

Regional Housing Legal Services

Financial Statements and
Supplementary Information

Years Ended June 30, 2023 and 2022
with Independent Auditor's Reports

MaherDuessel

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REGIONAL HOUSING LEGAL SERVICES

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023, and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, RHLS adopted ASU 2016-02, "*Leases (Topic 842)*," which requires 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. Our opinion is not modified with respect to this matter.

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 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents 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 supplementary 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 10, 2023 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
October 10, 2023

REGIONAL HOUSING LEGAL SERVICES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 1,194,295	\$ 1,584,283
Accounts receivable:		
Pennsylvania Legal Aid Network	59,729	105,178
Commonwealth Housing Legal Services	363,375	-
Other receivables	132,561	93,247
Prepaid expenses	69,953	41,511
Right-of-use asset	210,213	-
Total Assets	<u><u>\$ 2,030,126</u></u>	<u><u>\$ 1,824,219</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 87,869	\$ 129,326
Refundable advance	502,289	565,858
Lease liability	217,413	-
Total Liabilities	<u>807,571</u>	<u>695,184</u>
Net Assets:		
Without donor restrictions	1,222,555	1,129,035
With donor restrictions	-	-
Total Net Assets	<u>1,222,555</u>	<u>1,129,035</u>
Total Liabilities and Net Assets	<u><u>\$ 2,030,126</u></u>	<u><u>\$ 1,824,219</u></u>

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	2023						
	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	\$ 2,796,835	\$ 1,120,071	\$ 3,916,906	\$ -	\$ -	\$ -	\$ 3,916,906
Contracted services	-	-	-	-	-	-	-
Contributions	126,179	11,204	137,383	-	-	-	137,383
Contributions of nonfinancial assets	203,326	24,013	227,339	-	-	-	227,339
Interest income	2,908	50	2,958	-	-	-	2,958
Other revenue	639	-	639	-	-	-	639
Subtotal	3,129,887	1,155,338	4,285,225	-	-	-	4,285,225
Net assets released from restrictions	-	-	-	-	-	-	-
Total revenue and support	3,129,887	1,155,338	4,285,225	-	-	-	4,285,225
Expenses:							
Program services	2,813,961	917,987	3,731,948	-	-	-	3,731,948
Management and general	252,202	137,001	389,203	-	-	-	389,203
Fundraising	63,724	6,830	70,554	-	-	-	70,554
Total expenses	3,129,887	1,061,818	4,191,705	-	-	-	4,191,705
Change in Net Assets	-	93,520	93,520	-	-	-	93,520
Net Assets:							
Beginning of year	801,600	327,435	1,129,035	-	-	-	1,129,035
End of year	\$ 801,600	\$ 420,955	\$ 1,222,555	\$ -	\$ -	\$ -	\$ 1,222,555

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	\$ 801,600	\$ 327,435	\$ 1,129,035	\$ -	\$ -	\$ -	\$ 1,129,035

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

REGIONAL HOUSING LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	2023					
	Program Services					
	Housing and Community Development	Pennsylvania Utility Law Project	Total	Management and General	Fund- raising	Total
Expenses:						
Salaries	\$ 1,164,821	\$ 591,365	\$ 1,756,186	\$ 259,239	\$ 55,701	\$ 2,071,126
Fringe benefits	432,688	210,262	642,950	65,969	11,210	720,129
Consultants and contractors	994,402	79,882	1,074,284	11,478	48	1,085,810
Travel	25,117	6,776	31,893	5,853	396	38,142
Space costs	78,460	9,995	88,455	12,094	1,309	101,858
Consumable supplies	28,531	6,143	34,674	4,849	506	40,029
Equipment-related expense	3,409	-	3,409	-	46	3,455
Other	86,533	13,564	100,097	29,721	1,338	131,156
Total expenses	<u>\$ 2,813,961</u>	<u>\$ 917,987</u>	<u>\$ 3,731,948</u>	<u>\$ 389,203</u>	<u>\$ 70,554</u>	<u>\$ 4,191,705</u>

