

Pennsylvania Health Law Project

Financial Statements and
Supplementary Information

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

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PENNSYLVANIA HEALTH LAW PROJECT

YEARS ENDED JUNE 30, 2019 AND 2018

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Independent Auditor's Report

**The Board of Directors
Pennsylvania Health
Law Project**

Report on the Financial Statements

We have audited the accompanying financial statements of Pennsylvania Health Law Project (PHLP), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PHLP as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, PHLP adopted Accounting Standards Update 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* which requires not-for-profit entities to use the placed-in-service approach for contributions related to long-lived assets, changes how a nonprofit organization classifies net assets, and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity, among other requirements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 15 through 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of PHLP'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 PHLP'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 PHLP's internal control over financial reporting and compliance.

Mahe Duessel

Harrisburg, Pennsylvania
September 30, 2019

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,009,904	\$ 816,890
Accounts receivable:		
Developmental Disabilities Planning Council	29,896	53,833
Pennsylvania Legal Aid Network	183,080	38,444
Other	148,953	142,639
Promises to give	63,000	489,000
Prepaid expenses	19,683	17,421
Security deposits	12,096	12,096
Total Assets	<u><u>\$ 1,466,612</u></u>	<u><u>\$ 1,570,323</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 109,985	\$ 246,668
Accrued compensated absences	17,332	13,765
Payroll taxes and withholdings	6,795	6,147
Unearned revenue	-	976
Total Liabilities	<u>134,112</u>	<u>267,556</u>
Net assets:		
Without donor restrictions	1,142,065	1,060,479
With donor restrictions	190,435	242,288
Total Net Assets	<u>1,332,500</u>	<u>1,302,767</u>
Total Liabilities and Net Assets	<u><u>\$ 1,466,612</u></u>	<u><u>\$ 1,570,323</u></u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:						
Contracts and grants	\$ 1,505,963	\$ 88,147	\$ 1,594,110	\$ 1,206,370	\$ 134,000	\$ 1,340,370
Contributions	9,417	-	9,417	277,767	33,288	311,055
Other income	2,894	-	2,894	1,829	-	1,829
Interest income	658	-	658	529	-	529
Net assets released from restrictions	140,000	(140,000)	-	127,000	(127,000)	-
Total revenues and other support	1,658,932	(51,853)	1,607,079	1,613,495	40,288	1,653,783
Expenses:						
Program services	1,348,763	-	1,348,763	1,171,916	-	1,171,916
Management and general	211,805	-	211,805	186,660	-	186,660
Fundraising	16,778	-	16,778	24,338	-	24,338
Total expenses	1,577,346	-	1,577,346	1,382,914	-	1,382,914
Change in Net Assets	81,586	(51,853)	29,733	230,581	40,288	270,869
Net Assets:						
Beginning of year	1,060,479	242,288	1,302,767	829,898	202,000	1,031,898
End of year	\$ 1,142,065	\$ 190,435	\$ 1,332,500	\$ 1,060,479	\$ 242,288	\$ 1,302,767

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	Program Services	Management and General	Fundraising	Total 2019
Salaries	\$ 788,563	\$ 78,260	\$ 10,187	\$ 877,010
Fringe benefits	305,230	29,175	3,702	338,107
Consultants and contractors	83,825	67,284	-	151,109
Travel	16,475	-	-	16,475
Space costs	93,188	10,183	862	104,233
Consumable supplies	6,019	658	55	6,732
Equipment related expense	16,820	1,837	156	18,813
Other	38,643	24,408	1,816	64,867
Depreciation	-	-	-	-
Total expenses	\$ 1,348,763	\$ 211,805	\$ 16,778	\$ 1,577,346

