

Pennsylvania Health Law Project

Financial Statements and
Supplementary Information

Years Ended June 30, 2018 and 2017
with Independent Auditor's Reports

MaherDuessel

Pursuing the profession while promoting the public good©
www.md-cpas.com

PENNSYLVANIA HEALTH LAW PROJECT

YEARS ENDED JUNE 30, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

| | |
|-----------------------------------|---|
| Statements of Financial Position | 1 |
| Statements of Activities | 2 |
| Statements of Functional Expenses | 3 |
| Statements of Cash Flows | 4 |
| Notes to Financial Statements | 5 |

Supplementary Information:

| | |
|--|----|
| Schedule of Revenues and Other Support, Expenses, and Changes in Net Assets by Primary Funding Sources | 14 |
|--|----|

Independent Auditor's Report in Accordance with *Government Auditing Standards*

| | |
|---|----|
| 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 <i>Government Auditing Standards</i> | 16 |
|---|----|

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, 2018 and 2017, 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, 2018 and 2017, 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.

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 14 through 15 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 17, 2018, 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.

Maher Duessel

Harrisburg, Pennsylvania
September 17, 2018

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 816,890 | \$ 959,430 |
| Accounts receivable: | | |
| Developmental Disabilities Planning Council | 53,833 | 26,630 |
| Pennsylvania Legal Aid Network | 38,444 | 40,402 |
| Other | 142,639 | 39,000 |
| Promises to give | 489,000 | 150,000 |
| Prepaid expenses | 17,421 | 15,795 |
| Security deposits | 12,096 | 12,096 |
| Property and equipment, net | - | 596 |
| Total Assets | <u>\$ 1,570,323</u> | <u>\$ 1,243,949</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 246,668 | \$ 186,274 |
| Accrued compensated absences | 13,765 | 18,233 |
| Payroll taxes and withholdings | 6,147 | 7,544 |
| Unearned revenue | 976 | - |
| Total Liabilities | <u>267,556</u> | <u>212,051</u> |
| Net assets: | | |
| Unrestricted | 1,060,479 | 829,898 |
| Temporarily restricted | 242,288 | 202,000 |
| Total Net Assets | <u>1,302,767</u> | <u>1,031,898</u> |
| Total Liabilities and Net Assets | <u>\$ 1,570,323</u> | <u>\$ 1,243,949</u> |

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | | | 2017 | | |
|---|------------------|------------------------|------------------|------------------|------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Totals | Unrestricted | Temporarily Restricted | Totals |
| Revenues and Other Support: | | | | | | |
| Contracts and grants | \$1,206,370 | \$ 134,000 | \$ 1,340,370 | \$1,043,801 | \$ 152,000 | \$1,195,801 |
| Contributions | 277,767 | 33,288 | 311,055 | 58,243 | 50,000 | 108,243 |
| In-kind contributions | - | - | - | 18,500 | - | 18,500 |
| Other income | 1,829 | - | 1,829 | 2,600 | - | 2,600 |
| Interest income | 529 | - | 529 | 460 | - | 460 |
| Net assets released from restrictions | 127,000 | (127,000) | - | 46,250 | (46,250) | - |
| Total revenues and other support | 1,613,495 | 40,288 | 1,653,783 | 1,169,854 | 155,750 | 1,325,604 |
| Expenses: | | | | | | |
| Program services | 1,171,916 | - | 1,171,916 | 1,041,405 | - | 1,041,405 |
| Management and general | 186,660 | - | 186,660 | 218,214 | - | 218,214 |
| Fundraising | 24,338 | - | 24,338 | 55,167 | - | 55,167 |
| Total expenses | 1,382,914 | - | 1,382,914 | 1,314,786 | - | 1,314,786 |
| Change in Net Assets | 230,581 | 40,288 | 270,869 | (144,932) | 155,750 | 10,818 |
| Net Assets: | | | | | | |
| Beginning of year | 829,898 | 202,000 | 1,031,898 | 974,830 | 46,250 | 1,021,080 |
| End of year | \$1,060,479 | \$ 242,288 | \$ 1,302,767 | \$ 829,898 | \$ 202,000 | \$1,031,898 |

