

Pennsylvania Health Law Project

Financial Statements and
Supplementary Information

Years Ended June 30, 2021 and 2020
with Independent Auditor's Reports

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

PENNSYLVANIA HEALTH LAW PROJECT

YEARS ENDED JUNE 30, 2021 AND 2020

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YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 15 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also 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 audits 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 October 4, 2021, 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.

Maheer Duessel

Harrisburg, Pennsylvania
October 4, 2021

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,778,772	\$ 1,557,760
Accounts receivable:		
Developmental Disabilities Planning Council	29,685	70,082
Pennsylvania Legal Aid Network	239,005	143,198
Pennsylvania Commission on Crime and Delinquency	91,418	43,202
Other	104,167	37,495
Prepaid expenses	31,510	34,474
Security deposits	12,096	12,096
Total Assets	\$ 2,286,653	\$ 1,898,307
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 275,737	\$ 76,746
Accrued compensated absences	41,247	33,683
Payroll taxes and withholdings	11,819	2,984
Loan payable	238,700	238,700
Refundable advances	197,400	174,828
Total Liabilities	764,903	526,941
Net assets:		
Without donor restrictions	1,521,750	1,332,078
With donor restrictions	-	39,288
Total Net Assets	1,521,750	1,371,366
Total Liabilities and Net Assets	\$ 2,286,653	\$ 1,898,307

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:						
Contracts and grants	\$ 2,426,307	\$ -	\$ 2,426,307	\$ 1,578,030	\$ -	\$ 1,578,030
Contributions	11,941	-	11,941	150,419	-	150,419
Other income	11,456	-	11,456	1,982	-	1,982
Interest income	132	-	132	566	-	566
Net assets released from restrictions	39,288	(39,288)	-	151,147	(151,147)	-
Total revenues and other support	2,489,124	(39,288)	2,449,836	1,882,144	(151,147)	1,730,997
Expenses:						
Program services	2,149,904	-	2,149,904	1,530,849	-	1,530,849
Management and general	145,441	-	145,441	150,455	-	150,455
Fundraising	4,107	-	4,107	10,827	-	10,827
Total expenses	2,299,452	-	2,299,452	1,692,131	-	1,692,131
Change in Net Assets	189,672	(39,288)	150,384	190,013	(151,147)	38,866
Net Assets:						
Beginning of year	1,332,078	39,288	1,371,366	1,142,065	190,435	1,332,500
End of year	\$ 1,521,750	\$ -	\$ 1,521,750	\$ 1,332,078	\$ 39,288	\$ 1,371,366

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2021 AND 2020

	Program Services	Management and General	Fundraising	Total 2021
Salaries	\$ 1,328,886	\$ 40,255	\$ 1,813	\$ 1,370,954
Fringe benefits	527,810	15,831	703	544,344
Consultants and contractors	122,705	67,376	-	190,081
Travel	67	-	-	67
Space costs	103,817	3,146	142	107,105
Consumable supplies	3,674	111	5	3,790
Equipment related expense	22,431	680	31	23,142
Other	40,514	18,042	1,413	59,969
Total expenses	<u>\$ 2,149,904</u>	<u>\$ 145,441</u>	<u>\$ 4,107</u>	<u>\$ 2,299,452</u>

	Program Services	Management and General	Fundraising	Total 2020
Salaries	\$ 937,662	\$ 48,486	\$ 6,063	\$ 992,211
Fringe benefits	370,887	18,344	2,251	391,482
Consultants and contractors	53,826	61,628	-	115,454
Travel	7,817	-	-	7,817
Space costs	100,652	5,205	650	106,507
Consumable supplies	3,023	156	20	3,199
Equipment related expense	17,521	906	113	18,540
Other	39,461	15,730	1,730	56,921
Total expenses	<u>\$ 1,530,849</u>	<u>\$ 150,455</u>	<u>\$ 10,827</u>	<u>\$ 1,692,131</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 150,384	\$ 38,866
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(170,298)	67,952
Promises to give	-	63,000
Prepaid expenses	2,964	(14,791)
Increase (decrease) in:		
Accounts payable and accrued expenses	198,991	(33,239)
Accrued compensated absences	7,564	16,351
Payroll taxes and withholdings	8,835	(3,811)
Refundable advances	22,572	174,828
Net cash and cash equivalents provided by operating activities	221,012	309,156
Cash Flows From Financing Activities:		
Proceeds from loan payable	-	238,700
Net cash and cash equivalents provided by financing activities	-	238,700
Net Increase in Cash and Cash Equivalents	221,012	547,856
Cash and Cash Equivalents:		
Beginning of year	1,557,760	1,009,904
End of year	\$ 1,778,772	\$ 1,557,760