	Program Services	Management and General	Fundraising	Total 2018
Salaries	\$ 609,468	\$ 72,582	\$ 15,588	\$ 697,638
Fringe benefits	203,705	24,408	5,243	233,356
Consultants and contractors	221,230	56,264	-	277,494
Travel	11,853	-	-	11,853
Space costs	85,529	13,062	1,833	100,424
Consumable supplies	3,649	557	79	4,285
Equipment related expense	8,480	1,295	182	9,957
Other	27,406	18,492	1,413	47,311
Depreciation	596	-	-	596
Total expenses	\$ 1,171,916	\$ 186,660	\$ 24,338	\$ 1,382,914

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ 29,733	\$ 270,869
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	-	596
(Increase) decrease in:		
Accounts receivable	(127,013)	(128,884)
Promises to give	426,000	(339,000)
Prepaid expenses	(2,262)	(1,626)
Increase (decrease) in:		
Accounts payable and accrued expenses	(136,683)	60,394
Accrued compensated absences	3,567	(4,468)
Payroll taxes and withholdings	648	(1,397)
Unearned revenue	(976)	976
Net cash and cash equivalents provided by (used in) operating activities	193,014	(142,540)
Net Increase (Decrease) in Cash and Cash Equivalents	193,014	(142,540)
Cash and Cash Equivalents:		
Beginning of year	816,890	959,430
End of year	\$ 1,009,904	\$ 816,890

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

1. Organization

Pennsylvania Health Law Project (PHLP) is a Pennsylvania nonprofit corporation that was formed and is operated for the sole charitable purpose of providing free civil legal services in the area of health law to indigent persons otherwise financially incapable of obtaining such services. PHLP is financially supported by governmental grants and contracts, publicly supported foundations, and funding from Pennsylvania Interest on Lawyers' Trust Account (PA IOLTA).

PHLP protects and advances the health rights of low-income and underserved individuals. PHLP provides free legal services to Pennsylvanians seeking health coverage and to recipients already in Pennsylvania's publicly financed health care programs who are having problems accessing services. These include the Children's Health Insurance Program, Medicare, and many categories of Medical Assistance. To qualify for free legal services from PHLP, clients must meet the low-income eligibility guidelines provided by the Pennsylvania Department of Human Services for use by all legal services programs in the Commonwealth of Pennsylvania. Unlike some other Pennsylvania Legal Aid Network (PLAN) Programs, PHLP also serves consumers with income above 125 percent of the Federal Poverty Level who have been denied coverage or services from state-funded health care programs.

PHLP provides free legal representation in health law cases either by directly representing a client or by co-counseling with other legal service programs or other 501(c)(3) tax-exempt organizations that do not bill clients for legal representation and that have the identical charitable purpose of providing legal services to those financially incapable of obtaining such services.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of PHLP have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of PHLP 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 PHLP and/or the passage of time or maintained permanently by PHLP.

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 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.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, PHLP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Contracts and grants receivable, which include PLAN receivables, are for expenses incurred prior to the fiscal year-end that have not yet been reimbursed from the funding agency.

PHLP uses the specific write-off method in recording uncollectible accounts. PHLP exhausts all avenues before receivables are written off. Management believes all receivables are collectible. Total bad debt expense was zero for the years ended June 30, 2019 and 2018.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

collected in future years are recorded at the present value of their net realizable value. For the years ended June 30, 2019 and 2018, no discount was deemed warranted. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment, consisting of office furniture and equipment, have been recorded at cost. Assets with an initial, individual cost of more than \$5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Accrued Compensated Absences

Employees are permitted to carry over a pre-determined maximum amount of unused vacation and personal leave from one fiscal year to the next. Employees receive payment for their unused vacation, up to a maximum, at termination. PHLP has established a liability for unused vacation and personal leave based on the aggregate maximum payable per employee.

Without Donor Restrictions and With Donor Restrictions Revenue and Support

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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.

Exchange Transactions

Contracts directly with governmental entities and other cost reimbursement-type contracts are accounted for as exchange transactions. Revenue is recorded as earned and an allowance for uncollectibility against receivables is considered if there is an indication that payment will not be made.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

In-Kind Contributions

In-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both revenue and expense in the Statements of Activities. Only those contributed services that create or enhance non-financial assets, require specialized skills, and are provided by such individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recognized in the financial statements. In-kind contributed services totaled zero for the years ended June 30, 2019 and 2018.

