

Regional Housing Legal Services

Financial Statements and
Supplementary Information

Years Ended June 30, 2020 and 2019
with Independent Auditor's Reports

MaherDuessel
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REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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 audit 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, 2020 and 2019, 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 the following Accounting Standards Updates (ASU): ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," and ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*." Our opinion is not modified with respect to these matters.

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 18 through 21 is presented for purposes of additional analysis and is 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 7, 2020, 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 7, 2020

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,346,127	\$ 1,012,925
Accounts receivable:		
Pennsylvania Legal Aid Network	101,243	44,269
Other receivables	387,237	346,151
Promises to give, net	-	30,000
Prepaid expenses	53,232	19,946
Total Assets	<u>\$ 1,887,839</u>	<u>\$ 1,453,291</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 349,738	\$ 352,905
Refundable advance	601,675	-
Total Liabilities	<u>951,413</u>	<u>352,905</u>
Net Assets:		
Without donor restrictions	850,171	794,009
With donor restrictions	86,255	306,377
Total Net Assets	<u>936,426</u>	<u>1,100,386</u>
Total Liabilities and Net Assets	<u>\$ 1,887,839</u>	<u>\$ 1,453,291</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

2020

	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	\$ 2,156,454	\$ 465,169	\$ 2,621,623	\$ -	\$ -	\$ -	\$ 2,621,623
Contracted services	160,000	-	160,000	-	-	-	160,000
Contributions	61,369	10,860	72,229	-	-	-	72,229
In-kind contributions	200,094	18,315	218,409	-	-	-	218,409
Interest income	2,535	150	2,685	-	-	-	2,685
Other revenue	262,768	95,094	357,862	-	-	-	357,862
Subtotal	2,843,220	589,588	3,432,808	-	-	-	3,432,808
Net assets released from restrictions	114,628	105,494	220,122	(114,628)	(105,494)	(220,122)	-
Total revenue and support	2,957,848	695,082	3,652,930	(114,628)	(105,494)	(220,122)	3,432,808
Expenses:							
Program services	2,675,600	541,171	3,216,771	-	-	-	3,216,771
Management and general	223,855	96,795	320,650	-	-	-	320,650
Fundraising	58,392	955	59,347	-	-	-	59,347
Total expenses	2,957,847	638,921	3,596,768	-	-	-	3,596,768
Change in Net Assets	1	56,161	56,162	(114,628)	(105,494)	(220,122)	(163,960)
Net Assets:							
Beginning of year	619,919	174,090	794,009	177,305	129,072	306,377	1,100,386
End of year	<u>\$ 619,920</u>	<u>\$ 230,251</u>	<u>\$ 850,171</u>	<u>\$ 62,677</u>	<u>\$ 23,578</u>	<u>\$ 86,255</u>	<u>\$ 936,426</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			Total
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Housing and Community Development	Pennsylvania Utility Law Project	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 FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	2020					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,278,314	\$ 322,125	\$ 1,600,439	\$ 214,416	\$ 43,715	\$ 1,858,570
Fringe benefits	377,751	116,451	494,202	47,728	9,425	551,355
Consultants and contractors	827,748	55,510	883,258	11,765	1,981	897,004
Travel	22,774	5,949	28,723	3,913	473	33,109
Space costs	74,136	22,653	96,789	13,049	1,581	111,419
Consumable supplies	43,375	6,112	49,487	6,037	907	56,431
Equipment-related expense	8,505	-	8,505	-	158	8,663
Other	42,997	12,371	55,368	23,742	1,107	80,217
Total expenses	\$ 2,675,600	\$ 541,171	\$ 3,216,771	\$ 320,650	\$ 59,347	\$ 3,596,768

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received from contracts, grants and contributions	\$ 3,387,467	\$ 2,921,751
Interest received	2,685	1,706
Other revenue received	357,862	5,219
Cash paid to employees and related fringe benefits	(2,409,925)	(2,118,033)
Cash paid for other expenses	(1,004,887)	(752,885)
Net cash provided by operating activities	333,202	57,758
Net Increase in Cash and Cash Equivalents	333,202	57,758
Cash and Cash Equivalents:		
Beginning of year	1,012,925	955,167
Ending of year	\$ 1,346,127	\$ 1,012,925
Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	\$ (163,960)	\$ (83,182)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in:		
Accounts receivable	(98,060)	(162,920)
Promises to give	30,000	229,432
Prepaid expenses	(33,286)	25,349
Accounts payable and accrued expenses	(3,167)	49,079
Refundable advance	601,675	-
Net Cash Provided by Operating Activities	\$ 333,202	\$ 57,758

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 unconditional 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, 2020 AND 2019

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 \$218,409 and \$239,072 for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, contributed services consisted of pro bono legal services. The legal services are recorded at attorney's cost, based on PLAN's recommended statewide rate.