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	\$ 1,261,667	\$ 556,018	\$ 1,817,685	\$ 301,475	\$ 40,144	\$ 2,159,304
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	16,365	70,722	30,938	1,210	102,870
Total expenses	<u>\$ 3,049,232</u>	<u>\$ 904,649</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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities:		
Cash received from contracts, grants and contributions	\$ 3,633,480	\$ 4,187,310
Interest received	2,958	461
Other revenue received	639	242
Cash paid to employees and related fringe benefits	(2,791,255)	(2,854,796)
Cash paid for other expenses	(1,235,810)	(1,293,259)
Net cash provided by (used in) operating activities	(389,988)	39,958
Net Increase (Decrease) in Cash and Cash Equivalents	(389,988)	39,958
Cash and Cash Equivalents:		
Beginning of year	1,584,283	1,544,325
End of year	\$ 1,194,295	\$ 1,584,283
Reconciliation of Change in Net Assets to Net Cash Flows From Operating Activities:		
Change in net assets	\$ 93,520	\$ 203,341
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in:		
Accounts receivable	(317,926)	(69,029)
Promises to give	(39,314)	5,645
Lease liability	7,200	-
Prepaid expenses	(28,442)	16,433
Accounts payable and accrued expenses	(41,457)	15,599
Refundable advance	(63,569)	(132,031)
Net Cash Provided by (Used in) Operating Activities	\$ (389,988)	\$ 39,958

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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 \$227,339 and \$302,629 for the years ended June 30, 2023, and 2022, respectively. For the years ended June 30, 2023, and 2022, 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, 2023 and 2022.

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

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 thirteen 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, 2023 and 2022.

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, 2023 AND 2022

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, 2023 and 2022, approximately 58% and 56%, 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.

Leases

In February 2016, the FASB issued new lease guidance, Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new lease guidance, ASU 842, requires lessees to recognize on the balance sheet lease liabilities and corresponding right-of-use assets (ROU) for all leases with terms of greater than 12 months, and, also changes the definition of a lease and expands the disclosure requirements of lease arrangements.

RHLS elected the transition package of practical expedients, which eliminated the requirements to reassess lease identification, lease classification, and initial direct costs for leases that commenced prior to July 1, 2022. RHLS did not elect the hindsight practical expedient in determining the lease term.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

RHLS determines if an arrangement includes a lease at inception of the contract based on various facts and circumstances present. At the lease commencement date, RHLS records operating and/or finance lease liabilities and their corresponding ROU assets based on the present value of lease payments over the lease term. The lease term represents the non-cancellable period of the lease and may include options to extend or early terminate the lease, which are included in the lease term when RHLS determines they are reasonably certain to exercise and there is a significant economic incentive to exercise the options RHLS uses the interest rate implicit in RHLS's lease contracts to discount the lease liabilities, when available. In those circumstances where the implicit rate is not known, RHLS uses its risk-free rate to discount the lease liabilities. The risk-free rate is the minimum return an investor expects for an investment that is considered to have zero risk of default. Certain adjustments to the ROU asset may be required for items such as incentives received, prepaid rent, accrued rent, or unamortized initial-direct costs. RHLS does not recognize leases with terms of one year or less on the accompanying statement of financial position.

RHLS acts as a lessee under operating leases. Operating lease costs are recognized over the expected lease term on a straight-line basis and is recorded in management and general expenses in the accompanying statement of activities. RHLS's lease arrangements do not contain residual value guarantees.

Adopted Accounting Standard

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) were adopted during the year ended June 30, 2023:

ASU 2016-02, "*Leases (Topic 842)*," requires 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 are 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.

