

Regional Housing Legal Services

Financial Statements and
Supplementary Information

Years Ended June 30, 2019 and 2018
with Independent Auditor's Reports

MaherDuessel
Certified Public Accountants

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REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2019 AND 2018

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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), which comprise the statements of financial position as of June 30, 2019 and 2018, 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, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, RHLS adopted Accounting Standards Update 2016-14, *"Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,"* which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes 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, among other requirements. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 17 through 20 is 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 3, 2019 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 3, 2019

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,012,925	\$ 955,167
Accounts receivable:		
Pennsylvania Legal Aid Network	44,269	30,894
Other receivables	346,151	196,606
Promises to give, net	30,000	259,432
Prepaid expenses	19,946	45,295
Total Assets	<u>\$ 1,453,291</u>	<u>\$ 1,487,394</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 352,905	\$ 303,826
Total Liabilities	<u>352,905</u>	<u>303,826</u>
Net Assets:		
Without donor restrictions	794,009	719,056
With donor restrictions	306,377	464,512
Total Net Assets	<u>1,100,386</u>	<u>1,183,568</u>
Total Liabilities and Net Assets	<u>\$ 1,453,291</u>	<u>\$ 1,487,394</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	2019						
	Without Donor Restrictions			With Donor Restrictions			
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	Total	Total
Revenue and Support:							
Contracts and grants	\$ 1,988,627	\$ 565,280	\$ 2,553,907	\$ 87,976	\$ 113,821	\$ 201,797	\$ 2,755,704
Contributions	88,835	10,700	99,535	-	-	-	99,535
In-kind contributions	210,489	28,583	239,072	-	-	-	239,072
Interest income	1,530	176	1,706	-	-	-	1,706
Other revenue	219	5,000	5,219	-	-	-	5,219
Subtotal	2,289,700	609,739	2,899,439	87,976	113,821	201,797	3,101,236
Net assets released from restrictions	233,600	126,332	359,932	(233,600)	(126,332)	(359,932)	-
Total revenue and support	2,523,300	736,071	3,259,371	(145,624)	(12,511)	(158,135)	3,101,236
Expenses:							
Program services	2,224,505	576,523	2,801,028	-	-	-	2,801,028
Management and general	189,021	110,012	299,033	-	-	-	299,033
Fundraising	83,248	1,109	84,357	-	-	-	84,357
Total expenses	2,496,774	687,644	3,184,418	-	-	-	3,184,418
Change in Net Assets	26,526	48,427	74,953	(145,624)	(12,511)	(158,135)	(83,182)
Net Assets:							
Beginning of year	593,393	125,663	719,056	322,929	141,583	464,512	1,183,568
End of year	<u>\$ 619,919</u>	<u>\$ 174,090</u>	<u>\$ 794,009</u>	<u>\$ 177,305</u>	<u>\$ 129,072</u>	<u>\$ 306,377</u>	<u>\$ 1,100,386</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

	Without Donor Restrictions			With Donor Restrictions			
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	Total	Total
Revenue and Support:							
Contracts and grants	\$ 1,591,926	\$ 514,217	\$ 2,106,143	\$ 83,301	\$ 128,140	\$ 211,441	\$ 2,317,584
Contributions	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	<u>\$ 593,393</u>	<u>\$ 125,663</u>	<u>\$ 719,056</u>	<u>\$ 322,929</u>	<u>\$ 141,583</u>	<u>\$ 464,512</u>	<u>\$ 1,183,568</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	2019					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,042,527	\$ 337,748	\$ 1,380,275	\$ 184,723	\$ 55,134	\$ 1,620,132
Fringe benefits	345,245	111,357	456,602	40,272	1,027	497,901
Consultants and contractors	631,797	80,281	712,078	25,211	2,229	739,518
Travel	41,171	10,264	51,435	8,578	85	60,098
Space costs	78,984	18,711	97,695	11,958	209	109,862
Consumable supplies	26,152	4,834	30,986	3,639	65	34,690
Equipment-related expense	5,765	-	5,765	-	10	5,775
Other	52,864	13,328	66,192	24,652	25,598	116,442
Total expenses	\$ 2,224,505	\$ 576,523	\$ 2,801,028	\$ 299,033	\$ 84,357	\$ 3,184,418