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 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 Medicaid (also called Medical Assistance), the Children's Health Insurance Program (CHIP), and Medicare. 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 clients 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, 2021 AND 2020

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, 2021 and 2020.

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, 2021 AND 2020

collected in future years are recorded at the present value of their net realizable value. Conditional promises to give are not included as support until the conditions are substantially met.

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. At an employee's termination of employment (voluntary or involuntary), final paychecks, including accrued vacation leave pay, will be issued up to predetermined maximum, provided that proper notice is given, cases are in proper order, and PHLP property has been returned.

Contracts, Grants and Refundable Advances

Conditional contributions are recorded as refundable advances until the conditions are substantially met. When the conditions are substantially met, the contribution becomes unconditional.

Unconditional contributions are recorded as without donor restrictions or with donor restrictions. This classification is dependent on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the 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 statement of activities as net assets released from restrictions.

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 Statement 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, 2021 and 2020.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

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

ASU 2016-02, *Leases (Topic 842)*, is effective for PHLP's financial statements for the year ending June 30, 2023. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-15, *Intangibles: Goodwill and Other Internal-Use Software (Subtopic 350-40)*, is effective for PHLP's financial statements for the year ending June 30, 2022. This amendment will help entities evaluate the accounting fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software lease.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets,”* is effective for PHLP’s financial statements for the year ending June 30, 2022. The amendments in this update address presentation and disclosure of contributed nonfinancial assets.

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.

3. Conditional Promises to Give

Conditional promises to give are expected to be collected as follows as of June 30, 2021:

<u>Year Ending June 30,</u>	
2022	<u>\$ 476,874</u>
Total	<u><u>\$ 476,874</u></u>

The promises will become unconditional when the qualifying expenses are incurred and the barriers are met. Revenue will be recognized when the promises become unconditional.

4. Loan Payable

In April 2020, PHLP received a Paycheck Protection Program loan from the United States Small Business Administration (SBA) for \$238,700 with an interest rate of 1%. As of June 30, 2021, the full amount of the loan met the conditions set forth by the SBA. As of September 20, 2021, the full amount of the loan has been forgiven by both the lender and the SBA.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

5. Refundable Advances

PHLP's refundable advances as of June 30, 2021 and 2020 are as follows:

	2021	2020
Access to Justice Act	\$ 155,532	\$ 152,658
IOLTA	37,596	22,146
Developmental Disabilities Council	4,272	-
Other	-	24
	<u>\$ 197,400</u>	<u>\$ 174,828</u>

All refundable advances as of June 30, 2021 are considered conditional contributions with an unmet barrier to incur qualifying expenses.

Access to Justice Act and IOLTA funding permit a 10% carryover of current funding to the next fiscal year. The recipient may request a written waiver to carry over more than 10% of these funds. A waiver was granted to PHLP to carry over up to 50% of Access to Justice Act and IOLTA funding for the year ended June 30, 2021. Actual carry over for the year ended June 30, 2021 was 50% of Access to Justice Act and IOLTA funding.

A waiver was granted to PHLP to carry over up to 50% of Access to Justice Act and IOLTA funding for the year ended June 30, 2020. Actual carry over for the year ended June 30, 2020 was 45% of Access to Justice Act and IOLTA funding.

6. 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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020 was \$92,193 and \$90,487, respectively.

PHLP also has operating leases for copiers. Equipment operating lease payments totaled \$4,193 and \$4,053 for the years ended June 30, 2021 and 2020, respectively.