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

| | 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 |
| Bad debt expense | - | - | - | - |
| Depreciation | 596 | - | - | 596 |
| Total expenses | \$ 1,171,916 | \$ 186,660 | \$ 24,338 | \$ 1,382,914 |

| | Program Services | Management and General | Fundraising | Total 2017 |
|-----------------------------|---------------------|---------------------------|------------------|---------------------|
| Salaries | \$ 570,194 | \$ 100,819 | \$ 35,262 | \$ 706,275 |
| Fringe benefits | 170,800 | 30,435 | 10,645 | 211,880 |
| Consultants and contractors | 147,709 | 44,138 | 3,168 | 195,015 |
| Travel | 11,468 | - | - | 11,468 |
| Space costs | 78,243 | 17,939 | 3,955 | 100,137 |
| Consumable supplies | 3,878 | 889 | 196 | 4,963 |
| Equipment related expense | 7,151 | 1,640 | 361 | 9,152 |
| Other | 35,440 | 22,354 | 1,580 | 59,374 |
| Bad debt expense | 13,500 | - | - | 13,500 |
| Depreciation | 3,022 | - | - | 3,022 |
| Total expenses | \$ 1,041,405 | \$ 218,214 | \$ 55,167 | \$ 1,314,786 |

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 270,869 | \$ 10,818 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities: | | |
| Depreciation | 596 | 3,022 |
| (Increase) decrease in: | | |
| Accounts receivable | (128,884) | 16,635 |
| Promises to give | (339,000) | (115,000) |
| Prepaid expenses | (1,626) | (10,324) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 60,394 | 109,556 |
| Accrued compensated absences | (4,468) | (542) |
| Payroll taxes and withholdings | (1,397) | 743 |
| Unearned revenue | 976 | - |
| Net cash and cash equivalents provided by (used in) operating activities | <u>(142,540)</u> | <u>14,908</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (142,540) | 14,908 |
| Cash and Cash Equivalents: | | |
| Beginning of year | <u>959,430</u> | <u>944,522</u> |
| End of year | <u>\$ 816,890</u> | <u>\$ 959,430</u> |

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of PHLP and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by PHLP. PHLP does not have any permanently restricted net assets at June 30, 2018 or 2017.

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. For the years ended June 2018 and 2017, the allowance for uncollectible accounts receivable is zero.

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 and \$13,500 for the years ended June 30, 2018 and 2017, respectively.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 collected in future years are recorded at the present value of their net realizable value. For the years ended June 30, 2018 and 2017, 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.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets 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, 2018 AND 2017

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 and \$18,500 for the years ended June 30, 2018 and 2017, respectively, and consisted of the acquisition and implementation fees associated with a new database paid by PLAN on behalf of PHLP.

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.

Pending Standards Update

Accounting 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.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for PHLP’s financial statements for the year ending June 30, 2019. This amendment 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. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Early application of the amendments in the ASU is allowed.

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.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

3. Property and Equipment

Property and equipment as of June 30, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|------------------|------------------|
| Property and equipment | \$ 107,910 | \$ 107,910 |
| Less: accumulated depreciation | <u>(107,910)</u> | <u>(107,314)</u> |
| Total equipment | <u>\$ -</u> | <u>\$ 596</u> |

Depreciation expense was \$596 and \$3,022 for the years ended June 30, 2018 and 2017, 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, starting at \$54,162 the first year and increasing to \$55,667 the second year. This lease continues on a month-to-month basis for \$4,639 per month.

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 was \$86,706 and \$85,639, respectively.

PHLP also has operating leases for copiers and a telephone system. Equipment operating lease payments totaled \$5,461 and \$6,922 for the years ended June 30, 2018 and 2017, respectively.