RHLS adopted ASU 842 effective July 1, 2022, using the modified retrospective transition approach for all leases existing at or commencing before July 1, 2022 and as a result, RHLS recorded ROU assets and lease liabilities of \$46,234 and \$48,428 respectively, on the statement of financial position on July 1, 2022. RHLS's adoption of the new lease standard did not result in a cumulative effect adjustment being recorded to opening retained earnings as of July 1, 2022 and did not have a material impact on RHLS's statement of activities or cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 \$0 as of June 30, 2023, and 2022, respectively, and all were due within one year.

Conditional promises to give are as follows at June 30, 2023, and 2022:

	<u>2023</u>	<u>2022</u>
Oak Foundation	\$ 600,000	\$ 900,000
McAuley	76,500	-
Total	<u>\$ 676,500</u>	<u>\$ 900,000</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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Access to Justice Act	\$ 10,158	\$ -
IOLTA	862	-
NAP Credits	-	26,369
MLK Scholarship	3,000	5,100
Energy Foundation	-	100,000
Hillman	149,326	100,000
Movement Strategy Center	100,000	51,891
IOLTA Zone/ CRLA	238,943	282,498
Total	<u>\$ 502,289</u>	<u>\$ 565,858</u>

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

All refundable advances as of June 30, 2023 and 2022 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, Energy Foundation, Heinz Foundation and the Oak Foundation.

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 10% of IOLTA and Access to Justice Act funding for the year ended June 30, 2022. No written waiver was required for IOLTA and Access to Justice Act funding for the year ended June 30, 2023. No written waiver was required for PHARE funding for the year ended June 30, June 30, 2023 and 2022. Actual carryover as of June 30, 2023 was 4.4% of IOLTA funding (PULP), 3.7% of Access to Justice Act funding (PULP), and 0% of PHARE funding. Actual carryover as of June 30, 2022 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 \$432,000 and \$382,000 and investment income of \$40,000 and (\$26,000) of the plan for the year's ended June 30, 2023 and 2022 respectively, be recorded in the financial statements. Management has not recorded this plan activity.

Contributions to the plans amount to \$126,312 and \$127,022 for the years ended June 30, 2023, and 2022, respectively.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022, RHLS 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. RHLS appoints one CHLS board member of five board members and two of five of CHDC's Board members. For the years ended June 30, 2023 and 2022, RHLS received \$0 and \$400,000 in total from CHLS and, at June 30, 2023 and 2022, had \$363,375 and \$0 due from CHLS, respectively.

6. Leases and Commitments

RHLS leases office facilities in Pittsburgh and Philadelphia, Pennsylvania. The leases hold RHLS responsible for fixed monthly rental payments, plus certain real estate and utility expenses.

The office facilities in Philadelphia, Pennsylvania are leased from Wick Capital Partners, LCC, a PA limited liability company. The lease began on January 1, 2023 and will terminate on December 31, 2025. Rental is currently set at \$5,676 per month and will increase to \$6,202 a month. There is an option for a 4-year renewal, however RHLS has not determined if they will exercise that option therefore this is not included in the lease calculation.

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. Total rent paid for the Pittsburgh lease for the year ended June 30, 2022 was \$16,812.

RHLS had a lease for property during the fiscal year that expired, therefore RHLS did not apply ASU 2016-02 to that lease and considered the expenditure short term lease costs. Rent paid on these properties was \$67,596 for the year ended June 30, 2022.

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

The components of lease expense were as follows:

	2023
Short term lease cost	\$ 33,130
Operating lease cost:	
Amortization of right to use assets	44,353
Interest on lease liabilities	4,166
Total operating lease costs	\$ 48,519

Future minimum lease payments under non-cancellable operating leases as of June 30, 2023, are as follows:

	2023
Supplemental Cash Flows information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 48,519
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 254,566
Weighted average remaining lease term:	
Operating leases	2.47
Weighted average discount rate:	
Operating leases	3.66%

Year Ending June 30,	Operating Leases
2024	\$ 91,532
2025	83,589
2026	50,850
2027	1,664
2028	-
Thereafter	-
Total future minimum lease payments	227,635
Less: interest	(10,222)
Total	\$ 217,413

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

7. Line of Credit

RHLS has an unsecured line of credit of \$400,000 at 3.5% at June 30, 2023. The line expires November 30, 2023. There was no balance on the line of credit at June 30, 2023, and 2022.