The future minimum lease payments as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 82,805
2023	5,015
Total	<u><u>\$ 87,820</u></u>

7. Funding

During the years ended June 30, 2021 and 2020, approximately 77% and 73%, respectively, of PHLP's funding was provided by PLAN, PA IOLTA, and Commonwealth of Pennsylvania Developmental Disabilities Council (DDC).

8. 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 \$119,974 and \$68,396 to the Plan during the year ended June 30, 2021 and 2020, respectively.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

9. Net Assets

Net assets at June 30, 2021 and 2020 consists of the following:

	2021	2020
Net Assets Without Donor Restrictions:		
All other	<u>\$ 1,521,750</u>	<u>\$ 1,332,078</u>
Net Assets With Donor Restrictions:		
Independenc Foundation	-	3,288
PEW Charitable Trusts	-	36,000
Total net assets with donor restrictions	<u>-</u>	<u>39,288</u>
Total	<u><u>\$ 1,521,750</u></u>	<u><u>\$ 1,371,366</u></u>

10. 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.

11. Line of Credit

PHLP has an unsecured line of credit of \$200,000 at prime plus 0.25%. The line of credit expires on November 26, 2021. There was no balance on the line of credit at June 30, 2021 and 2020.

12. 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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

by the grantor cannot be determined at this time, although PHLP expects such amounts, if any, to be immaterial.

13. Related Party Transactions

The Executive Director of PHLP is the President of the Board of Directors of the Pennsylvania Health Access Network (PHAN), for which PHLP is a subgrantee of a contract between the Robert Wood Johnson Foundation, partnering with Community Catalyst in the Value Advocacy Project, and PHAN as a part of the Rural Health Access Grant from PA Developmental Disabilities Council (PA DDC). During the years ended June 30, 2021 and 2020, PHLP received zero and \$2,500, respectively, related to the grant contracts with PHAN. At June 30, 2021 and 2020, \$15,500 and zero, respectively, was due to PHLP from PHAN.

A member of the PHLP Board of Directors is the Associate Director of the Regional Housing Legal Services (RHLS), a subgrantee of a contract between PHLP and PA DDC. During the years ended June 30, 2021 and 2020, PHLP paid RHLS zero and \$1,800, respectively, related to the grant contract. At June 30, 2021 and 2020, \$14,300 and zero, respectively, was due to RHLS for those services.

The PHLP Senior Attorney is a member of the Board of Directors of the Pennsylvania Assistive Technology Foundation (PATF), a subgrantee of a contract between PHLP and PA DDC. During the years ended June 30, 2021 and 2020, PHLP paid PATF \$10,000 and zero, respectively, related to the grant contract. At June 30, 2021 and 2020, zero was due to PATF for those services.

14. 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 11.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The following reflects PHLP's financial assets as of June 30, 2021 and 2020 expected to be available within one year to meet the cash needs for general expenses are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,778,772	\$ 1,557,760
Accounts receivable	<u>464,275</u>	<u>293,977</u>
	<u>\$ 2,243,047</u>	<u>\$ 1,851,737</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, 2021

(with comparative totals for year ended June 30, 2020)