Expense Allocation

The costs of providing the legal services program 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 among program and support services benefited. PHLP allocates expenses among PLAN and other funding sources. The expense allocation among funding sources is made based on annualized budgetary revenue relationships and specific identification. The funding source expense allocation is summarized in the Schedule of Revenues and Other Support, Expenses, and Changes in Net Assets by Primary Funding Sources, included as supplementary information.

Income Tax Status

PHLP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code and from Commonwealth of Pennsylvania corporate taxes. In addition, PHLP qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). PHLP annually files a Form 990.

Adoption of Accounting Standard

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

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. As a result of adoption, the unrestricted net assets as of July 1, 2017 were transferred to net assets without donor restrictions. In addition, the

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

temporarily restricted net assets as of July 1, 2017 were transferred to net assets with donor restrictions.

Pending Standards Update

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for PHLP’s financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for PHLP’s financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-08, *“Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,”* is effective for PHLP’s financial statements for the year ending June 30, 2020. This amendment clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendment clarifies how an entity determines whether a resource provider is participating in an exchange transaction. Early application of the amendments in the ASU is allowed.

Management has not yet determined the impact of these amendments on PHLP’s financial statements.

Reclassification

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

Subsequent Events

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

3. Property and Equipment

Property and equipment as of June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Property and equipment	\$ 107,910	\$ 107,910
Less: accumulated depreciation	<u>(107,910)</u>	<u>(107,910)</u>
Total equipment	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Depreciation expense was zero and \$596 for the years ended June 30, 2019 and 2018, respectively.

4. Leases

PHLP leases office facilities in Philadelphia, Pittsburgh, and Harrisburg, Pennsylvania.

In May 2008, the Philadelphia office entered into a lease beginning on July 26, 2008 for a five-year period. In May 2013, the lease was extended for two additional years. In July 2015, the lease was extended for another two years. From August 2017 to March 2019, the lease continued on a month-to-month basis for \$4,639 per month. In April 2019, the lease was extended to July 2021, starting at \$57,171 for the first year, and increasing to \$60,180.

The Harrisburg office entered into a lease with PLAN, beginning on December 1, 2014, at a rate of \$400 per month through June 30, 2015, and \$800 per month from July 1, 2015 through November 30, 2015. This lease continues on a month-to-month basis for \$800 per month.

The Pittsburgh office sublets space from a funder at a rate of \$851 per month through March 31, 2010. This lease continued on a month-to-month basis until it was renewed through July 30, 2016 at a rate of \$1,225 per month. Beginning on August 1, 2016, the Pittsburgh office entered into a new lease for a five-year period at a rate of \$1,861 per month.

Rent expense incurred for the years ended June 30, 2019 and 2018 was \$87,980 and \$86,706, respectively.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

PHLP also has operating leases for copiers. Equipment operating lease payments totaled \$3,750 and \$5,461 for the years ended June 30, 2019 and 2018, respectively.

The future minimum lease payments as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 82,336
2021	83,841
2022	8,084
Total	<u>\$ 174,261</u>

5. Funding

During the years ended June 30, 2019 and 2018, approximately 79% and 47%, respectively, of PHLP's funding was provided by PLAN, PA IOLTA, and Commonwealth of Pennsylvania Developmental Disabilities Council (DDC).

