

Regional Housing Legal Services

Financial Statements and
Supplementary Information

Years Ended June 30, 2022 and 2021
with Independent Auditor's Reports

MaherDuessel

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REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

**Board of Directors
Regional Housing Legal Services**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Regional Housing Legal Services (RHLS), which comprise the statements of financial position as of June 30, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the RHLS as of June 30, 2022 and 2021, 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.

Basis for Qualified Opinion

As more fully described in Note 4 to the financial statements, RHLS has not recorded the assets, liabilities and investment income related to its deferred compensation plan. In our opinion, accounting principles generally accepted in the United States of America require such assets, liabilities and investment income be recorded. The effects on the accompanying financial statements of the failure to record the assets, liabilities and investment income related to its deferred compensation plan have not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RHLS, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RHLS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RHLS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RHLS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of the Organization'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 the 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 the RHLS's internal control over financial reporting and compliance.

Mahe Duessel

Harrisburg, Pennsylvania
September 30, 2022

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,584,283	\$ 1,544,325
Accounts receivable:		
Pennsylvania Legal Aid Network	105,178	50,759
Other receivables	93,247	78,637
Promises to give, net	-	5,645
Prepaid expenses	41,511	57,944
Total Assets	<u>\$ 1,824,219</u>	<u>\$ 1,737,310</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 129,326	\$ 113,727
Refundable advance	565,858	697,889
Total Liabilities	<u>695,184</u>	<u>811,616</u>
Net Assets:		
Without donor restrictions	1,129,035	925,694
With donor restrictions	-	-
Total Net Assets	<u>1,129,035</u>	<u>925,694</u>
Total Liabilities and Net Assets	<u>\$ 1,824,219</u>	<u>\$ 1,737,310</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	2022						
	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	\$ 3,210,118	\$ 1,007,933	\$ 4,218,051	\$ -	\$ -	\$ -	\$ 4,218,051
Contracted services	-	-	-	-	-	-	-
Contributions	153,559	11,115	164,674	-	-	-	164,674
Contributions of nonfinancial assets	224,929	77,700	302,629	-	-	-	302,629
Interest income	461	-	461	-	-	-	461
Other revenue	242	-	242	-	-	-	242
Subtotal	3,589,309	1,096,748	4,686,057	-	-	-	4,686,057
Net assets released from restrictions	-	-	-	-	-	-	-
Total revenue and support	3,589,309	1,096,748	4,686,057	-	-	-	4,686,057
Expenses:							
Program services	3,049,231	904,650	3,953,881	-	-	-	3,953,881
Management and general	327,394	148,287	475,681	-	-	-	475,681
Fundraising	46,405	6,749	53,154	-	-	-	53,154
Total expenses	3,423,030	1,059,686	4,482,716	-	-	-	4,482,716
Change in Net Assets	166,279	37,062	203,341	-	-	-	203,341
Net Assets:							
Beginning of year	635,321	290,373	925,694	-	-	-	925,694
End of year	<u>\$ 801,600</u>	<u>\$ 327,435</u>	<u>\$ 1,129,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,035</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	2021						
	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	\$ 3,681,632	\$ 1,002,269	\$ 4,683,901	\$ -	\$ -	\$ -	\$ 4,683,901
Contracted services	-	-	-	-	-	-	-
Contributions	28,097	10,753	38,850	-	-	-	38,850
In-kind contributions	194,927	18,365	213,292	-	-	-	213,292
Interest income	336	354	690	-	-	-	690
Other revenue	71,481	-	71,481	-	-	-	71,481
Subtotal	3,976,473	1,031,741	5,008,214	-	-	-	5,008,214
Net assets released from restrictions	62,677	23,578	86,255	(62,677)	(23,578)	(86,255)	-
Total revenue and support	4,039,150	1,055,319	5,094,469	(62,677)	(23,578)	(86,255)	5,008,214
Expenses:							
Program services	3,646,749	903,114	4,549,863	-	-	-	4,549,863
Management and general	291,332	91,292	382,624	-	-	-	382,624
Fundraising	85,668	791	86,459	-	-	-	86,459
Total expenses	4,023,749	995,197	5,018,946	-	-	-	5,018,946
Change in Net Assets	15,401	60,122	75,523	(62,677)	(23,578)	(86,255)	(10,732)
Net Assets:							
Beginning of year	619,920	230,251	850,171	62,677	23,578	86,255	936,426
End of year	\$ 635,321	\$ 290,373	\$ 925,694	\$ -	\$ -	\$ -	\$ 925,694