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	<u>\$ 1,871,484</u>	<u>\$ 520,643</u>	<u>\$ 2,392,127</u>	<u>\$ 310,939</u>	<u>\$ 56,769</u>	<u>\$ 2,759,835</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Cash received from contracts, grants and contributions	\$ 2,921,751	\$ 2,937,100
Interest received	1,706	764
Other revenue received	5,219	5,163
Cash paid to employees and related fringe benefits	(2,118,033)	(2,071,496)
Cash paid for other expenses	(752,885)	(155,337)
Net cash provided by operating activities	57,758	716,194
Net Increase in Cash and Cash Equivalents	57,758	716,194
Cash and Cash Equivalents:		
Beginning of year	955,167	238,973
Ending of year	\$ 1,012,925	\$ 955,167
Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	\$ (83,182)	\$ (162,391)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in:		
Accounts receivable	(162,920)	379,485
Promises to give	229,432	216,852
Prepaid expenses	25,349	(8,888)
Accounts payable and accrued expenses	49,079	291,136
Net Cash Provided by Operating Activities	\$ 57,758	\$ 716,194

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 support without donor restrictions to the extent that eligible costs are incurred and as support with donor restrictions 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:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 \$239,072 and \$250,754 for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, contributed services consisted of pro bono legal services. The legal services are recorded at attorney's cost, based on PLAN's recommended 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, 2019 and 2018.

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. RHLS allocates expense among PLAN and other funding sources based on specific identification and/or time expended on cases.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 (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 2.72% and 1.78% as of June 30, 2019 and 2018, respectively, and the total discount taken was \$0 and \$568 as of June 30, 2019 and 2018, 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, 2019 and 2018.

Concentration of Grants

RHLS is funded on a year-to-year basis through a contract with PLAN. For the years ended June 30, 2019 and 2018, approximately 34% and 37%, respectively, of RHLS's funding was received from PLAN. Funding for the contract is provided for by the Commonwealth of

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

With and Without Donor Restrictions Revenue and Support

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Adoption of Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended June 30, 2019:

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* 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. As a result of adoption, the unrestricted net assets as of July 1, 2017 were transferred to net assets without donor restriction. In addition, the temporarily restricted net assets as of July 1, 2017 were transferred to net assets with donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Pending 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.

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.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

2. Promises to Give

Unconditional promises to give are as follows at June 30, 2019 and 2018:

	2019	2018
Receivables in less than one year	\$ 30,000	\$ 230,000
Receivables in one to five years	-	29,432
Net unconditional promises to give	<u>\$ 30,000</u>	<u>\$ 259,432</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.

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 \$108,161 and \$100,907 for the years ended June 30, 2019 and 2018, 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. For the years ended June 30, 2019 and 2018, the Organization received \$23,000 and \$115,000 in contributions from CHDC, respectively.

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, 2019 and 2018, the organization received \$395,000

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

and \$270,000 in total from CHLS and, at June 30, 2019 and 2018, had \$245,000 and zero 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, 2019 and 2018 was \$93,873 and \$85,269, 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, 2019 and 2018 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, 2019 and 2018 was \$14,100 per year.

The office facilities in Pittsburgh, Pennsylvania are leased from Columbus – Pittsburgh Properties, LTD., a limited partnership. The lease ends on August 31, 2021 and is renewable on a year-to-year basis thereafter. Rent is currently set at \$1,401 per month and will increase by 5% for each yearly renewal. Either party can cancel the lease by giving the other party a 120-day notice before the end of any term. Future minimum rental payments subsequent to June 30, 2019 are \$16,809, \$16,809, and \$2,802 for the years ended June 30, 2020, 2021, and 2022, respectively.

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, Hillman Foundation, Pittsburgh Foundation and the Oak Foundation.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019, as the amount carried over was less than 10%. 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. At June 30, 2019 and 2018, RHLS carried over 7.64% and 23.28% or \$15,251 and \$39,783, respectively, for PULP, which was included in net assets with donor restrictions.

7. Line of Credit

RHLS has an unsecured line of credit of \$400,000 at 3.5% at June 30, 2019. The line expires November 30, 2019. There was no balance on the line of credit at June 30, 2019 and 2018.

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, 2019 AND 2018

9. Net Assets

Net assets as of June 30, 2019 and 2018 consist of the following:

	2019		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Net Assets Without Donor Restrictions	\$ 619,919	\$ 174,090	\$ 794,009
Net Assets With Donor Restrictions			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	49,701	-	49,701
The Heinz Endowments	87,976	-	87,976
Oak Foundation Ltd	39,628	-	39,628
PLAN AJA	-	13,536	13,536
PLAN IOLTA	-	1,715	1,715
PLAN PHARE	-	13,821	13,821
Hillman Family Foundation	-	100,000	100,000
Total net assets with donor restrictions	177,305	129,072	306,377
Total net assets	\$ 797,224	\$ 303,162	\$ 1,100,386
	2018		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Net Assets Without Donor Restrictions	\$ 593,393	\$ 125,663	\$ 719,056
Net Assets With Donor Restrictions			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	79,701	-	79,701
Connelly	1,800	-	1,800
Oak Foundation Ltd	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 Family Foundation	-	100,000	100,000
Total net asset with donor restrictions	322,929	141,583	464,512
Total net assets	\$ 916,322	\$ 267,246	\$ 1,183,568

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

10. Liquidity and Availability

As part of the RHLS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, RHLS invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, RHLS has a committed line of credit in the amount of \$400,000, which could be drawn on, if necessary.