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, 2023, and 2022 consist of the following:

	2023		
	Housing & Community Development	Pennsylvania Utility Law Project	Total
Net Assets Without Donor Restrictions	\$ 801,600	\$ 420,955	\$ 1,222,555
Net Assets With Donor Restrictions	-	-	-
Total net assets	<u>\$ 801,600</u>	<u>\$ 420,955</u>	<u>\$ 1,222,555</u>

	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	-	-	-
Total net assets	<u>\$ 801,600</u>	<u>\$ 327,435</u>	<u>\$ 1,129,035</u>

REGIONAL HOUSING LEGAL SERVICES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023, and 2022 expected to be available within one year to meet the cash needs for general expenditures total \$1,749,960 and \$1,782,708 respectively. This amount is comprised of all assets as of June 30, 2023, and 2022, except for prepaid expenses and right of use assets.

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, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	Pennsylvania Legal Aid Network						IOLTA ZONE	IOLTA CRLA	Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	MLK	Total				2023	2022
Revenue and Support:											
Contracts and grants	\$ 131,371	\$ 101,128	\$ 477,652	\$ 34,381	\$ 2,550	747,082	21,802	\$ 857,977	\$ 1,169,974	\$ 2,796,835	\$ 3,210,118
Contributions	-	-	-	-	-	-	-	-	126,179	126,179	153,559
Contributions of non- financial assets	-	-	-	-	-	-	-	-	203,326	203,326	224,929
Interest income	-	-	22	3	-	25	-	-	2,883	2,908	461
Other revenue	-	-	-	-	-	-	-	-	639	639	242
Total revenues and support	<u>131,371</u>	<u>101,128</u>	<u>477,674</u>	<u>34,384</u>	<u>2,550</u>	<u>747,107</u>	<u>21,802</u>	<u>857,977</u>	<u>1,503,001</u>	<u>3,129,887</u>	<u>3,589,309</u>
Expenses:											
Salaries:											
Attorneys	44,968	38,766	190,276	18,241	-	292,251	15,209	164,848	533,556	1,005,864	1,122,307
Paralegals	20,564	12,535	67,801	369	-	101,269	210	-	46,757	148,236	151,926
Support staff	11,719	8,232	11,639	1,809	-	33,399	690	32,717	144,785	211,591	211,098
Law students	-	-	-	-	2,550	2,550	-	-	-	2,550	7,950
Total salaries	<u>77,251</u>	<u>59,533</u>	<u>269,716</u>	<u>20,419</u>	<u>2,550</u>	<u>429,469</u>	<u>16,109</u>	<u>197,565</u>	<u>725,098</u>	<u>1,368,241</u>	<u>1,493,281</u>
Fringe benefits:											
Payroll taxes	5,910	4,554	20,633	1,534	-	32,631	1,208	15,114	52,877	101,830	108,639
Unemployment tax	525	404	2,039	135	-	3,103	105	1,256	4,404	8,868	3,799
Hospitalization insurance	15,461	11,880	60,024	3,968	-	91,333	3,080	36,957	129,629	260,999	236,264
Life, accident and disability	1,025	787	3,978	263	-	6,053	-	2,415	8,585	17,053	19,469
Dental insurance	5,253	4,036	20,394	1,348	-	31,031	1,050	12,821	44,049	88,951	40,067
Retirement	1,107	850	4,296	284	-	6,537	220	2,645	9,278	18,680	68,493
Workers' compensation	152	117	590	39	-	898	30	363	1,276	2,567	2,727
Total fringe benefits	<u>29,433</u>	<u>22,628</u>	<u>111,954</u>	<u>7,571</u>	<u>-</u>	<u>171,586</u>	<u>5,693</u>	<u>71,571</u>	<u>250,098</u>	<u>498,948</u>	<u>479,458</u>
Consultants and contractors:											
Auditing	-	-	130	52	-	182	-	1,500	1,271	2,953	3,170
Other consultants	11,942	9,176	46,365	3,065	-	70,548	-	552,420	170,034	793,002	1,021,728
In-kind services	-	-	-	-	-	-	-	-	203,327	203,327	227,925
Total consultants and contractors	<u>11,942</u>	<u>9,176</u>	<u>46,495</u>	<u>3,117</u>	<u>-</u>	<u>70,730</u>	<u>-</u>	<u>553,920</u>	<u>374,632</u>	<u>999,282</u>	<u>1,252,823</u>
Travel:											
Employee travel - local	26	20	101	7	-	154	-	25	217	396	618
Employee travel - out of town	735	565	2,853	189	-	4,342	-	7,749	16,271	28,362	12,474
Board meetings	74	57	287	19	-	437	-	155	617	1,209	567
Total travel	<u>835</u>	<u>642</u>	<u>3,241</u>	<u>215</u>	<u>-</u>	<u>4,933</u>	<u>-</u>	<u>7,929</u>	<u>17,105</u>	<u>29,967</u>	<u>13,659</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, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