6. Promises to Give

Unconditional promises to give are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Receivables due in less than one year	\$ 63,000	\$ 426,000
Receivables due in one to five years	-	63,000
Net unconditional promises to give	<u>\$ 63,000</u>	<u>\$ 489,000</u>

7. Retirement Plan

PHLP offers a 403(b) Plan for its employees. All employees are eligible to make contributions under the Plan. A percentage of an eligible employee's gross wages is contributed to the plan by PHLP. Employer contributions are made at the discretion of the Executive Director and Board of Directors. PHLP contributed \$59,049 and \$33,981 to the Plan during the years ended June 30, 2019 and 2018, respectively.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

8. Net Assets

Net assets for the years ended June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions:		
All other	<u>\$ 1,142,065</u>	<u>\$ 1,060,479</u>
Net Assets With Donor Restrictions:		
Access to Justice Act carryover	66,517	-
IOLTA carryover	9,460	-
Independence Foundation	18,288	33,288
Independence Foundation fellowship	12,170	-
MLK Fellowship	-	2,000
FISA Foundation	-	75,000
PEW Charitable Trusts	<u>84,000</u>	<u>132,000</u>
Total net assets with donor restrictions	<u>190,435</u>	<u>242,288</u>
Total	<u><u>\$ 1,332,500</u></u>	<u><u>\$ 1,302,767</u></u>

Access to Justice Act and IOLTA funding permit a 10% carryover of current funding to the next fiscal year and require recipients to record the carryover funds as net assets with donor restrictions. The recipient may request a written waiver to carry over up to 25% of these funds. A waiver was granted for PHLP to carry over up to 25% of current funding for the year ended June 30, 2019. No written waiver was required for the year ended June 30, 2018.

9. Concentrations of Credit Risk

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

10. Line of Credit

PHLP has an unsecured line of credit of \$200,000 at prime plus .25%. The line of credit expires on November 26, 2019. There was no balance on the line of credit at June 30, 2019 and 2018.

11. Commitment and Contingencies

Grants received are subject to audit and adjustment by grantor agencies, principally PLAN and DDC. 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 PHLP expects such amounts, if any, to be immaterial.

12. Related Party Transactions

The Executive Director of PHLP is a member of the Board of Directors of Health Leadership Partnership, d/b/a Healthy Philadelphia, a 501(c)(3) organization for which PHLP provides fiscal management services for various funding contracts. At June 30, 2019 and 2018, there were no amounts due to PHLP for these services. PHLP also provides office space to Healthy Philadelphia at no charge. In addition, during the years ended June 30, 2019 and 2018, PHLP paid Healthy Philadelphia \$27,000 for services rendered in relation to the funding contracts. At June 30, 2019 and 2018, \$27,000 was due to Healthy Philadelphia for these services.

The Executive Director of PHLP is a member of the Board for the Pennsylvania Health Access Network (PHAN), of which PHLP is a subgrantee. During the years ended June 30, 2019 and 2018, PHLP received \$22,500 and \$19,792, respectively, related to the grant contracts with PHAN. At June 30, 2019 and 2018, \$19,792 was due to PHLP from PHAN.

PHAN is also a subgrantee for one of PHLP's grants. During the years ended June 30, 2019 and 2018, PHLP paid PHAN zero and \$140,000, respectively, related to the grant contract. At June 30, 2019 and 2018, zero and \$140,000, respectively, was due to PHAN for those services.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

13. Liquidity and Availability

PHLP's goal is to maintain financial assets on hand to fund 90 days of normal operating expenses. As part of PHLP's liquidity policy, its financial assets are managed in order to be available as necessary to fund its general expenses and the discharge of its liabilities and other obligations as they become due. In order to effectuate such a policy, including to provide for the possibility that unanticipated liquidity requirements might arise, PHLP has established a line of credit in the amount of \$200,000 as described in Note 10.