RHLS' liquid assets as of June 30, 2019 expected to be available within one year to meet the cash needs for general expenditures total \$1,433,345. This amount comprised of all assets as of June 30, 2019, except for prepaid expenses.

11. 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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Pennsylvania Legal Aid Network							Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total	IOLTA CRLA	Other	2019	2018
		\$	\$	\$	\$	\$	\$	\$	\$
Revenue and Support:									
Contracts and grants	133,849	64,522	306,894	44,144	549,409	686,727	840,467	2,076,603	1,675,227
Contributions	-	-	-	-	-	-	88,835	88,835	12,354
In-kind contributions	-	-	-	-	-	-	210,489	210,489	196,665
Interest income	-	-	203	29	232	-	1,298	1,530	666
Other revenue	-	-	-	-	-	-	219	219	5,163
Total revenues and support	133,849	64,522	307,097	44,173	549,641	686,727	1,141,308	2,377,676	1,890,075
Expenses:									
Salaries:									
Attorneys	97,799	34,915	147,303	20,729	300,746	171,564	577,658	1,049,968	1,013,682
Support staff	9,249	1,101	13,975	1,298	25,623	23,677	100,552	149,852	193,466
Law students	-	-	-	-	-	-	1,800	1,800	5,800
Total salaries	107,048	36,016	161,278	22,027	326,369	195,241	680,010	1,201,620	1,212,948
Fringe benefits:									
Payroll taxes	8,189	2,755	12,338	1,685	24,967	14,936	44,925	84,828	87,939
Unemployment tax	55	84	437	67	643	310	982	1,935	16,318
Hospitalization insurance	5,164	7,866	40,777	6,241	60,048	27,393	83,661	171,102	176,905
Life, accident and disability	544	829	4,299	658	6,330	2,856	8,651	17,837	16,938
Dental insurance	2,757	4,201	21,775	3,333	32,066	14,346	42,920	89,332	12,576
Retirement	364	554	2,873	440	4,231	1,936	5,925	12,092	84,771
Workers' compensation	83	125	650	100	958	406	1,170	2,534	2,406
Total fringe benefits	17,156	16,414	83,149	12,524	129,243	62,183	188,234	379,660	397,853
Consultants and contractors:									
Auditing	-	-	530	76	606	1,500	3,358	5,464	6,188
Other consultants	3,013	1,985	9,746	1,527	16,271	393,180	26,267	435,718	112,220
In-kind services	-	-	-	-	-	-	210,489	210,489	196,665
Total consultants and contractors	3,013	1,985	10,276	1,603	16,877	394,680	240,114	651,671	315,073
Travel:									
Employee travel - local	188	287	1,488	228	2,191	127	2,889	5,207	4,798
Employee travel - out of town	798	1,215	6,299	964	9,276	9,218	20,987	39,481	39,418
Board meetings	88	134	693	106	1,021	308	1,359	2,688	9,433
Total travel	1,074	1,636	8,480	1,298	12,488	9,653	25,235	47,376	53,649

(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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)
(Continued)