(Continued)

	Pennsylvania Legal Aid Network						IOLTA ZONE	IOLTA CRLA	Other	Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	MLK	Total				2023	2022
Space costs:											
Rent	5,219	4,010	20,262	1,339	-	30,830	-	11,123	43,708	85,661	73,409
Utilities	270	207	1,047	69	-	1,593	-	261	2,254	4,108	4,128
Maintenance	11	9	45	3	-	68	-	11	96	175	5,451
Total space costs	<u>5,500</u>	<u>4,226</u>	<u>21,354</u>	<u>1,411</u>	<u>-</u>	<u>32,491</u>	<u>-</u>	<u>11,395</u>	<u>46,058</u>	<u>89,944</u>	<u>82,988</u>
Consumable supplies:											
Office supplies	1,079	829	4,188	277	-	6,373	-	4,585	21,747	32,705	20,508
Total consumable supplies	<u>1,079</u>	<u>829</u>	<u>4,188</u>	<u>277</u>	<u>-</u>	<u>6,373</u>	<u>-</u>	<u>4,585</u>	<u>21,747</u>	<u>32,705</u>	<u>20,508</u>
Equipment-related expense:											
Equipment leased	156	120	604	40	-	920	-	54	1,296	2,270	4,532
Repairs and maintenance	81	62	315	21	-	479	-	28	678	1,185	498
Total equipment-related expense	<u>237</u>	<u>182</u>	<u>919</u>	<u>61</u>	<u>-</u>	<u>1,399</u>	<u>-</u>	<u>82</u>	<u>1,974</u>	<u>3,455</u>	<u>5,030</u>
Other:											
Insurance and bonding	654	503	2,541	168	-	3,866	-	1,542	5,485	10,893	17,266
Printing costs	-	-	-	-	-	-	-	-	-	-	-
Professional dues	509	391	1,974	131	-	3,005	-	1,198	4,261	8,464	7,292
Tuition and seminar fees	300	230	1,163	77	-	1,770	-	1,798	2,536	6,104	8,738
Advertising	-	-	-	-	-	-	-	-	3,925	3,925	7,450
Law library upkeep and subscriptions	953	732	3,699	245	-	5,629	-	923	7,955	14,507	11,844
Telephone	1,147	879	4,483	299	-	6,808	-	1,858	9,641	18,307	17,595
Postage	97	75	378	25	-	575	-	230	817	1,622	1,675
Miscellaneous	1,434	1,102	5,569	368	-	8,473	-	3,381	31,669	43,523	3,423
Total other	<u>5,094</u>	<u>3,912</u>	<u>19,807</u>	<u>1,313</u>	<u>-</u>	<u>30,126</u>	<u>-</u>	<u>10,930</u>	<u>66,289</u>	<u>107,345</u>	<u>75,283</u>
Total expenses	<u>131,371</u>	<u>101,128</u>	<u>477,674</u>	<u>34,384</u>	<u>2,550</u>	<u>747,107</u>	<u>21,802</u>	<u>857,977</u>	<u>1,503,001</u>	<u>3,129,887</u>	<u>3,423,030</u>
Change in Net Assets	-	-	-	-	-	-	-	-	-	-	166,279
Net Assets:											
Beginning of year	-	-	-	-	-	-	-	-	-	801,600	635,321
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,600</u>	<u>\$ 801,600</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, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Pennsylvania Legal Aid Network											Totals	
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	MLK	HAF	Total	Special IOLTA	IOLTA CRLA	Other	2023	2022
	Revenue and Support:												
Contracts and grants	\$ 72,378	\$ 55,717	\$ 261,835	\$ 18,785	\$ 69,925	\$ 7,050	\$ 70,485	\$ 556,175	\$ 45,000	\$ 33,770	\$ 485,126	\$ 1,120,071	\$ 1,007,933
Contributions	-	-	-	-	-	-	-	-	-	-	11,204	11,204	11,115