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	2022					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,261,666	\$ 556,018	\$ 1,817,684	\$ 301,475	\$ 40,144	\$ 2,159,303
Fringe benefits	419,935	195,590	615,525	70,131	9,837	695,493
Consultants and contractors	1,204,625	116,586	1,321,211	53,834	51	1,375,096
Travel	11,656	1,938	13,594	2,521	186	16,301
Space costs	73,668	15,382	89,050	13,631	1,340	104,021
Consumable supplies	18,213	2,770	20,983	3,151	317	24,451
Equipment-related expense	5,111	-	5,111	-	69	5,180
Other	54,357	16,366	70,723	30,938	1,210	102,871
Total expenses	<u>\$ 3,049,231</u>	<u>\$ 904,650</u>	<u>\$ 3,953,881</u>	<u>\$ 475,681</u>	<u>\$ 53,154</u>	<u>\$ 4,482,716</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	2021					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,206,575	\$ 489,089	\$ 1,695,664	\$ 253,593	\$ 59,825	\$ 2,009,082
Fringe benefits	374,175	165,455	539,630	61,695	17,219	618,544
Consultants and contractors	1,849,628	198,310	2,047,938	14,180	1,970	2,064,088
Travel	2,454	438	2,892	363	105	3,360
Space costs	75,781	16,978	92,759	13,425	3,307	109,491
Consumable supplies	67,989	18,953	86,942	12,575	768	100,285
Equipment-related expense	5,383	-	5,383	-	203	5,586
Other	64,764	13,891	78,655	26,793	3,062	108,510
Total expenses	<u>\$ 3,646,749</u>	<u>\$ 903,114</u>	<u>\$ 4,549,863</u>	<u>\$ 382,624</u>	<u>\$ 86,459</u>	<u>\$ 5,018,946</u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Cash received from contracts, grants and contributions	\$ 4,187,310	\$ 5,172,404
Interest received	461	690
Other revenue received	242	71,481
Cash paid to employees and related fringe benefits	(2,854,796)	(2,627,626)
Cash paid for other expenses	(1,293,259)	(2,418,751)
Net cash provided by operating activities	39,958	198,198
Net Increase in Cash and Cash Equivalents	39,958	198,198
Cash and Cash Equivalents:		
Beginning of year	1,544,325	1,346,127
End of year	\$ 1,584,283	\$ 1,544,325
Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	\$ 203,341	\$ (10,732)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in:		
Accounts receivable	(69,029)	359,084
Promises to give	5,645	(5,645)
Prepaid expenses	16,433	(4,712)
Accounts payable and accrued expenses	15,599	(236,011)
Refundable advance	(132,031)	96,214
Net Cash Provided by Operating Activities	\$ 39,958	\$ 198,198

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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.

Contribution of Non- Financial Assets

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 \$302,629 and \$213,292 for the years ended June 30, 2022, and 2021, respectively. For the years ended June 30, 2022, and 2021, contributed services consisted of pro bono legal services utilized for program services. The legal services are recorded at estimated fair value in the financial statements based on current rates for similar legal services. Unless otherwise noted, contributed nonfinancial assets did not have donor- imposed restrictions.

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, 2022, and 2021.

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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

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.

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, 2022 and 2021.

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.

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 expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 contracts with PLAN and IOLTA. For the years ended June 30, 2022 and 2021, approximately 56% and 71%, respectively, of RHLS's funding was received from PLAN and IOLTA. Funding for the contracts 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.

Adopted Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during they year ended June 30, 2022:

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets.”* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Pending Accounting Standards Updates

FASB has issued Accounting Standards Updates (individual and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these amendments on the financial statements.

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.

Subsequent Events

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

2. Promises to Give

Unconditional promises to give were \$0 and \$5,645 as of June 30, 2022, and 2021, respectively, and all were due within one year.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Conditional promises to give are as follows at June 30, 2022, and 2021:

	<u>2022</u>	<u>2021</u>
PHARE	\$ -	\$ 27,310
Oak Foundation	900,000	1,200,000
Van Amerigen	-	25,000
Total	<u>\$ 900,000</u>	<u>\$ 1,252,310</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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Access to Justice Act	\$ -	\$ 81,477
IOLTA	-	20,012
NAP Credits	26,369	-
MLK Scholarship	5,100	-
Energy Foundation	100,000	-
Hillman	100,000	-
PHARE	-	2,218
Movement Strategy Center	51,891	-
IOLTA Zone/ CRLA	282,498	254,147
Other	-	340,035
Total	<u>\$ 565,858</u>	<u>\$ 697,889</u>