Contracted Services

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 at the point the services are performed 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, 2020 and 2019.

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, 2020 AND 2019

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 0.25% and 2.72% as of June 30, 2020 and 2019, respectively, and the total discount taken was \$0 and \$0 as of June 30, 2020 and 2019, 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, 2020 and 2019.

Contributions and Refundable Advances

Conditional contributions received are recorded as refundable advances until the conditions are substantially met. When the conditions are substantially met, the contribution becomes unconditional.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Unconditional contributions are recorded as without donor restrictions or with donor restrictions. This classification is dependent on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions 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. 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.

Concentration of Grants

RHLS is funded on a year-to-year basis through a contract with PLAN. For the years ended June 30, 2020 and 2019, approximately 31% and 34%, respectively, of RHLS's funding was 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.

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 Updates (ASUs) were adopted during the year ended June 30, 2020:

ASU 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*," provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal (exchanges) or nonreciprocal (contributions) and distinguishing between conditional and unconditional contributions. This ASU was applied on a modified prospective basis.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

ASU 2014-09, *“Revenue from Contracts from Customers (Topic 606),”* provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. This ASU had no effect on the financial statements.

Pending Standards Update

ASU 2016-02, *“Leases (Topic 842),”* is effective for RHLS’s financial statements for the year ending June 30, 2023. 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 2018-15, *“Intangibles: Goodwill and Other Internal-Use Software (Subtopic 350-40),”* is effective for RHLS’s financial statements for the year ending June 30, 2022. This amendment will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license.

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.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

2. Promises to Give

Unconditional promises to give were \$0 and \$30,000 at June 30, 2020 and 2019, respectively, and all were due within one year.

Conditional promises to give are as follows at June 30, 2020:

PHARE	\$	25,439
McAuley Ministries, Inc.		40,000
Oak Foundation		1,200,000
Barra Foundation		31,250
The Hive		30,000
Total	\$	<u>1,326,689</u>

Revenue will be recognized when qualifying expenses are incurred and the promise becomes unconditional.

3. Refundable Advances

RHLS's refundable advances as of June 30, 2020 are as follows:

Access to Justice Act	\$	114,877
IOLTA		17,212
PHARE		6,422
IOLTA Zone		13,128
Other		450,036
Total	\$	<u>601,675</u>

All refundable advances as of June 30, 2020 are considered conditional contributions with an unmet barrier to incur qualifying expenses.

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, 2020 AND 2019

Funding from IOLTA, Access to Justice Act, and PHARE 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 more than 10% to the subsequent fiscal year. A waiver was granted to RHLS to carryover up to 40% of IOLTA and Access to Justice Act funding for the year ended June 30, 2020. No written waiver was required for PHARE funding for the year ended June 30, 2020. Actual carryover as of June 30, 2020 was 19% of IOLTA funding, 19% of Access to Justice Act funding, and 8% of PHARE funding.

4. Loan Payable

In April 2020, RHLS qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the United States Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PNC Bank), for an aggregate principal amount of \$328,400. The PPP loan bears interest at a fixed rate of 1% per annum. As of June 30, 2020, the full amount of the loan met the conditions set forth by the SBA. As this amount is expected to be forgiven, it is reported as other income on the Statement of Activities. If the loan is not forgiven, payments of principal and interest are due beginning in November 2020 and through April 2022.

5. 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 \$119,618 and \$108,161 for the years ended June 30, 2020 and 2019, respectively.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

6. Related Party Transactions

As explained in Note 7, the Commonwealth Housing Development Corporation (CHDC) leases the Glenside facilities to RHLS. For the years ended June 30, 2020 and 2019, the Organization received \$0 and \$23,000 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 two corporations have overlapping board members. For the years ended June 30, 2020 and 2019, the organization received \$160,000 and \$395,000 in total from CHLS and, at June 30, 2020 and 2019, had \$160,000 and \$245,000 due from CHLS, respectively.

7. 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, 2020 and 2019 was \$97,123 and \$93,873, 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, 2020 and 2019 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, 2020 and 2019 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, 2020 are \$16,809 and \$2,802 for the years ended June 30, 2021 and 2022, respectively.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

8. Line of Credit

RHLS has an unsecured line of credit of \$400,000 at 3.5% at June 30, 2020. The line expires November 30, 2020. There was no balance on the line of credit at June 30, 2020 and 2019.