The future minimum lease payments as of June 30, 2018 are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|------------------|
| 2019 | \$ 24,569 |
| 2020 | 23,729 |
| 2021 | 23,729 |
| 2022 | 3,021 |
| Total | <u>\$ 75,048</u> |

5. Funding

During the years ended June 30, 2018 and 2017, approximately 47% and 46%, 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>2018</u> | <u>2017</u> |
|---------------------------------------|-------------------|-------------------|
| Receivables due in less than one year | \$ 426,000 | \$ 150,000 |
| Receivables due in one to five years | 63,000 | - |
| Net unconditional promises to give | <u>\$ 489,000</u> | <u>\$ 150,000</u> |

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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 \$33,981 and \$21,504 to the Plan during the years ended June 30, 2018 and 2017, respectively.

8. Net Assets

Net assets for the years ended June 30, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Unrestricted Net Assets: | | |
| Property and equipment | \$ - | \$ 596 |
| All other | 1,060,479 | 829,302 |
| Total unrestricted net assets | <u>1,060,479</u> | <u>829,898</u> |
| Temporarily Restricted Net Assets: | | |
| Independence Foundation | 33,288 | - |
| Jefferson Regional Foundation | - | 30,000 |
| MLK Fellowship | 2,000 | 2,000 |
| FISA Foundation | 75,000 | 150,000 |
| PEW Charitable Trusts | 132,000 | - |
| Hillman Family Foundation | - | 20,000 |
| Total temporarily restricted net assets | <u>242,288</u> | <u>202,000</u> |
| Total | <u>\$ 1,302,767</u> | <u>\$ 1,031,898</u> |

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, 2018 AND 2017

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, 2018. There was no balance on the line of credit at June 30, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, PHLP paid Healthy Philadelphia \$27,000 and \$84,600, respectively, for services rendered in relation to the funding contracts. At June 30, 2018 and 2017, \$27,000 and \$55,800, respectively, 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, 2018 and 2017, PHLP received \$19,792 and \$30,000, respectively, related to the grant contracts with PHAN. At June 30, 2018 and 2017, \$19,792 and zero, respectively, was due to PHLP from PHAN.

PHAN is also a subgrantee for one of PHLP's grants. During the years ended June 30, 2018 and 2017, PHLP paid PHAN \$140,000 and \$105,474, respectively, related to the grant contract. At June 30, 2018 and 2017, \$140,000 and \$105,474, respectively, was due to PHAN for those services.

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, 2018
(with comparative totals for year ended June 30, 2017)

