

Pennsylvania Health Law Project

Financial Statements and
Supplementary Information

Years Ended June 30, 2017 and 2016
with Independent Auditor's Reports

MaherDuessel

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PENNSYLVANIA HEALTH LAW PROJECT

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Other Matters

Other 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 December 21, 2017, 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 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 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
December 21, 2017

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 959,430	\$ 944,522
Accounts receivable:		
Developmental Disabilities Planning Council	26,630	5,884
Pennsylvania Legal Aid Network	40,402	90,382
Other	39,000	26,401
Promises to give	150,000	35,000
Prepaid expenses	15,795	5,471
Security deposits	12,096	12,096
Property and equipment, net	596	3,618
Total Assets	<u>\$ 1,243,949</u>	<u>\$ 1,123,374</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 186,274	\$ 76,718
Accrued compensated absences	18,233	18,775
Payroll taxes and withholdings	7,544	6,801
Total Liabilities	<u>212,051</u>	<u>102,294</u>
Net assets:		
Unrestricted	829,898	974,830
Temporarily restricted	202,000	46,250
Total Net Assets	<u>1,031,898</u>	<u>1,021,080</u>
Total Liabilities and Net Assets	<u>\$ 1,243,949</u>	<u>\$ 1,123,374</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues and Other Support:						
Contracts and grants	\$1,043,801	\$ 152,000	\$ 1,195,801	\$ 779,496	\$ 2,500	\$ 781,996
Contributions	58,243	50,000	108,243	274,853	-	274,853
In-kind contributions	18,500	-	18,500	-	-	-
Other income	2,600	-	2,600	250	-	250
Interest income	460	-	460	448	-	448
Net assets released from restrictions	46,250	(46,250)	-	162,700	(162,700)	-
Total revenues and other support	<u>1,169,854</u>	<u>155,750</u>	<u>1,325,604</u>	<u>1,217,747</u>	<u>(160,200)</u>	<u>1,057,547</u>
Expenses:						
Program services	1,041,405	-	1,041,405	846,312	-	846,312
Management and general	218,214	-	218,214	188,457	-	188,457
Fundraising	55,167	-	55,167	41,046	-	41,046
Total expenses	<u>1,314,786</u>	<u>-</u>	<u>1,314,786</u>	<u>1,075,815</u>	<u>-</u>	<u>1,075,815</u>
Change in Net Assets	(144,932)	155,750	10,818	141,932	(160,200)	(18,268)
Net Assets:						
Beginning of year	<u>974,830</u>	<u>46,250</u>	<u>1,021,080</u>	<u>832,898</u>	<u>206,450</u>	<u>1,039,348</u>
End of year	<u>\$ 829,898</u>	<u>\$ 202,000</u>	<u>\$ 1,031,898</u>	<u>\$ 974,830</u>	<u>\$ 46,250</u>	<u>\$1,021,080</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2017</u>
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	<u>\$ 1,041,405</u>	<u>\$ 218,214</u>	<u>\$ 55,167</u>	<u>\$ 1,314,786</u>

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2016</u>
Salaries	\$ 505,609	\$ 84,695	\$ 26,840	\$ 617,144
Fringe benefits	165,504	27,828	8,818	202,150
Consultants and contractors	38,735	39,532	-	78,267
Travel	9,621	-	-	9,621
Space costs	75,797	14,481	3,424	93,702
Consumable supplies	2,493	476	113	3,082
Equipment related expense	8,044	1,537	363	9,944
Other	37,488	19,908	1,488	58,884
Bad debt expense	-	-	-	-
Depreciation	3,021	-	-	3,021
Total expenses	<u>\$ 846,312</u>	<u>\$ 188,457</u>	<u>\$ 41,046</u>	<u>\$ 1,075,815</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 10,818	\$ (18,268)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	3,022	3,021
(Increase) decrease in:		
Accounts receivable	16,635	170,190
Promises to give	(115,000)	339,083
Prepaid expenses	(10,324)	9,679
Increase (decrease) in:		
Accounts payable and accrued expenses	109,556	(47,203)
Accrued compensated absences	(542)	(450)
Payroll taxes and withholdings	743	2,114
Net cash and cash equivalents provided by operating activities	<u>14,908</u>	<u>458,166</u>
Net Increase in Cash and Cash Equivalents	14,908	458,166
Cash and Cash Equivalents:		
Beginning of year	<u>944,522</u>	<u>486,356</u>
End of year	<u>\$ 959,430</u>	<u>\$ 944,522</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 AND 2016

Basis of Presentation

Net assets and revenues, expenses, gains, and losses 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, 2017 or 2016.

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 2017 and 2016, 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. Total bad debt expense was \$13,500 and zero for the years ended June 30, 2017 and 2016, respectively.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 AND 2016

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 \$18,500 and zero for the years ended June 30, 2017 and 2016, 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, 2017 AND 2016

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.