9. 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.

10. Net Assets

Net assets as of June 30, 2020 and 2019 consist of the following:

	2020		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Net Assets Without Donor Restrictions	\$ 619,920	\$ 230,251	\$ 850,171
Net Assets With Donor Restrictions			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	19,701	-	19,701
The Heinz Endowments	42,976	-	42,976
Hillman Family Foundation	-	23,578	23,578
Total net assets with donor restrictions	62,677	23,578	86,255
Total net assets	\$ 682,597	\$ 253,829	\$ 936,426

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

	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 asset with donor restrictions	177,305	129,072	306,377
Total net assets	\$ 797,224	\$ 303,162	\$ 1,100,386

IOLTA, Access to Justice Act, and PHARE funding permit a 10% carryover of current funding to the next fiscal year. The recipient may request a written waiver to carry over more than 10% of these funds. No waiver was required for the year ended June 30, 2019, as the amounts carried over were less than 10%.

11. 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, 2020 and 2019 expected to be available within one year to meet the cash needs for general expenditures total \$1,834,607 and \$1,433,345, respectively. This amount comprised of all assets as of June 30, 2020 and 2019, except for prepaid expenses.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

12. 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.

13. Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the negative impact of the coronavirus on RHLS's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and speed of the outbreak, its impact on RHLS's funders, employees and vendors, and governmental, regulatory and other responses to the coronavirus.

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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Pennsylvania Legal Aid Network							Totals		
	Federal Title XX	State	Access to Justice Act	IOLTA	State CARES Act	Total	IOLTA CRLA	Other	2020	2019
Revenue and Support:										
Contracts and grants	\$ 134,225	\$ 63,650	\$ 352,635	\$ 51,695	\$ 74,314	\$ 676,519	\$ 852,691	\$ 627,244	\$2,156,454	\$2,076,603
Contracted services	-	-	-	-	-	-	-	160,000	160,000	-
Contributions	-	-	-	-	-	-	-	61,369	61,369	88,835
In-kind contributions	-	-	-	-	-	-	-	200,094	200,094	210,489
Interest income	-	-	187	27	-	214	-	2,321	2,535	1,530
Other revenue	-	-	-	-	-	-	-	262,768	262,768	219
Total revenues and support	134,225	63,650	352,822	51,722	74,314	676,733	852,691	1,313,796	2,843,220	2,377,676
Expenses:										
Salaries:										
Attorneys	69,469	30,544	189,640	25,389	57,259	372,301	186,949	692,042	1,251,292	1,049,968
Paralegals	1,045	2,151	11,386	1,549	-	16,131	32	17,718	33,881	-
Support staff	14,879	5,225	21,598	4,140	6,274	52,116	14,763	108,592	175,471	149,852
Law students	-	-	-	-	-	-	-	2,997	2,997	1,800
Total salaries	85,393	37,920	222,624	31,078	63,533	440,548	201,744	821,349	1,463,641	1,201,620
Fringe benefits:										
Payroll taxes	6,532	2,901	17,030	2,377	4,765	33,605	15,433	56,184	105,222	84,828
Unemployment tax	260	143	704	114	817	2,038	611	1,666	4,315	1,935
Hospitalization insurance	10,550	5,801	28,609	4,617	-	49,577	25,465	104,922	179,964	171,102
Life, accident and disability	1,375	756	3,729	602	809	7,271	2,639	8,739	18,649	17,837
Dental insurance	768	422	2,083	336	-	3,609	1,831	7,502	12,942	89,332
Retirement	6,513	3,581	17,660	2,850	-	30,604	15,026	59,187	104,817	12,092
Workers' compensation	205	112	555	89	121	1,082	393	1,300	2,775	2,534
Total fringe benefits	26,203	13,716	70,370	10,985	6,512	127,786	61,398	239,500	428,684	379,660
Consultants and contractors:										
Auditing	-	-	413	61	-	474	1,650	2,759	4,883	5,464
Other consultants	7,837	3,882	19,116	3,095	-	33,930	554,552	45,348	633,830	435,718
In-kind services	-	-	-	-	-	-	-	200,094	200,094	210,489
Total consultants and contractors	7,837	3,882	19,529	3,156	-	34,404	556,202	248,201	838,807	651,671
Travel:										
Employee travel - local	436	240	1,183	191	-	2,050	307	2,754	5,111	5,207
Employee travel - out of town	917	504	2,486	401	258	4,566	5,836	9,646	20,048	39,481
Board meetings	66	36	179	29	-	310	95	418	823	2,688
Total travel	1,419	780	3,848	621	258	6,926	6,238	12,818	25,982	47,376