All refundable advances as of June 30, 2022 and 2021 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

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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 PULP to carryover up to 40% of IOLTA and Access to Justice Act funding for the year ended June 30, 2021. No written waiver was required for IOLTA and Access to Justice Act funding for the year ended June 30, 2022. No written waiver was required for PHARE funding for the year ended June 30, June 30, 2022 and 2021. Actual carryover as of June 30, June 30, 2022 was 0% of IOLTA funding, 0% of Access to Justice Act funding (PULP), and 0% of PHARE funding. Actual carryover as of June 30, 2021 was 40% of IOLTA funding, 40% of Access to Justice Act funding, and 8% of PHARE funding.

4. 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. Generally accepted accounting standards require the assets and offsetting liabilities of approximately \$382,000 and \$390,000 and investment income of (\$26,000) and \$24,287 of the plan for the year's ended June 30, 2022 and 2021 respectively, be recorded in the financial statements. Management has not recorded this plan activity.

Contributions to the plans amount to \$127,022 and \$120,537 for the years ended June 30, 2022, and 2021, respectively.

5. Related Party Transactions

As explained in Note 6, the Commonwealth Housing Development Corporation (CHDC) leases the Glenside facilities to RHLS. For the years ended June 30, 2022 and 2021, the Organization received \$0 and \$0 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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

overlapping board members. For the years ended June 30, 2022 and 2021, the organization received \$400,000 and \$262,000 in total from CHLS and, at June 30, 2022 and 2021, had \$0 and \$0 due from CHLS, respectively.

6. 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, 2022, and 2021 was \$94,166 and \$97,294, 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, 2022, and 2021 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 \$1,333 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, 2022, and 2021 was \$15,996 per year.

The office facility in Pittsburgh, Pennsylvania is leased from Columbus – Pittsburgh Properties, LTD., a limited partnership. The lease ends on December 31, 2024 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.

7. Line of Credit

RHLS has an unsecured line of credit of \$400,000 at 3.5% at June 30, 2022. The line expires November 30, 2022. There was no balance on the line of credit at June 30, 2022, and 2021.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

8. Concentration of Credit Risk

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

9. Net Assets

Net assets as of June 30, 2022, and 2021 consist of the following:

	2022		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Net Assets Without Donor Restrictions	\$ 801,600	\$ 327,435	\$ 1,129,035
Net Assets With Donor Restrictions			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	-	-	-
The Heinz Endowments	-	-	-
Hillman Family Foundation	-	-	-
Total net assets with donor restrictions	-	-	-
Total net assets	<u>\$ 801,600</u>	<u>\$ 327,435</u>	<u>\$ 1,129,035</u>
	2021		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Net Assets Without Donor Restrictions	\$ 635,321	\$ 290,373	\$ 925,694
Net Assets With Donor Restrictions			
Net Assets Restricted by Purpose and Time:			
Independence Foundation	-	-	-
The Heinz Endowments	-	-	-
Hillman Family Foundation	-	-	-
Total net assets with donor restrictions	-	-	-
Total net assets	<u>\$ 635,321</u>	<u>\$ 290,373</u>	<u>\$ 925,694</u>