PHLP's financial assets as of June 30, 2019 expected to be available within one year to meet the cash needs for general expenses are as follows:

Cash and cash equivalents	\$ 1,009,904
Accounts receivable	361,929
Promises to give	<u>63,000</u>
	<u>\$ 1,434,833</u>

SUPPLEMENTARY INFORMATION

PENNSYLVANIA HEALTH LAW PROJECT

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES

YEAR ENDED JUNE 30, 2019
(with comparative totals for year ended June 30, 2018)

	Pennsylvania Legal Aid Network								PA IOLTA Special Grant	Other	Totals	
	Federal Title XX	State	State Over Limit	State Managed Care	IOLTA	Access to Justice Funds	Total					
								2019			2018	
Revenues and Other Support:												
Contracts and grants	\$ 113,656	\$ 54,788	\$ 125,000	\$ 500,000	\$ 37,838	\$ 266,068	\$ 1,097,350	\$ 96,348	\$ 400,412	\$ 1,594,110	\$ 1,340,370	
Contributions	-	-	-	-	-	-	-	-	9,417	9,417	311,055	
Other income	-	-	-	-	-	-	-	-	2,894	2,894	1,829	
Interest income	-	-	-	-	9	114	123	28	507	658	529	
Total revenues and other support	113,656	54,788	125,000	500,000	37,847	266,182	1,097,473	96,376	413,230	1,607,079	1,653,783	
Expenses:												
Salaries:												
Attorneys	50,210	24,224	55,306	220,848	11,604	89,528	451,720	41,163	146,728	639,611	465,431	
Paralegals	10,847	5,233	11,948	66,408	4,262	22,509	121,207	27,046	26,800	175,053	131,004	
Project manager	2,387	1,152	2,629	5,137	232	335	11,872	264	6,826	18,962	59,187	
Support	5,256	2,536	5,790	8,410	646	3,980	26,618	3,526	11,240	41,384	37,016	
Law student	281	135	309	599	26	128	1,478	-	522	2,000	5,000	
Total salaries	68,981	33,280	75,982	301,402	16,770	116,480	612,895	71,999	192,116	877,010	697,638	
Fringe benefits:												
Payroll taxes	6,072	2,930	6,689	27,073	1,512	10,623	54,899	4,894	20,445	80,238	59,814	
Health and dental insurance	12,018	5,798	13,237	53,581	2,993	21,025	108,652	9,715	53,159	171,526	124,282	
Life, accident, and disability insurance	1,379	665	1,519	6,148	343	2,412	12,466	1,111	4,643	18,220	13,691	
Workers' compensation	119	57	131	531	30	208	1,076	96	402	1,574	1,588	
Loan repayment	-	-	-	-	-	-	-	-	7,500	7,500	-	
Retirement	4,469	2,156	4,922	19,924	1,113	7,818	40,402	3,602	15,045	59,049	33,981	
Total fringe benefits	24,057	11,606	26,498	107,257	5,991	42,086	217,495	19,418	101,194	338,107	233,356	
Consultants and contractors:												
Auditing	-	-	-	-	798	5,615	6,413	-	2,912	9,325	9,100	
Accounting and payroll	1,437	694	1,583	6,410	358	2,515	12,997	-	6,000	18,997	15,458	
Consultants - other	3,169	1,528	3,491	14,127	789	5,543	28,647	-	94,140	122,787	252,936	
Total consultants and contractors	4,606	2,222	5,074	20,537	1,945	13,673	48,057	-	103,052	151,109	277,494	
Travel:												
Local	1,063	513	1,171	4,741	265	1,860	9,613	1,400	3,037	14,050	11,853	
Non-local	183	89	202	818	46	321	1,659	-	766	2,425	-	
Total travel	1,246	602	1,373	5,559	311	2,181	11,272	1,400	3,803	16,475	11,853	

(Continued)

PENNSYLVANIA HEALTH LAW PROJECT

SCHEDULE OF REVENUES AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES

YEAR ENDED JUNE 30, 2019

(with comparative totals for year ended June 30, 2018)

(Continued)