| | Pennsylvania Legal Aid Network | | | | | | Developmental Disabilities Council | PA IOLTA Special Grant | Other | Totals | |
|--|--------------------------------|-----------|---------------------|-----------|----------------------------|------------|--|------------------------------|------------|-------------|-------------|
| | Federal Title XX | State | State Over Limit | IOLTA | Access to Justice Funds | Total | | | | 2018 | 2017 |
| | | | | | | | | | | | |
| Revenues and Other Support: | | | | | | | | | | | |
| Contracts and grants | \$ 113,507 | \$ 55,032 | \$ 125,000 | \$ 22,925 | \$ 237,829 | \$ 554,293 | \$ 151,479 | \$ 70,800 | \$ 563,798 | \$1,340,370 | \$1,195,801 |
| Contributions | - | - | - | - | - | - | - | - | 311,055 | 311,055 | 108,243 |
| In-kind contributions | - | - | - | - | - | - | - | - | - | - | 18,500 |
| Other income | - | - | - | - | - | - | - | - | 1,829 | 1,829 | 2,600 |
| Interest income | - | - | - | 1 | 18 | 19 | - | 3 | 507 | 529 | 460 |
| Total revenues and other support | 113,507 | 55,032 | 125,000 | 22,926 | 237,847 | 554,312 | 151,479 | 70,803 | 877,189 | 1,653,783 | 1,325,604 |
| Expenses: | | | | | | | | | | | |
| Salaries: | | | | | | | | | | | |
| Attorneys | 52,705 | 25,592 | 59,744 | 10,130 | 100,463 | 248,634 | 63,216 | 17,352 | 136,229 | 465,431 | 478,644 |
| Paralegals | 7,821 | 3,792 | 8,848 | 3,056 | 27,920 | 51,437 | 17,299 | 33,178 | 29,090 | 131,004 | 129,844 |
| Project manager | - | - | - | - | - | - | - | - | 59,187 | 59,187 | 60,381 |
| Support | 5,570 | 2,709 | 4,204 | - | 7,650 | 20,133 | 169 | - | 16,714 | 37,016 | 31,156 |
| Law student | - | - | - | - | - | - | - | - | 5,000 | 5,000 | 6,250 |
| Total salaries | 66,096 | 32,093 | 72,796 | 13,186 | 136,033 | 320,204 | 80,684 | 50,530 | 246,220 | 697,638 | 706,275 |
| Fringe benefits: | | | | | | | | | | | |
| Payroll taxes | 6,241 | 3,031 | 6,874 | 1,246 | 12,845 | 30,237 | 2,277 | 3,324 | 23,976 | 59,814 | 61,361 |
| Health and dental insurance | 12,968 | 6,297 | 14,355 | 2,582 | 26,690 | 62,892 | 4,731 | 6,908 | 49,751 | 124,282 | 113,810 |
| Life, accident, and disability insurance | 1,428 | 694 | 1,573 | 285 | 2,940 | 6,920 | 521 | 761 | 5,489 | 13,691 | 13,860 |
| Workers' compensation | 166 | 80 | 182 | 33 | 341 | 802 | 60 | 89 | 637 | 1,588 | 1,345 |
| Retirement | 3,616 | 1,721 | 4,005 | 707 | 7,297 | 17,346 | 1,294 | 1,888 | 13,453 | 33,981 | 21,504 |
| Total fringe benefits | 24,419 | 11,823 | 26,989 | 4,853 | 50,113 | 118,197 | 8,883 | 12,970 | 93,306 | 233,356 | 211,880 |
| Consultants and contractors: | | | | | | | | | | | |
| Auditing | - | - | - | 404 | 4,193 | 4,597 | - | - | 4,503 | 9,100 | 9,009 |
| Accounting and payroll | 1,613 | 783 | 1,776 | 322 | 3,320 | 7,814 | - | - | 7,644 | 15,458 | 15,393 |
| Consultants - other | 3,400 | 1,651 | 3,745 | 678 | 6,996 | 16,470 | 53,355 | - | 183,111 | 252,936 | 170,613 |
| Total consultants and contractors | 5,013 | 2,434 | 5,521 | 1,404 | 14,509 | 28,881 | 53,355 | - | 195,258 | 277,494 | 195,015 |
| Travel: | | | | | | | | | | | |
| Employee travel | 1,079 | 518 | 1,194 | 215 | 2,221 | 5,227 | 862 | 2,000 | 3,764 | 11,853 | 11,468 |
| Total travel | 1,079 | 518 | 1,194 | 215 | 2,221 | 5,227 | 862 | 2,000 | 3,764 | 11,853 | 11,468 |

(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, 2018
(with comparative totals for year ended June 30, 2017)
(Continued)