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

10. Liquidity and Availability

As part of 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's liquid assets as of June 30, 2022, and 2021 expected to be available within one year to meet the cash needs for general expenditures total \$1,782,708 and \$1,679,366, respectively. This amount is comprised of all assets as of June 30, 2022, and 2021, 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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Pennsylvania Legal Aid Network								Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	Hillman Foundation	Total	IOLTA CRLA	Other	2022	2021
	Revenue and Support:									
Contracts and grants	\$ 131,266	\$ 125,966	\$ 398,297	\$ 67,928	\$ 25,611	749,068	\$ 1,086,754	\$ 1,374,296	\$ 3,210,118	\$ 3,681,632
Contracted services	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	153,559	153,559	28,097
Contributions of non- financial assets	-	-	-	-	-	-	-	224,929	224,929	194,927
Interest income	-	-	-	-	-	-	65	396	461	336
Other revenue	-	-	-	-	-	-	-	242	242	71,481
Total revenues and support	<u>131,266</u>	<u>125,966</u>	<u>398,297</u>	<u>67,928</u>	<u>25,611</u>	<u>749,068</u>	<u>1,086,819</u>	<u>1,753,422</u>	<u>3,589,309</u>	<u>3,976,473</u>
Expenses:										
Salaries:										
Attorneys	45,728	48,489	169,832	33,560	23,421	321,030	169,300	631,977	1,122,307	1,097,398
Paralegals	14,467	9,124	27,857	1,883	-	53,331	-	98,595	151,926	88,452
Support staff	13,897	16,444	30,077	7,124	227	67,769	28,981	114,348	211,098	256,360
Law students	-	-	-	-	-	-	-	7,950	7,950	7,503
Total salaries	<u>74,092</u>	<u>74,057</u>	<u>227,766</u>	<u>42,567</u>	<u>23,648</u>	<u>442,130</u>	<u>198,281</u>	<u>852,870</u>	<u>1,493,281</u>	<u>1,449,713</u>
Fringe benefits:										
Payroll taxes	5,668	5,665	17,424	3,256	1,811	33,824	15,168	59,647	108,639	104,556
Unemployment tax	198	207	699	116	-	1,220	562	2,017	3,799	1,420
Hospitalization insurance	12,161	12,709	42,993	7,142	140	75,145	34,925	126,194	236,264	210,037
Life, accident and disability	1,014	1,060	3,584	595	-	6,253	2,879	10,337	19,469	20,515
Dental insurance	4,691	4,903	16,586	2,755	-	28,935	2,425	8,707	40,067	16,695
Retirement	854	893	3,019	502	11	5,279	14,110	49,104	68,493	91,132
Workers' compensation	142	148	502	83	1	876	403	1,448	2,727	2,722
Total fringe benefits	<u>24,728</u>	<u>25,585</u>	<u>84,807</u>	<u>14,449</u>	<u>1,963</u>	<u>151,532</u>	<u>70,472</u>	<u>257,454</u>	<u>479,458</u>	<u>447,077</u>
Consultants and contractors:										
Auditing	-	-	324	55	-	379	1,500	1,291	3,170	6,226
Other consultants	4,883	4,798	16,238	2,705	-	28,624	793,193	199,911	1,021,728	1,661,517
In-kind services	17,586	11,091	33,863	2,289	-	64,829	-	163,096	227,925	194,927
Total consultants and contractors	<u>22,469</u>	<u>15,889</u>	<u>50,425</u>	<u>5,049</u>	<u>-</u>	<u>93,832</u>	<u>794,693</u>	<u>364,298</u>	<u>1,252,823</u>	<u>1,862,670</u>
Travel:										
Employee travel - local	36	37	127	21	-	221	34	363	618	281
Employee travel - out of town	571	596	2,017	335	-	3,519	2,542	6,413	12,474	2,595
Board meetings	30	32	107	18	-	187	72	308	567	-
Total travel	<u>637</u>	<u>665</u>	<u>2,251</u>	<u>374</u>	<u>-</u>	<u>3,927</u>	<u>2,648</u>	<u>7,084</u>	<u>13,659</u>	<u>2,876</u>

(Continued)

REGIONAL HOUSING LEGAL SERVICES

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

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

(Continued)