(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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)
(Continued)

	Pennsylvania Legal Aid Network						IOLTA CRLA	All Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	State CARES Act	Total			2020	2019
	Space costs:									
Rent	4,028	2,215	10,921	1,762	-	18,926	10,935	39,483	69,344	70,686
Utilities	443	243	1,201	194	-	2,081	333	3,132	5,546	6,086
Maintenance	551	303	1,495	241	2,100	4,690	526	3,534	8,750	9,903
Total space costs	<u>5,022</u>	<u>2,761</u>	<u>13,617</u>	<u>2,197</u>	<u>2,100</u>	<u>25,697</u>	<u>11,794</u>	<u>46,149</u>	<u>83,640</u>	<u>86,675</u>
Consumable supplies:										
Office supplies	3,368	1,852	9,132	1,474	1,729	17,555	7,240	24,140	48,935	28,699
Total consumable supplies	<u>3,368</u>	<u>1,852</u>	<u>9,132</u>	<u>1,474</u>	<u>1,729</u>	<u>17,555</u>	<u>7,240</u>	<u>24,140</u>	<u>48,935</u>	<u>28,699</u>
Equipment-related expense:										
Equipment leased	420	231	1,140	184	-	1,975	47	2,646	4,668	4,668
Repairs and maintenance	360	198	975	157	-	1,690	40	2,265	3,995	1,107
Total equipment-related expense	<u>780</u>	<u>429</u>	<u>2,115</u>	<u>341</u>	<u>-</u>	<u>3,665</u>	<u>87</u>	<u>4,911</u>	<u>8,663</u>	<u>5,775</u>
Other:										
Insurance and bonding	965	531	2,617	422	-	4,535	1,755	6,116	12,406	11,611
Printing costs	40	22	108	17	-	187	72	253	512	1,804
Professional dues	333	183	904	146	-	1,566	1,191	2,128	4,885	5,526
Tuition and seminar fees	616	339	1,670	270	182	3,077	818	3,900	7,795	9,461
Advertising	-	-	-	-	-	-	-	-	-	6,313
Law library upkeep and subscriptions	718	395	1,947	314	-	3,374	1,470	4,555	9,399	9,974
Telephone	1,259	690	3,411	554	-	5,914	2,181	12,879	20,974	18,232
Postage	110	60	298	48	-	516	200	696	1,412	1,169
45th anniversary	-	-	-	-	-	-	-	-	-	27,892
Miscellaneous	162	90	632	99	-	983	301	828	2,112	3,316
Total other	<u>4,203</u>	<u>2,310</u>	<u>11,587</u>	<u>1,870</u>	<u>182</u>	<u>20,152</u>	<u>7,988</u>	<u>31,355</u>	<u>59,495</u>	<u>95,298</u>
Total expenses	<u>134,225</u>	<u>63,650</u>	<u>352,822</u>	<u>51,722</u>	<u>74,314</u>	<u>676,733</u>	<u>852,691</u>	<u>1,428,423</u>	<u>2,957,847</u>	<u>2,496,774</u>
Change in Net Assets	-	-	-	-	-	-	-	(114,627)	(114,627)	(119,098)
Net Assets:										
Beginning of year	-	-	-	-	-	-	-	797,224	797,224	916,322
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 682,597</u>	<u>\$ 682,597</u>	<u>\$ 797,224</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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Pennsylvania Legal Aid Network										Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	MLK Fellow	Total	Special IOLTA	IOLTA CRLA	Other	2020	2019
	Revenue and Support:											
Contracts and grants	\$ 73,469	\$ 34,839	\$ 146,964	\$ 21,285	\$ 53,139	\$ 3,774	\$ 333,470	\$ 31,872	\$ 2,827	\$ 97,000	\$ 465,169	\$ 679,101
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	10,860	10,860	10,700
In-kind contributions	-	-	-	-	-	-	-	-	-	18,315	18,315	28,583
Interest income	-	-	101	49	-	-	150	-	-	-	150	176
Other revenue	-	-	-	-	-	-	-	-	-	95,094	95,094	5,000
Total revenue and support	73,469	34,839	147,065	21,334	53,139	3,774	333,620	31,872	2,827	221,269	589,588	723,560
Expenses:												
Salaries:												
Attorneys	36,029	16,696	79,302	10,909	18,048	-	160,984	21,214	1,727	105,609	289,534	322,718
Paralegal	3,456	2,408	7,072	1,035	24,097	-	38,068	1,848	120	7,375	47,411	39,784
Support staff	11,506	5,260	23,546	3,642	2,992	-	46,946	284	-	6,980	54,210	54,210
Law students	-	-	-	-	-	3,774	3,774	-	-	-	3,774	1,800
Total salaries	50,991	24,364	109,920	15,586	45,137	3,774	249,772	23,346	1,847	119,964	394,929	418,512
Fringe benefits:												
Payroll taxes	3,901	1,864	8,409	1,192	3,453	-	18,819	1,786	141	9,563	30,309	31,971
Unemployment tax	216	100	477	66	175	-	1,034	117	10	430	1,591	643
Retirement	1,371	636	3,017	415	1,628	-	7,067	1,084	88	6,562	14,801	18,829
Hospitalization insurance	4,782	2,217	10,526	1,449	7,163	-	26,137	4,744	388	33,848	65,117	55,330
Life, accident and disability	384	178	844	116	310	-	1,832	206	17	764	2,819	3,659
Dental insurance	689	319	1,516	209	782	-	3,515	521	42	3,031	7,109	6,985
Workers' compensation	126	58	277	38	101	-	600	68	6	251	925	824
Total fringe benefits	11,469	5,372	25,066	3,485	13,612	-	59,004	8,526	692	54,449	122,671	118,241
Consultants and contractors:												
Auditing	-	-	1,373	651	296	-	2,320	-	-	367	2,687	2,682
Other consultants	5,060	2,346	11,138	1,533	2,950	-	23,027	-	250	13,918	37,195	56,582
Pro bono attorneys	-	-	-	-	-	-	-	-	-	18,315	18,315	28,583
Total consultants and contractors	5,060	2,346	12,511	2,184	3,246	-	25,347	-	250	32,600	58,197	87,847
Travel:												
Employee travel - local	7	4	16	2	-	-	29	-	-	7	36	156
Employee travel - out of town	835	387	1,838	253	335	-	3,648	-	38	2,754	6,440	10,952
Board meetings	126	58	276	38	-	-	498	-	-	153	651	1,250
Client	-	-	-	-	-	-	-	-	-	-	-	364
Total travel	968	449	2,130	293	335	-	4,175	-	38	2,914	7,127	12,722