	Pennsylvania Legal Aid Network							PA IOLTA Special Grant	Other	Totals	
	Federal Title XX	State	State Over Limit	State Managed Care	IOLTA	Access to Justice Funds	Total			2019	2018
	Expenses (Continued):										
Space costs:											
Rent and parking	6,695	3,184	7,326	29,764	1,558	15,106	63,633	3,039	21,308	87,980	86,706
Utilities	888	428	978	3,959	221	1,553	8,027	-	3,705	11,732	10,025
Office maintenance	342	165	377	1,526	85	599	3,094	-	1,427	4,521	3,693
Total space costs	<u>7,925</u>	<u>3,777</u>	<u>8,681</u>	<u>35,249</u>	<u>1,864</u>	<u>17,258</u>	<u>74,754</u>	<u>3,039</u>	<u>26,440</u>	<u>104,233</u>	<u>100,424</u>
Office supplies	509	246	561	2,271	127	891	4,605	270	1,857	6,732	4,285
Equipment related expense:											
Equipment leased	284	137	313	1,265	-	497	2,496	-	1,254	3,750	5,461
Equipment and software expense	1,120	540	1,234	4,995	279	128	8,296	-	6,508	14,804	4,496
Maintenance agreement	20	10	22	87	-	-	139	-	120	259	-
Total equipment related expense	<u>1,424</u>	<u>687</u>	<u>1,569</u>	<u>6,347</u>	<u>279</u>	<u>625</u>	<u>10,931</u>	<u>-</u>	<u>7,882</u>	<u>18,813</u>	<u>9,957</u>
Other:											
Insurance and bonding	747	360	822	3,329	186	1,306	6,750	-	3,115	9,865	7,384
Printing and copying	55	27	61	245	14	75	477	-	250	727	1,049
Dues	216	104	219	964	-	21	1,524	-	1,334	2,858	2,253
Training and seminars	200	96	220	890	50	349	1,805	-	832	2,637	-
Advertising	14	7	15	62	3	-	101	-	84	185	-
Meetings	233	112	256	1,037	58	407	2,103	-	970	3,073	3,132
Periodicals	410	198	452	1,830	102	718	3,710	-	1,714	5,424	4,485
Telephone	626	302	689	2,790	156	82	4,645	250	3,373	8,268	7,837
Connectivity	1,825	881	2,011	8,139	455	3,194	16,505	-	7,616	24,121	16,444
Postage and freight	306	147	337	1,363	7	33	2,193	-	1,847	4,040	1,581
Development	114	55	-	-	28	-	197	-	1,312	1,509	922
Bank charges	83	40	91	368	21	145	748	-	344	1,092	-
Miscellaneous	79	39	89	361	20	141	729	-	339	1,068	2,224
Total other	<u>4,908</u>	<u>2,368</u>	<u>5,262</u>	<u>21,378</u>	<u>1,100</u>	<u>6,471</u>	<u>41,487</u>	<u>250</u>	<u>23,130</u>	<u>64,867</u>	<u>47,311</u>
Depreciation	-	-	-	-	-	-	-	-	-	-	596
Total expenses	<u>113,656</u>	<u>54,788</u>	<u>125,000</u>	<u>500,000</u>	<u>28,387</u>	<u>199,665</u>	<u>1,021,496</u>	<u>96,376</u>	<u>459,474</u>	<u>1,577,346</u>	<u>1,382,914</u>
Change in Net Assets	-	-	-	-	9,460	66,517	75,977	-	(46,244)	29,733	270,869
Net Assets:											
Beginning of year	-	-	-	-	-	-	-	-	1,302,767	1,302,767	1,031,898
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,460</u>	<u>\$ 66,517</u>	<u>\$ 75,977</u>	<u>\$ -</u>	<u>\$ 1,256,523</u>	<u>\$ 1,332,500</u>	<u>\$ 1,302,767</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Pennsylvania Health Law Project

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2019

**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**The Board of Directors
Pennsylvania Health
Law Project**

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 Pennsylvania Health Law Project (PHLP), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered PHLP’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PHLP’s internal control. Accordingly, we do not express an opinion on the effectiveness of PHLP’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Directors
Pennsylvania Health Law Project
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PHLP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Maher Duessel

Harrisburg, Pennsylvania
September 30, 2019