	Pennsylvania Legal Aid Network							Totals		
	Federal Title XX	State	Access to Justice Act	IOLTA	Hillman Foundation	Total	IOLTA CRLA	Other	2022	2021
Space costs:										
Rent	3,802	3,973	13,442	2,233	-	23,450	10,611	39,348	73,409	77,866
Utilities	238	249	841	140	-	1,468	225	2,435	4,128	3,272
Maintenance	315	329	1,112	185	-	1,941	297	3,213	5,451	8,925
Total space costs	<u>4,355</u>	<u>4,551</u>	<u>15,395</u>	<u>2,558</u>	<u>-</u>	<u>26,859</u>	<u>11,133</u>	<u>44,996</u>	<u>82,988</u>	<u>90,063</u>
Consumable supplies:										
Office supplies	1,093	1,142	3,864	642	-	6,741	1,663	12,104	20,508	78,597
Total consumable supplies	<u>1,093</u>	<u>1,142</u>	<u>3,864</u>	<u>642</u>	<u>-</u>	<u>6,741</u>	<u>1,663</u>	<u>12,104</u>	<u>20,508</u>	<u>78,597</u>
Equipment-related expense:										
Equipment leased	272	285	963	160	-	1,680	90	2,762	4,532	4,668
Repairs and maintenance	30	31	106	18	-	185	10	303	498	918
Total equipment-related expense	<u>302</u>	<u>316</u>	<u>1,069</u>	<u>178</u>	<u>-</u>	<u>1,865</u>	<u>100</u>	<u>3,065</u>	<u>5,030</u>	<u>5,586</u>
Other:										
Insurance and bonding	873	912	3,087	513	-	5,385	2,551	9,330	17,266	15,060
Printing costs	-	-	-	-	-	-	-	-	-	218
Professional dues	369	386	1,304	217	-	2,276	1,077	3,939	7,292	8,027
Tuition and seminar fees	465	486	1,645	273	-	2,869	1,031	4,838	8,738	20,687
Advertising	-	-	-	-	-	-	-	7,450	7,450	3,526
Law library upkeep and subscriptions	675	705	2,386	396	-	4,162	647	7,035	11,844	10,362
Telephone	944	996	3,363	557	-	5,860	1,769	9,966	17,595	22,211
Postage	86	90	306	51	-	533	248	894	1,675	2,166
Miscellaneous	178	186	629	104	-	1,097	506	1,820	3,423	4,910
Total other	<u>3,590</u>	<u>3,761</u>	<u>12,720</u>	<u>2,111</u>	<u>-</u>	<u>22,182</u>	<u>7,829</u>	<u>45,272</u>	<u>75,283</u>	<u>87,167</u>
Total expenses	<u>131,266</u>	<u>125,966</u>	<u>398,297</u>	<u>67,928</u>	<u>25,611</u>	<u>749,068</u>	<u>1,086,819</u>	<u>1,587,143</u>	<u>3,423,030</u>	<u>4,023,749</u>
Change in Net Assets	-	-	-	-	-	-	-	166,279	166,279	(47,276)
Net Assets:										
Beginning of year	-	-	-	-	-	-	-	-	635,321	682,597
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,279</u>	<u>\$ 801,600</u>	<u>\$ 635,321</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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	Pennsylvania Legal Aid Network											Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	Hillman	HAF	Total	Special IOLTA	IOLTA CRLA	Other	2022	2021
	Revenue and Support:												
Contracts and grants	\$ 72,316	\$ 55,624	\$ 308,126	\$ 58,837	\$ 104,528	\$ 83,750	\$ 3,180	\$ 686,361	\$ 43,583	\$ 39,960	\$ 238,029	\$ 1,007,933	\$ 1,002,269
Contributions	-	-	-	-	-	-	-	-	-	-	11,115	11,115	10,753
Contributions of non-financial assets	-	-	-	-	-	-	-	-	-	-	77,700	77,700	18,365
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	354
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue and support	<u>72,316</u>	<u>55,624</u>	<u>308,126</u>	<u>58,837</u>	<u>104,528</u>	<u>83,750</u>	<u>3,180</u>	<u>686,361</u>	<u>43,583</u>	<u>39,960</u>	<u>326,844</u>	<u>1,096,748</u>	<u>1,031,741</u>
Expenses:													
Salaries:													
Attorneys	21,723	16,590	158,487	17,437	33,216	53,231	633	301,317	15,994	8,106	51,968	377,385	322,151
Paralegal	120	902	4,780	648	29,644	500	207	36,801	16,658	1,216	50	54,725	167,782
Professionals	18,759	14,072	24,246	14,765	2,683	3,870	-	78,395	-	22,784	77,752	178,931	-
Support staff	13,745	10,311	2,791	11,068	2,992	500	400	41,807	607	-	17,514	59,928	62,710
Law students	-	-	-	-	-	-	-	-	-	-	7,950	7,950	6,726
Total salaries	<u>54,347</u>	<u>41,875</u>	<u>190,304</u>	<u>43,918</u>	<u>68,535</u>	<u>58,101</u>	<u>1,240</u>	<u>458,320</u>	<u>33,259</u>	<u>32,106</u>	<u>155,234</u>	<u>678,919</u>	<u>559,369</u>
Fringe benefits:													
Payroll taxes	4,158	3,204	14,558	3,360	5,243	4,478	95	35,096	2,544	2,456	12,232	52,328	41,896
Unemployment tax	6	5	46	5	54	47	1	164	122	12	246	544	1,705
Retirement	1,827	1,395	13,332	1,467	3,251	2,782	55	24,109	1,715	698	5,985	32,507	29,468
Hospitalization insurance	5,920	4,520	43,193	4,752	10,479	10,968	178	80,010	4,903	2,251	17,631	104,795	84,729
Life, accident and disability	357	273	2,606	287	666	570	11	4,770	418	143	1,331	6,662	4,704
Dental insurance	487	372	3,556	391	909	778	15	6,508	571	195	1,819	9,093	7,639
Workers' compensation	93	71	681	75	152	130	3	1,205	51	33	233	1,522	1,326
Total fringe benefits	<u>12,848</u>	<u>9,840</u>	<u>77,972</u>	<u>10,337</u>	<u>20,754</u>	<u>19,753</u>	<u>358</u>	<u>151,862</u>	<u>10,324</u>	<u>5,788</u>	<u>39,477</u>	<u>207,451</u>	<u>171,467</u>
Consultants and contractors:													
Auditing	-	-	2,481	474	467	-	8	3,430	-	100	1,140	4,670	3,108
Other consultants	2,659	2,030	19,397	2,134	4,051	-	69	30,340	-	872	9,366	40,578	179,945
Pro bono attorneys	-	-	-	-	-	-	-	-	-	-	77,700	77,700	18,365
Total consultants and contractors	<u>2,659</u>	<u>2,030</u>	<u>21,878</u>	<u>2,608</u>	<u>4,518</u>	<u>-</u>	<u>77</u>	<u>33,770</u>	<u>-</u>	<u>972</u>	<u>88,206</u>	<u>122,948</u>	<u>201,418</u>
Travel:													
Employee travel - local	29	22	211	23	-	-	1	286	-	-	159	445	120
Employee travel - out of town	118	90	862	95	181	200	3	1,549	-	39	222	1,810	364
Board meetings	5	4	38	4	-	-	-	51	-	2	17	70	-
Total travel	<u>152</u>	<u>116</u>	<u>1,111</u>	<u>122</u>	<u>181</u>	<u>200</u>	<u>4</u>	<u>1,886</u>	<u>-</u>	<u>41</u>	<u>398</u>	<u>2,325</u>	<u>484</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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