	Pennsylvania Legal Aid Network					IOLTA CRLA	All Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Total			2019	2018
Space costs:									
Rent	2,147	3,270	16,953	2,595	24,965	12,248	33,473	70,686	63,657
Utilities	208	317	1,642	251	2,418	463	3,205	6,086	5,564
Maintenance	338	516	2,672	409	3,935	753	5,215	9,903	9,680
Total space costs	<u>2,693</u>	<u>4,103</u>	<u>21,267</u>	<u>3,255</u>	<u>31,318</u>	<u>13,464</u>	<u>41,893</u>	<u>86,675</u>	<u>78,901</u>
Consumable supplies:									
Office supplies	728	1,109	5,748	879	8,464	2,347	17,888	28,699	24,538
Total consumable supplies	<u>728</u>	<u>1,109</u>	<u>5,748</u>	<u>879</u>	<u>8,464</u>	<u>2,347</u>	<u>17,888</u>	<u>28,699</u>	<u>24,538</u>
Equipment-related expense:									
Equipment leased	170	259	1,341	205	1,975	92	2,601	4,668	7,559
Repairs and maintenance	40	61	318	49	468	22	617	1,107	3,898
Total equipment-related expense	<u>210</u>	<u>320</u>	<u>1,659</u>	<u>254</u>	<u>2,443</u>	<u>114</u>	<u>3,218</u>	<u>5,775</u>	<u>11,457</u>
Other:									
Insurance and bonding	356	542	2,810	430	4,138	1,931	5,542	11,611	8,603
Printing costs	55	84	437	67	643	300	861	1,804	176
Professional dues	169	258	1,337	205	1,969	919	2,638	5,526	6,529
Tuition and seminar fees	282	429	2,223	340	3,274	1,788	4,399	9,461	7,856
Advertising	-	1	3	1	5	355	5,953	6,313	1,950
Law library upkeep and subscriptions	345	525	2,721	416	4,007	662	5,305	9,974	12,510
Telephone	583	891	4,628	709	6,811	2,333	9,088	18,232	15,386
Postage	36	55	283	43	417	194	558	1,169	1,792
45th anniversary	-	-	-	-	-	-	27,892	27,892	-
Miscellaneous	101	154	798	122	1,175	563	1,578	3,316	1,255
Total other	<u>1,927</u>	<u>2,939</u>	<u>15,240</u>	<u>2,333</u>	<u>22,439</u>	<u>9,045</u>	<u>63,814</u>	<u>95,298</u>	<u>56,057</u>
Total expenses	<u>133,849</u>	<u>64,522</u>	<u>307,097</u>	<u>44,173</u>	<u>549,641</u>	<u>686,727</u>	<u>1,260,406</u>	<u>2,496,774</u>	<u>2,150,476</u>
Change in Net Assets	-	-	-	-	-	-	(119,098)	(119,098)	(260,401)
Net Assets:									
Beginning of year	-	-	-	-	-	-	916,322	916,322	1,176,723
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,224</u>	<u>\$ 797,224</u>	<u>\$ 916,322</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, 2019

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

	Pennsylvania Legal Aid Network										Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	MLK Fellow	Total	Special IOLTA	IOLTA CRLA	Other	2019	2018
	Revenue and Support:											
Contracts and grants	\$ 73,270	\$ 35,320	\$ 174,418	\$ 25,225	\$ 68,347	\$ 37,186	\$ 413,766	\$ 39,624	\$ 8,710	\$217,001	\$ 679,101	\$ 642,357
Contributions	-	-	-	-	-	-	-	-	-	10,700	10,700	10,825
In-kind contributions	-	-	-	-	-	-	-	-	-	28,583	28,583	54,089
Interest income	-	-	120	56	-	-	176	-	-	-	176	98
Other revenue	-	-	-	-	-	-	-	-	-	5,000	5,000	-
Total revenue and support	<u>73,270</u>	<u>35,320</u>	<u>174,538</u>	<u>25,281</u>	<u>68,347</u>	<u>37,186</u>	<u>413,942</u>	<u>39,624</u>	<u>8,710</u>	<u>261,284</u>	<u>723,560</u>	<u>707,369</u>
Expenses:												
Salaries:												
Attorneys	30,566	14,807	83,262	11,632	23,451	27,347	191,065	27,941	6,242	97,470	322,718	283,574
Paralegal	6,088	3,597	14,757	1,777	10,256	-	36,475	1,231	191	1,887	39,784	18,859
Support staff	11,375	4,704	29,273	3,759	3,350	-	52,461	723	43	983	54,210	50,000
Law students	-	-	-	-	-	1,800	1,800	-	-	-	1,800	3,200
Total salaries	<u>48,029</u>	<u>23,108</u>	<u>127,292</u>	<u>17,168</u>	<u>37,057</u>	<u>29,147</u>	<u>281,801</u>	<u>29,895</u>	<u>6,476</u>	<u>100,340</u>	<u>418,512</u>	<u>355,633</u>
Fringe benefits:												
Payroll taxes	3,674	1,768	9,738	1,313	2,835	2,199	21,527	2,287	495	7,662	31,971	26,460
Unemployment tax	45	22	122	17	109	91	406	56	12	169	643	1,692
Retirement	1,660	804	4,521	632	3,201	599	11,417	1,630	364	5,418	18,829	16,136
Hospitalization insurance	5,411	2,620	14,737	2,059	3,224	4,900	32,951	4,763	1,070	16,546	55,330	51,110
Life, accident and disability	316	153	861	120	622	154	2,226	317	71	1,045	3,659	3,125
Dental insurance	637	309	1,735	242	1,187	96	4,206	605	135	2,039	6,985	5,577
Workers' compensation	77	37	210	29	140	-	493	71	16	244	824	962
Total fringe benefits	<u>11,820</u>	<u>5,713</u>	<u>31,924</u>	<u>4,412</u>	<u>11,318</u>	<u>8,039</u>	<u>73,226</u>	<u>9,729</u>	<u>2,163</u>	<u>33,123</u>	<u>118,241</u>	<u>105,062</u>
Consultants and contractors:												
Auditing	-	-	1,312	593	456	-	2,361	-	-	321	2,682	2,687
Other consultants	5,460	2,644	14,870	2,078	670	-	25,722	-	-	30,860	56,582	41,308
Pro bono attorneys	-	-	-	-	-	-	-	-	-	28,583	28,583	54,090
Total consultants and contractors	<u>5,460</u>	<u>2,644</u>	<u>16,182</u>	<u>2,671</u>	<u>1,126</u>	<u>-</u>	<u>28,083</u>	<u>-</u>	<u>-</u>	<u>59,764</u>	<u>87,847</u>	<u>98,085</u>
Travel:												
Employee travel - local	25	12	67	9	-	-	113	-	-	43	156	180
Employee travel - out of town	1,505	729	4,098	573	335	-	7,240	-	71	3,641	10,952	8,562
Board meetings	212	102	576	81	-	-	971	-	-	279	1,250	2,253
Client	56	27	153	21	-	-	257	-	-	107	364	-
Total travel	<u>1,798</u>	<u>870</u>	<u>4,894</u>	<u>684</u>	<u>335</u>	<u>-</u>	<u>8,581</u>	<u>-</u>	<u>71</u>	<u>4,070</u>	<u>12,722</u>	<u>10,995</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, 2019
(With Comparative Totals for the Year Ended June 30, 2018)
(Continued)