Contributions of non-financial assets	-	-	-	-	-	-	-	-	-	-	24,013	24,013	77,700
Interest income	-	-	13	3	-	-	-	16	-	-	34	50	-
Total revenue and support	<u>72,378</u>	<u>55,717</u>	<u>261,848</u>	<u>18,788</u>	<u>69,925</u>	<u>7,050</u>	<u>70,485</u>	<u>556,191</u>	<u>45,000</u>	<u>33,770</u>	<u>520,377</u>	<u>1,155,338</u>	<u>1,096,748</u>
Expenses:													
Salaries:													
Attorneys	23,840	18,764	113,280	7,000	25,286	-	8,307	196,477	11,855	5,230	172,951	386,513	377,385
Paralegal	4,514	4,360	9,968	1,556	14,010	-	10,389	44,797	2,582	1,153	7,854	56,386	54,725
Professionals	12,792	9,977	34,848	2,196	1,564	-	-	61,377	17,607	19,014	95,010	193,008	178,931
Support staff	9,312	5,450	3,344	1,573	3,851	-	1,762	25,292	3,015	2,393	29,228	59,928	59,928
Law students	-	-	-	-	-	7,050	-	7,050	-	-	-	7,050	7,950
Total salaries	<u>50,458</u>	<u>38,551</u>	<u>161,440</u>	<u>12,325</u>	<u>44,711</u>	<u>7,050</u>	<u>20,458</u>	<u>334,993</u>	<u>35,059</u>	<u>27,790</u>	<u>305,043</u>	<u>702,885</u>	<u>678,919</u>
Fringe benefits:													
Payroll taxes	3,860	2,949	12,349	942	3,420	-	1,565	25,085	2,682	2,125	23,969	53,861	52,328
Unemployment tax	263	207	1,248	77	242	-	119	2,156	175	55	1,649	4,035	544
Retirement	2,433	1,915	11,556	714	2,242	-	1,098	19,958	1,621	505	15,277	37,361	32,507
Hospitalization insurance	6,992	5,504	33,216	2,051	6,479	-	3,175	57,417	4,686	1,461	44,423	107,987	104,795
Life, accident and disability	456	359	2,168	134	424	-	208	3,749	306	96	2,909	7,060	6,662
Dental insurance	599	472	2,846	176	557	-	273	4,923	402	126	3,825	9,276	9,093
Workers' compensation	107	84	509	31	96	-	47	874	69	22	635	1,600	1,522
Total fringe benefits	<u>14,710</u>	<u>11,490</u>	<u>63,892</u>	<u>4,125</u>	<u>13,460</u>	<u>-</u>	<u>6,485</u>	<u>114,162</u>	<u>9,941</u>	<u>4,390</u>	<u>92,687</u>	<u>221,180</u>	<u>207,451</u>
Consultants and contractors:													
Auditing	-	-	2,354	169	472	-	139	3,134	-	64	1,519	4,717	4,670
Other consultants	4,018	3,163	19,089	1,179	3,366	-	1,699	32,514	-	782	24,502	57,798	40,578
Pro bono attorneys	-	-	-	-	-	-	-	-	-	-	24,013	24,013	77,700
Total consultants and contractors	<u>4,018</u>	<u>3,163</u>	<u>21,443</u>	<u>1,348</u>	<u>3,838</u>	<u>-</u>	<u>1,838</u>	<u>35,648</u>	<u>-</u>	<u>846</u>	<u>50,034</u>	<u>86,528</u>	<u>122,948</u>
Travel:													
Employee travel - local	58	46	277	17	-	-	21	419	-	-	287	706	445
Employee travel - out of town	519	409	2,467	152	430	-	211	4,188	-	172	2,802	7,162	1,810
Board meetings	23	18	112	7	-	-	9	169	-	4	132	305	70
Total travel	<u>600</u>	<u>473</u>	<u>2,856</u>	<u>176</u>	<u>430</u>	<u>-</u>	<u>241</u>	<u>4,776</u>	<u>-</u>	<u>176</u>	<u>3,221</u>	<u>8,173</u>	<u>2,325</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, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