(Continued)

	Pennsylvania Legal Aid Network								Special IOLTA	IOLTA CRLA	Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	Hillman	HAF	Total				2022	2021
Space costs:													
Rent	1,132	864	8,258	909	2,584	2,900	32	16,679	-	405	1,766	18,850	19,428
Total space costs	1,132	864	8,258	909	2,584	2,900	32	16,679	-	405	1,766	18,850	19,428
Consumable supplies:													
Office supplies	119	91	868	95	339	-	6	1,518	-	73	1,803	3,394	21,688
Total consumable supplies	119	91	868	95	339	-	6	1,518	-	73	1,803	3,394	21,688
Other:													
Insurance and bonding	458	382	3,648	401	776	1,915	13	7,593	-	167	-	7,760	6,781
Professional dues	85	65	620	68	-	-	2	840	-	27	397	1,264	1,011
Tuition and seminar fees	224	139	1,339	146	28	-	8	1,884	-	107	2,979	4,970	5,059
Law library subscription	273	207	1,987	218	-	-	6	2,691	-	71	521	3,283	3,170
Telephone	7	6	53	6	6,813	881	14	7,780	-	171	362	8,313	5,072
Postage	10	8	75	8	-	-	-	101	-	31	53	185	188
Miscellaneous	2	1	13	1	-	-	-	17	-	1	6	24	62
Total other	1,059	808	7,735	848	7,617	2,796	43	20,906	-	575	4,318	25,799	21,343
Total expenses	72,316	55,624	308,126	58,837	104,528	83,750	1,760	684,941	43,583	39,960	291,202	1,059,686	995,197
Change in Net Assets	-	-	-	-	-	-	1,420	1,420	-	-	35,642	37,062	36,544
Net Assets:													
Beginning of year	-	-	-	-	-	-	-	-	-	-	-	290,373	253,829
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,420	\$ 1,420	\$ -	\$ -	\$ 35,642	\$ 327,435	\$ 290,373

(Concluded)

Regional Housing Legal Services

Independent Auditor's Reports
In Accordance with
Government Auditing Standards

Year Ended June 30, 2022

**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***

**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, 2022 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 September 30, 2022.

Report on 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 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 or significant deficiencies may exist that have not been identified.

Board of Directors
Regional Housing Legal Services
Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters

Report on 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 results 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
September 30, 2022