	Pennsylvania Legal Aid Network										Totals	
	Federal	State	Access to	IOLTA	PHARE	MLK	Total	Special	IOLTA	Other	2019	2018
	Title XX		Justice Act			Fellow		IOLTA	CRLA			
Space costs:												
Rent	2,817	1,364	7,671	1,072	2,680	-	15,604	-	-	7,583	23,187	21,612
Total space costs	2,817	1,364	7,671	1,072	2,680	-	15,604	-	-	7,583	23,187	21,612
Consumable supplies:												
Office supplies	662	321	1,803	252	500	-	3,538	-	-	2,453	5,991	3,573
Total consumable supplies	662	321	1,803	252	500	-	3,538	-	-	2,453	5,991	3,573
Equipment-related expense:												
Equipment purchases	-	-	-	-	-	-	-	-	-	-	-	-
Total equipment-related expense	-	-	-	-	-	-	-	-	-	-	-	-
Other:												
Insurance and bonding	860	417	2,342	327	470	-	4,416	-	-	2,039	6,455	3,926
Printing	80	39	217	30	-	-	366	-	-	1,177	1,543	164
Professional dues	228	110	621	87	-	-	1,046	-	-	434	1,480	607
Tuition and seminar fees	208	101	567	79	-	-	955	-	-	397	1,352	1,723
Advertising	-	-	-	-	-	-	-	-	-	-	-	90
Law library - research	485	235	1,319	184	-	-	2,223	-	-	1,017	3,240	893
Telephone	533	258	1,447	204	1,040	-	3,482	-	-	1,539	5,021	3,968
Postage	290	140	791	111	-	-	1,332	-	-	721	2,053	1,865
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	1,163
Total other	2,684	1,300	7,304	1,022	1,510	-	13,820	-	-	7,324	21,144	14,399
Total expenses	73,270	35,320	197,070	27,281	54,526	37,186	424,653	39,624	8,710	214,657	687,644	609,359
Change in Net Assets	-	-	(22,532)	(2,000)	13,821	-	(10,711)	-	-	46,627	35,916	98,010
Net Assets:												
Beginning of year	-	-	36,068	3,715	-	-	39,783	-	-	227,463	267,246	169,236
End of year	\$ -	\$ -	\$ 13,536	\$ 1,715	\$ 13,821	\$ -	\$ 29,072	\$ -	\$ -	\$ 274,090	\$ 303,162	\$ 267,246

(Concluded)

Regional Housing Legal Services

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2019

**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, 2019, 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 3, 2019.

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.

Mahe Duessel

Harrisburg, Pennsylvania
October 3, 2019