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

Subsequent Events

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

3. Property and Equipment

Property and equipment as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 107,910	\$ 107,910
Less: accumulated depreciation	<u>(107,314)</u>	<u>(104,292)</u>
Total equipment	<u>\$ 596</u>	<u>\$ 3,618</u>

Depreciation expense was \$3,022 and \$3,021 for the years ended June 30, 2017 and 2016, 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.

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 continued on a month-to-month basis.

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, 2017 and 2016 was \$85,639 and \$82,361, respectively.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

PHLP also has operating leases for copiers and a telephone system. Equipment operating lease payments totaled \$6,922 and \$7,006 for the years ended June 30, 2017 and 2016, respectively.

The future minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 29,966
2019	22,338
2020	22,338
2021	22,338
2022	1,862
Total	<u>\$ 98,842</u>

5. Funding

During the years ended June 30, 2017 and 2016, approximately 46% and 59%, 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>2017</u>	<u>2016</u>
Receivables due in less than one year	\$ 150,000	\$ 35,000
Net unconditional promises to give	<u>\$ 150,000</u>	<u>\$ 35,000</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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Executive Director and Board of Directors. PHLP contributed \$21,504 and \$41,765 to the Plan during the years ended June 30, 2017 and 2016, respectively.

8. Net Assets

Net assets for the years ended June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets:		
Property and equipment	\$ 596	\$ 3,618
All other	<u>829,302</u>	<u>971,212</u>
Total unrestricted net assets	<u>829,898</u>	<u>974,830</u>
Temporarily Restricted Net Assets:		
Independence Foundation	-	25,000
Jefferson Regional Foundation	30,000	-
MLK Fellowship	2,000	2,500
FISA Foundation	150,000	18,750
Hillman Family Foundation	<u>20,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>202,000</u>	<u>46,250</u>
Total	<u><u>\$ 1,031,898</u></u>	<u><u>\$ 1,021,080</u></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.

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, 2017. There was no balance on the line of credit at June 30, 2017 and 2016.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, PHLP paid Healthy Philadelphia \$84,600 and \$89,371, respectively, for services rendered in relation to the funding contracts. At June 30, 2017 and 2016, \$55,800 and zero, 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, 2017 and 2016, PHLP received \$30,000 and \$20,000, respectively, related to the grant contracts with PHAN. No amounts were due to PHLP from PHAN at June 30, 2017 and 2016.

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, 2017

(with comparative totals for year ended June 30, 2016)

	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				2017	2016
Revenues and Other Support:											
Contracts and grants	\$ 112,994	\$ 59,541	\$ 125,000	\$ 16,987	\$ 196,722	\$ 511,244	\$ 67,011	\$ 25,800	\$ 591,746	\$1,195,801	\$ 781,996
Contributions	-	-	-	-	-	-	-	-	108,243	108,243	274,853
In-kind contributions	-	-	-	18,500	-	18,500	-	-	-	18,500	-
Other income	-	-	-	-	-	-	-	-	2,600	2,600	250
Interest income	-	-	-	1	13	14	-	-	446	460	448
Total revenues and other support	112,994	59,541	125,000	35,488	196,735	529,758	67,011	25,800	703,035	1,325,604	1,057,547
Expenses:											
Salaries:											
Attorneys	49,559	28,073	53,338	6,840	85,707	223,517	16,659	9,160	229,308	478,644	450,153
Paralegals	12,450	7,002	13,439	3,000	21,333	57,224	28,558	10,686	33,376	129,844	124,099
Project manager	-	-	-	-	-	-	-	-	60,381	60,381	3,897
Support	2,788	1,538	3,034	347	4,339	12,046	-	-	19,110	31,156	36,495
Law student	-	-	-	-	-	-	-	-	6,250	6,250	2,500
Total salaries	64,797	36,613	69,811	10,187	111,379	292,787	45,217	19,846	348,425	706,275	617,144
Fringe benefits:											
Payroll taxes	5,629	3,181	6,065	885	9,677	25,437	3,928	1,724	30,272	61,361	48,788
Health & dental insurance	10,441	5,900	11,249	1,642	17,948	47,180	7,287	3,198	56,145	113,810	98,481
Life, accident, and disability insurance	1,272	718	1,370	200	2,186	5,746	887	389	6,838	13,860	11,318
Workers' compensation	123	70	133	19	212	557	86	38	664	1,345	1,798
Retirement	1,973	1,115	2,126	310	3,391	8,915	1,377	605	10,607	21,504	41,765
Total fringe benefits	19,438	10,984	20,943	3,056	33,414	87,835	13,565	5,954	104,526	211,880	202,150
Consultants and contractors:											
Auditing	-	-	-	156	2,170	2,326	-	-	6,683	9,009	8,920
Accounting and payroll	2,052	852	2,444	267	3,707	9,322	-	-	6,071	15,393	14,856
Consultants - other	2,618	1,087	3,118	18,842	4,731	30,396	-	-	140,217	170,613	54,491
Total consultants and contractors	4,670	1,939	5,562	19,265	10,608	42,044	-	-	152,971	195,015	78,267
Travel:											
Employee travel	1,529	635	1,820	199	2,762	6,945	2,417	-	2,106	11,468	9,621
Total travel	1,529	635	1,820	199	2,762	6,945	2,417	-	2,106	11,468	9,621