| | Pennsylvania Legal Aid Network | | | | | | Developmental Disabilities Council | PA IOLTA Special Grant | Other | Totals | |
|---------------------------------|--------------------------------|--------|---------------------|--------|----------------------------|---------|--|------------------------------|--------------|--------------|--------------|
| | Federal Title XX | State | State Over Limit | IOLTA | Access to Justice Funds | Total | | | | 2018 | 2017 |
| | Expenses (Continued): | | | | | | | | | | |
| Space costs: | | | | | | | | | | | |
| Rent and parking | 9,047 | 4,393 | 9,964 | 1,820 | 18,845 | 44,069 | 5,027 | 4,500 | 33,110 | 86,706 | 85,639 |
| Utilities | 1,046 | 508 | 1,152 | 208 | 2,153 | 5,067 | - | - | 4,958 | 10,025 | 10,094 |
| Office maintenance | 386 | 187 | 425 | 77 | 793 | 1,868 | - | - | 1,825 | 3,693 | 4,404 |
| Total space costs | 10,479 | 5,088 | 11,541 | 2,105 | 21,791 | 51,004 | 5,027 | 4,500 | 39,893 | 100,424 | 100,137 |
| Office supplies | 296 | 143 | 329 | 59 | 610 | 1,437 | - | 400 | 2,448 | 4,285 | 4,963 |
| Equipment related expense: | | | | | | | | | | | |
| Equipment leased | 570 | 276 | 628 | - | 1,173 | 2,647 | - | - | 2,814 | 5,461 | 6,922 |
| Equipment purchased | 468 | 227 | 519 | 108 | 964 | 2,286 | - | - | 2,210 | 4,496 | 2,230 |
| Total equipment related expense | 1,038 | 503 | 1,147 | 108 | 2,137 | 4,933 | - | - | 5,024 | 9,957 | 9,152 |
| Other: | | | | | | | | | | | |
| Insurance and bonding | 740 | 324 | 748 | 139 | 1,511 | 3,462 | - | - | 3,922 | 7,384 | 7,350 |
| Printing and copying | 109 | 53 | 121 | 22 | 225 | 530 | 508 | - | 11 | 1,049 | 2,119 |
| Dues | 245 | 119 | 240 | 44 | 484 | 1,132 | - | - | 1,121 | 2,253 | 1,986 |
| Tuition and seminar fees | - | - | - | - | - | - | - | - | - | - | 205 |
| Meetings | 257 | 119 | 260 | 50 | 523 | 1,209 | - | - | 1,923 | 3,132 | - |
| Periodicals | 468 | 227 | 515 | 93 | 963 | 2,266 | - | - | 2,219 | 4,485 | 4,162 |
| Telephone | 818 | 397 | 901 | 163 | 1,683 | 3,962 | 2,160 | 403 | 1,312 | 7,837 | 9,591 |
| Connectivity | 2,053 | 1,002 | 2,260 | 406 | 4,228 | 9,949 | - | - | 6,495 | 16,444 | 26,392 |
| Postage and freight | 165 | 80 | 182 | 33 | 339 | 799 | - | - | 782 | 1,581 | 1,929 |
| Development | - | - | - | - | - | - | - | - | 922 | 922 | - |
| Miscellaneous | 232 | 109 | 256 | 46 | 477 | 1,120 | - | - | 1,104 | 2,224 | 5,640 |
| Total other | 5,087 | 2,430 | 5,483 | 996 | 10,433 | 24,429 | 2,668 | 403 | 19,811 | 47,311 | 59,374 |
| Bad debt expense | - | - | - | - | - | - | - | - | - | - | 13,500 |
| Depreciation | - | - | - | - | - | - | - | - | 596 | 596 | 3,022 |
| Total expenses | 113,507 | 55,032 | 125,000 | 22,926 | 237,847 | 554,312 | 151,479 | 70,803 | 606,320 | 1,382,914 | 1,314,786 |
| Change in Net Assets | - | - | - | - | - | - | - | - | 270,869 | 270,869 | 10,818 |
| Net Assets: | | | | | | | | | | | |
| Beginning of year | - | - | - | - | - | - | - | - | 1,031,898 | 1,031,898 | 1,021,080 |
| End of year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,302,767 | \$ 1,302,767 | \$ 1,031,898 |
| Acquisition of Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Pennsylvania Health Law Project

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2018

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, 2018, 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 17, 2018.

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 17, 2018