(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, 2020
(With Comparative Totals for the Year Ended June 30, 2019)
(Continued)

	Pennsylvania Legal Aid Network										Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	MLK Fellow	Total	Special IOLTA	IOLTA CRLA	Other	2020	2019
	Space costs:											
Rent	422	196	930	128	2,680	-	4,356	-	-	23,423	27,779	23,187
Total space costs	422	196	930	128	2,680	-	4,356	-	-	23,423	27,779	23,187
Consumable supplies:												
Office supplies	1,136	527	2,500	344	440	-	4,947	-	-	2,549	7,496	5,991
Total consumable supplies	1,136	527	2,500	344	440	-	4,947	-	-	2,549	7,496	5,991
Equipment-related expense:												
Equipment purchases	-	-	-	-	-	-	-	-	-	-	-	-
Total equipment-related expense	-	-	-	-	-	-	-	-	-	-	-	-
Other:												
Insurance and bonding	1,330	617	2,928	403	470	-	5,748	-	-	1,430	7,178	6,455
Printing	-	-	-	-	-	-	-	-	-	-	-	1,543
Professional dues	339	157	747	103	-	-	1,346	-	-	348	1,694	1,480
Tuition and seminar fees	445	206	979	135	-	-	1,765	-	-	455	2,220	1,352
Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Law library subscription	695	322	1,529	210	-	-	2,756	-	-	496	3,252	3,240
Telephone	300	138	670	83	1,040	-	2,231	-	-	2,389	4,620	5,021
Postage	261	121	574	79	-	-	1,035	-	-	428	1,463	2,053
Miscellaneous	53	24	117	16	-	-	210	-	-	85	295	-
Total other	3,423	1,585	7,544	1,029	1,510	-	15,091	-	-	5,631	20,722	21,144
Total expenses	73,469	34,839	160,601	23,049	66,960	3,774	362,692	31,872	2,827	241,530	638,921	687,644
Change in Net Assets	-	-	(13,536)	(1,715)	(13,821)	-	(29,072)	-	-	(20,261)	(49,333)	35,916
Net Assets:												
Beginning of year	-	-	13,536	1,715	13,821	-	29,072	-	-	274,090	303,162	267,246
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 253,829	\$ 253,829	\$ 303,162

(Concluded)

Regional Housing Legal Services

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2020

**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, 2020, 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 7, 2020.

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) as a basis for designing 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 financial statements. 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 7, 2020