2017	2016
Space costs:									
Rent	2,945	1,540	5,771	456	10,712	2,580	4,729	18,021	8,515
Total space costs	2,945	1,540	5,771	456	10,712	2,580	4,729	18,021	8,515
Consumable supplies:									
Office supplies	1,170	611	2,292	181	4,254	-	2,373	6,627	3,415
Total consumable supplies	1,170	611	2,292	181	4,254	-	2,373	6,627	3,415
Equipment-related expense:									
Equipment purchases	-	-	-	-	-	-	-	-	2,898
Total equipment-related expense	-	-	-	-	-	-	-	-	2,898
Other:									
Insurance and bonding	625	327	1,225	97	2,274	388	778	3,440	3,365
Printing	-	-	-	-	-	-	-	-	133
Professional dues	243	127	476	38	884	-	252	1,136	641
Tuition and seminar fees	307	160	601	47	1,115	-	318	1,433	1,995
Law library - research	24	12	46	4	86	-	24	110	33
Telephone	424	216	835	83	1,558	575	726	2,859	3,732
Postage	319	167	625	49	1,160	-	407	1,567	1,520
Miscellaneous	48	27	92	8	175	769	14	958	1,958
Total other	1,990	1,036	3,900	326	7,252	1,732	2,519	11,503	13,377
Total expenses	72,904	38,415	144,551	11,505	267,375	45,000	189,064	501,439	475,061
<b>Change in Net Assets</b>	-	-	(16,319)	(177)	(16,496)	248,727	400,542	88,167	37,751
<b>Net Assets:</b>									
Beginning of year	-	-	28,730	1,209	29,939	-	51,130	81,069	43,318
End of year	\$ -	\$ -	\$ 12,411	\$ 1,032	\$ 13,443	\$ 248,727	\$ 451,672	\$ 169,236	\$ 81,069

(Concluded)

## **Regional Housing Legal Services**

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

Year Ended June 30, 2017

**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, 2017, 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 4, 2017.

### **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 4, 2017