(Continued)

	Pennsylvania Legal Aid Network							Special IOLTA	IOLTA CRLA	Other	Totals		
	Federal Title XX	State	Access to Justice Act	IOLTA	PHARE	MLK	HAF				Total	2023	2022
Space costs:													
Rent	605	476	2,872	177	2,680	-	350	7,160	-	161	4,594	11,915	18,850
Total space costs	605	476	2,872	177	2,680	-	350	7,160	-	161	4,594	11,915	18,850
Consumable supplies:													
Office supplies	407	320	1,932	119	426	-	215	3,419	-	99	3,805	7,323	3,394
Total consumable supplies	407	320	1,932	119	426	-	215	3,419	-	99	3,805	7,323	3,394
Other:													
Insurance and bonding	823	681	4,108	254	537	-	263	6,666	-	121	2,164	8,951	7,760
Professional dues	151	119	718	44	-	-	43	1,075	-	20	376	1,471	1,264
Tuition and seminar fees	145	81	490	30	-	-	38	784	-	18	504	1,306	4,970
Law library subscription	359	283	1,613	160	-	-	99	2,514	-	46	820	3,380	3,283
Telephone	82	64	389	24	3,843	-	219	4,621	-	100	2,700	7,421	8,313
Postage	20	16	95	6	-	-	7	144	-	3	105	252	185
Miscellaneous	-	-	-	-	-	-	-	-	-	-	1,033	1,033	24
Total other	1,580	1,244	7,413	518	4,380	-	669	15,804	-	308	7,702	23,814	25,799
Total expenses	72,378	55,717	261,848	18,788	69,925	7,050	30,256	515,962	45,000	33,770	467,086	1,061,818	1,059,686
Change in Net Assets	-	-	-	-	-	-	40,229	40,229	-	-	53,291	93,520	37,062
Net Assets:													
Beginning of year	-	-	-	-	-	-	-	-	-	-	-	327,435	290,373
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,229	\$ 40,229	\$ -	\$ -	\$ 53,291	\$ 420,955	\$ 327,435

(Concluded)

Regional Housing Legal Services

Independent Auditor's Reports
In Accordance with
Government Auditing Standards

Year Ended June 30, 2023

**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, 2023 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 10, 2023.

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 RHLS’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 10, 2023