(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, 2017

(with comparative totals for year ended June 30, 2016)

(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				2017	2016
	Expenses (Continued):										
Space costs:											
Rent and parking	11,416	4,741	13,595	1,488	20,628	51,868	3,562	-	30,209	85,639	82,361
Utilities	1,346	559	1,602	175	2,431	6,113	-	-	3,981	10,094	6,901
Office maintenance	587	244	699	76	1,061	2,667	-	-	1,737	4,404	4,440
Total space costs	<u>13,349</u>	<u>5,544</u>	<u>15,896</u>	<u>1,739</u>	<u>24,120</u>	<u>60,648</u>	<u>3,562</u>	<u>-</u>	<u>35,927</u>	<u>100,137</u>	<u>93,702</u>
Office supplies	662	275	788	86	1,196	3,007	-	-	1,956	4,963	3,082
Equipment related expense:											
Equipment leased	923	383	1,099	-	-	2,405	-	-	4,517	6,922	7,006
Equipment purchased	297	123	354	-	-	774	-	-	1,456	2,230	2,938
Total equipment related expense	<u>1,220</u>	<u>506</u>	<u>1,453</u>	<u>-</u>	<u>-</u>	<u>3,179</u>	<u>-</u>	<u>-</u>	<u>5,973</u>	<u>9,152</u>	<u>9,944</u>
Other:											
Insurance and bonding	980	407	1,167	128	1,770	4,452	-	-	2,898	7,350	7,468
Printing and copying	282	117	336	37	510	1,282	750	-	87	2,119	3,813
Dues	265	110	315	34	478	1,202	-	-	784	1,986	2,323
Tuition and seminar fees	27	11	33	4	49	124	-	-	81	205	85
Periodicals	555	230	661	72	1,002	2,520	-	-	1,642	4,162	4,555
Telephone	1,279	531	1,522	167	2,310	5,809	1,500	-	2,282	9,591	8,560
Connectivity	3,518	1,461	4,190	458	6,357	15,984	-	-	10,408	26,392	26,083
Postage and freight	257	107	306	34	465	1,169	-	-	760	1,929	2,257
Miscellaneous	166	71	197	22	315	771	-	-	4,869	5,640	3,740
Total other	<u>7,329</u>	<u>3,045</u>	<u>8,727</u>	<u>956</u>	<u>13,256</u>	<u>33,313</u>	<u>2,250</u>	<u>-</u>	<u>23,811</u>	<u>59,374</u>	<u>58,884</u>
Bad debt expense	-	-	-	-	-	-	-	-	13,500	13,500	-
Depreciation	-	-	-	-	-	-	-	-	3,022	3,022	3,021
Total expenses	<u>112,994</u>	<u>59,541</u>	<u>125,000</u>	<u>35,488</u>	<u>196,735</u>	<u>529,758</u>	<u>67,011</u>	<u>25,800</u>	<u>692,217</u>	<u>1,314,786</u>	<u>1,075,815</u>
Change in Net Assets	-	-	-	-	-	-	-	-	10,818	10,818	(18,268)
Net Assets:											
Beginning of year	-	-	-	-	-	-	-	-	1,021,080	1,021,080	1,039,348
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,031,898</u>	<u>\$1,031,898</u>	<u>\$1,021,080</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>

(Concluded)

Pennsylvania Health Law Project

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2017

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, 2017, 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 December 21, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. See Finding 2017-001.

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*.

Management's Response to Findings

PHLP's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. PHLP's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 21, 2017

PENNSYLVANIA HEALTH LAW PROJECT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

Finding 2017-001: Reviewing Financial Data

Statement of Condition: During the audit process, adjustments were proposed in order for Pennsylvania Health Law Project's (PHLP) financial statements to comply with accounting principles generally accepted in the United States of America (GAAP). An adjustment was necessary to correctly record in-kind contributions and expenses of \$18,500. An entry was made to correctly record a prior year grant and the accompanying subrecipient pass-through expense of \$28,800. Finally, the cost allocation prepared by PHLP did not comply with requirements per PHLP's funders and contained errors that were corrected.

Criteria: PHLP must produce financial statements in accordance with GAAP.

Cause of the Condition: PHLP staff do not review the accounting records, including the allocation of expenses in such a way that errors or missing information is detected.

Effect of the Condition: Financial statements provided by PHLP were not in accordance with GAAP.

Recommendation: We recommend that a process be put in place to ensure that the accounting records and supporting documentation are reviewed on a timely and regular basis.

Management's Response: The cost allocation process for fiscal year 2017 involved allocating costs for two different timekeeping systems due to a change in systems in April 2017, therefore, the challenges with the cost allocation process should not re-occur. The recording of the in-kind contributions and expense had a net effect of zero dollars in the financial statements. Lastly, PHLP had already recorded the prior year grant and accompanying subrecipient pass-through grant, information that was not available at the end of the prior year. This entry had a net effect of \$3,200 on the financial statements.