	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			2021	2020
Revenues and Other Support:											
Contracts and grants	\$ 113,967	\$ 54,062	\$ 125,000	\$ 510,000	\$ 59,735	\$ 307,950	\$ 1,170,714	\$ 218,333	\$ 1,037,260	\$ 2,426,307	\$ 1,578,030
Contributions	-	-	-	-	-	-	-	-	11,941	11,941	150,419
Other income	-	-	-	-	-	-	-	-	11,456	11,456	1,982
Interest income	-	-	-	-	4	84	88	15	29	132	566
Total revenues and other support	113,967	54,062	125,000	510,000	59,739	308,034	1,170,802	218,348	1,060,686	2,449,836	1,730,997
Expenses:											
Salaries:											
Attorneys	43,406	20,747	47,640	213,105	24,233	113,860	462,991	76,827	311,881	851,699	712,404
Paralegals	12,100	5,818	13,324	87,479	11,445	48,176	178,342	49,643	50,658	278,643	188,986
Program	-	-	-	-	-	-	-	-	129,042	129,042	-
Support	14,506	6,902	15,879	16,164	452	23,973	77,876	10,249	13,227	101,352	85,754
Law student	693	330	758	1,517	319	2,093	5,710	560	3,948	10,218	5,067
Total salaries	70,705	33,797	77,601	318,265	36,449	188,102	724,919	137,279	508,756	1,370,954	992,211
Fringe benefits:											
Payroll taxes	6,497	3,108	7,136	29,253	3,324	17,182	66,500	10,334	40,008	116,842	80,302
Health and dental insurance	15,136	7,240	16,626	68,151	7,745	40,028	154,926	25,277	96,965	277,168	209,961
Life, accident, and disability insurance	1,371	656	1,506	6,172	702	3,625	14,032	2,312	8,960	25,304	20,766
Workers' compensation	155	74	170	695	79	409	1,582	234	740	2,556	2,057
Loan repayment	96	46	106	434	49	255	986	229	1,285	2,500	10,000
Retirement	6,844	3,273	7,518	30,817	3,502	18,101	70,055	10,989	38,930	119,974	68,396
Total fringe benefits	30,099	14,397	33,062	135,522	15,401	79,600	308,081	49,375	186,888	544,344	391,482
Consultants and contractors:											
Auditing	-	-	-	-	1,622	7,763	9,385	82	130	9,597	9,474
Accounting and payroll	910	530	1,217	4,993	567	2,933	11,150	2,941	8,390	22,481	21,815
Consultants - other	2,321	1,014	2,329	17,244	1,085	5,607	29,600	5,667	122,736	158,003	84,165
Total consultants and contractors	3,231	1,544	3,546	22,237	3,274	16,303	50,135	8,690	131,256	190,081	115,454
Travel:											
Local	4	2	4	17	2	10	39	9	19	67	7,817
Total travel	4	2	4	17	2	10	39	9	19	67	7,817

(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, 2021

(with comparative totals for year ended June 30, 2020)

(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			2021	2020
Expenses (Continued):											
Space costs:											
Rent and parking	4,669	1,808	5,011	10,378	2,021	9,941	33,828	12,951	45,414	92,193	90,487
Utilities	470	224	516	2,114	241	1,242	4,807	897	3,052	8,756	9,453
Office maintenance	303	145	333	1,365	155	800	3,101	624	2,431	6,156	6,567
Total space costs	5,442	2,177	5,860	13,857	2,417	11,983	41,736	14,472	50,897	107,105	106,507
Office supplies	199	96	221	903	104	529	2,052	466	1,272	3,790	3,199
Equipment related expense:											
Equipment leased	198	95	218	869	-	652	2,032	419	1,742	4,193	4,053
Equipment and software expense	1,007	482	1,106	4,531	515	2,663	10,304	2,008	6,519	18,831	13,632
Maintenance agreement	-	-	-	-	-	-	-	35	83	118	855
Total equipment related expense	1,205	577	1,324	5,400	515	3,315	12,336	2,462	8,344	23,142	18,540
Other:											
Insurance and bonding	675	323	741	3,034	344	1,783	6,900	1,381	5,704	13,985	9,044
Printing and copying	4	2	4	15	2	10	37	-	90	127	1,303
Dues	169	81	185	760	86	446	1,727	296	1,128	3,151	3,063
Training and seminars	152	73	167	683	78	402	1,555	254	726	2,535	2,263
Advertising	61	29	67	274	31	161	623	106	326	1,055	380
Meetings	124	59	136	558	64	328	1,269	227	775	2,271	3,158
Periodicals	295	141	323	1,328	151	778	3,016	554	2,133	5,703	5,504
Telephone	944	451	1,036	4,249	483	2,495	9,658	1,465	5,657	16,780	6,842
Connectivity	306	146	336	1,374	157	809	3,128	734	3,475	7,337	15,820
Postage and freight	163	78	179	732	84	431	1,667	297	1,086	3,050	3,168
Development	80	39	89	360	41	213	822	188	380	1,390	1,546
Bank charges	41	19	45	183	21	108	417	93	414	924	1,379
Miscellaneous	68	31	74	249	35	228	685	-	976	1,661	3,451
Total other	3,082	1,472	3,382	13,799	1,577	8,192	31,504	5,595	22,870	59,969	56,921
Total expenses	113,967	54,062	125,000	510,000	59,739	308,034	1,170,802	218,348	910,302	2,299,452	1,692,131
Change in Net Assets	-	-	-	-	-	-	-	-	150,384	150,384	38,866
Net Assets:											
Beginning of year	-	-	-	-	-	-	-	-	1,371,366	1,371,366	1,332,500
End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,521,750	\$ 1,521,750	\$ 1,371,366
Acquisition of Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Concluded)

PENNSYLVANIA HEALTH LAW PROJECT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal ALN	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Health and Human Services:</u>				
Pass-through Commonwealth of Pennsylvania Department of Human Services:				
Pass-through Pennsylvania Developmental Disabilities Council				
Developmental Disabilities Basic Support and Advocacy Grants				
Managed Care	4100086754	93.630	\$ 86,200	\$ -
Housing	4100077230	93.630	37,386	33,062
Housing Extension	4100077230	93.630	130,888	76,500
Pass-through Pennsylvania Health Access Network:				
Rural Health Access		93.630	15,500	-
Pass-through Temple University:				
Person-Centered Services		93.630	5,000	-
Subtotal 93.630			274,974	109,562
Pass-through Pennsylvania Legal Aid Network				
Social Services Block Grant	PHLP	93.667	113,967	-
Subtotal 93.667			113,967	-
Total U.S. Department of Health and Human Services			388,941	109,562
<u>U.S. Department of Justice:</u>				
Passed through Pennsylvania Commission on Crime and Delinquency:				
Crime Victim Assistance	29258	16.575	269,390	-
Subtotal 16.575			269,390	-
Total U.S. Department of Justice			269,390	-
<u>U.S. Department of the Treasury:</u>				
Passed through Commonwealth of Pennsylvania Department of Human Services:				
Passed through Pennsylvania Legal Aid Network:				
COVID-19 Coronavirus Relief Fund	PHLP - CARES	21.019	225,671	-
Subtotal 21.019			225,671	-
Total U.S. Department of the Treasury			225,671	-
Total Expenditures of Federal Awards			\$ 884,002	\$ 109,562
				(concluded)

See accompanying notes to schedule of expenditures of federal awards.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

1. General

The accompanying schedule of expenditures of federal awards reflects the activity of all federal awards programs of Pennsylvania Health Law Project. Pennsylvania Health Law Project has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Basis of Accounting and Relationship to the Basic Financial Statements

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 2 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule of expenditures of federal awards presents only a selected portion of the operations of Pennsylvania Health Law Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pennsylvania Health Law Project.

Such expenditures are recognized following, as applicable, either the Legal Services Corporation Regulations (45 CFR Part 1630) or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pennsylvania Health Law Project

Independent Auditor's Report
in Accordance with
Government Auditing Standards

Year Ended June 30, 2021

**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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PHLP'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
October 4, 2021

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors Pennsylvania Health Law Project

Report on Compliance for the Major Federal Program

We have audited Pennsylvania Health Law Project (PHLP)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Legal Services Corporation (LSC) Audit Guide for Recipients and Auditors and Compliance Supplement* that could have a direct and material effect on PHLP's major federal programs for the year ended June 30, 2021. PHLP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of PHLP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *LSC Audit Guide for Recipients and Auditors and Compliance Supplement*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PHLP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of PHLP's compliance.

Board of Directors
Pennsylvania Health Law Project
Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

Opinion on the Major Federal Program

In our opinion, PHLP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of PHLP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PHLP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PHLP's internal control over compliance.

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

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

Board of Directors
Pennsylvania Health Law Project
Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
October 4, 2021

PENNSYLVANIA HEALTH LAW PROJECT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2021

NONE

PENNSYLVANIA HEALTH LAW PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☒ no

4. Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

7. Major Programs:

Federal ALN(s)

16.575

21.019

Name of Federal Program or Cluster

Crime Victim Assistance

Coronavirus Relief Fund

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? ☐ yes ☒ no

PENNSYLVANIA HEALTH LAW PROJECT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

- III. Findings and questioned costs for federal awards.

No matters were reported.