

Pennsylvania Health Law Project

Financial Statements and
Supplementary Information

Years Ended June 30, 2022 and 2021
with Independent Auditor's Reports

MaherDuessel

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PENNSYLVANIA HEALTH LAW PROJECT

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

**Board of Directors
Pennsylvania Health Law Project**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pennsylvania Health Law Project (PHLP), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PHLP as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PHLP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PHLP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PHLP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the PHLP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022 on our consideration of the 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 the 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 the PHLP's internal control over financial reporting and compliance.

Mahe Duessel

Harrisburg, Pennsylvania
October 4, 2022

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,963,041	\$ 1,778,772
Accounts receivable:		
Developmental Disabilities Planning Council	36,714	29,685
Pennsylvania Legal Aid Network	134,688	239,005
Pennsylvania Commission on Crime and Delinquency	-	91,418
Other	62,500	104,167
Prepaid expenses	23,522	31,510
Security deposits	12,096	12,096
Total Assets	<u>\$ 2,232,561</u>	<u>\$ 2,286,653</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 190,147	\$ 275,737
Accrued compensated absences	36,884	41,247
Payroll taxes and withholdings	1,829	11,819
Loan payable	-	238,700
Refundable advances	88,260	197,400
Total Liabilities	<u>317,120</u>	<u>764,903</u>
Net assets:		
Without donor restrictions	<u>1,915,441</u>	<u>1,521,750</u>
Total Net Assets	<u>1,915,441</u>	<u>1,521,750</u>
Total Liabilities and Net Assets	<u>\$ 2,232,561</u>	<u>\$ 2,286,653</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:						
Contracts and grants	\$ 2,009,641	\$ -	\$ 2,009,641	\$ 2,426,307	\$ -	\$ 2,426,307
Contributions	164,905	-	164,905	11,941	-	11,941
Other income	242,350	-	242,350	11,456	-	11,456
Interest income	83	-	83	132	-	132
Net assets released from restrictions	-	-	-	39,288	(39,288)	-
Total revenues and other support	<u>2,416,979</u>	<u>-</u>	<u>2,416,979</u>	<u>2,489,124</u>	<u>(39,288)</u>	<u>2,449,836</u>
Expenses:						
Program services	1,869,829	-	1,869,829	2,149,904	-	2,149,904
Management and general	147,525	-	147,525	145,441	-	145,441
Fundraising	5,934	-	5,934	4,107	-	4,107
Total expenses	<u>2,023,288</u>	<u>-</u>	<u>2,023,288</u>	<u>2,299,452</u>	<u>-</u>	<u>2,299,452</u>
Change in Net Assets	393,691	-	393,691	189,672	(39,288)	150,384
Net Assets:						
Beginning of year	<u>1,521,750</u>	<u>-</u>	<u>1,521,750</u>	<u>1,332,078</u>	<u>39,288</u>	<u>1,371,366</u>
End of year	<u>\$ 1,915,441</u>	<u>\$ -</u>	<u>\$ 1,915,441</u>	<u>\$ 1,521,750</u>	<u>\$ -</u>	<u>\$ 1,521,750</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	Program Services	Management and General	Fundraising	Total 2022
Salaries	\$ 1,152,403	\$ 34,467	\$ 592	\$ 1,187,462
Fringe benefits	441,931	13,263	227	455,421
Consultants and contractors	111,087	77,360	2,043	190,490
Travel	3,354	70	-	3,424
Space costs	102,262	3,059	52	105,373
Consumable supplies	5,328	159	3	5,490
Equipment related expense	9,679	290	4	9,973
Other	43,785	18,857	3,013	65,655
	\$ 1,869,829	\$ 147,525	\$ 5,934	\$ 2,023,288

	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
	\$ 2,149,904	\$ 145,441	\$ 4,107	\$ 2,299,452

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

PENNSYLVANIA HEALTH LAW PROJECT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 393,691	\$ 150,384
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Forgiveness of loan payable	(238,700)	-
(Increase) decrease in:		
Accounts receivable	230,373	(170,298)
Promises to give	-	-
Prepaid expenses	7,988	2,964
Increase (decrease) in:		
Accounts payable and accrued expenses	(85,590)	198,991
Accrued compensated absences	(4,363)	7,564
Payroll taxes and withholdings	(9,990)	8,835
Refundable advances	(109,140)	22,572
Net cash and cash equivalents provided by operating activities	<u>184,269</u>	<u>221,012</u>
Net Increase in Cash and Cash Equivalents	184,269	221,012
Cash and Cash Equivalents:		
Beginning of year	<u>1,778,772</u>	<u>1,557,760</u>
End of year	<u>\$ 1,963,041</u>	<u>\$ 1,778,772</u>

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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, 2022 and 2021.

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, 2022 AND 2021

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.

Contributed Nonfinancial Assets

Nonfinancial 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. Contributed services totaled zero for the years ended June 30, 2022 and 2021.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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.

Adopted Accounting Standards

The provisions of these Standards Update have been adopted and incorporated into these financial statements.

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.

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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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.

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:

<u>Year Ending June 30,</u>	
2023	<u>\$ 40,418</u>
Total	<u><u>\$ 40,418</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. PHLP received full forgiveness of the loan on September 20, 2021. As such, the loan was recorded in revenue in fiscal year 2022 as other income.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

5. Refundable Advances

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

	2022	2021
Access to Justice Act	\$ 32,558	\$ 155,532
IOLTA	5,822	37,596
Developmental Disabilities Council	-	4,272
FISA Foundation	45,000	
Other	4,880	-
	<u>\$ 88,260</u>	<u>\$ 197,400</u>

All refundable advances as of June 30, 2022 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. No waiver was requested by PHLP or granted by IOLTA for the year that ended June 30, 2022. Actual carry over for the year ended June 30, 2022 was 10% 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, 2021. Actual carry over for the year ended June 30, 2021 was 50% 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 31, 2021, starting at \$57,171 for the first year, and then increasing to \$60,180. The lease was extended through July 31, 2022.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 for \$800 per month for the entire fiscal year. In July 2022, PHLP ended the Harrisburg lease with PLAN.

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. On August 1, 2021, the Pittsburgh office entered into a new lease that can be renewed annually at a rate of \$1,768 per month. On August 1, 2022, the lease was renewed at \$1,768 per month through July 31, 2023.

Rent expense incurred for the years ended June 30, 2022 and 2021 was \$91,094 and \$92,193, respectively.

PHLP also has operating leases for copiers. Equipment operating lease payments totaled \$3,689 and \$4,193 for the years ended June 30, 2022 and 2021, respectively.

The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 26,236
Total	<u>\$ 26,236</u>

7. Funding

During the years ended June 30, 2022 and 2021, approximately 90% and 77%, 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

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Executive Director and Board of Directors. PHLP contributed \$79,443 and \$119,974 to the Plan during the year ended June 30, 2022 and 2021, respectively.

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 0.25%. The line of credit expires on November 26, 2023. There was no balance on the line of credit at June 30, 2022 and 2021.

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 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, 2022 and 2021, PHLP received \$15,500 and zero, respectively, related to the grant contracts with PHAN. At June 30, 2022 and 2021, zero and \$15,500, respectively, was due to PHLP from PHAN.

PENNSYLVANIA HEALTH LAW PROJECT

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, PHLP paid RHLS \$18,300 and zero, respectively, related to the grant contract. At June 30, 2022 and 2021, \$10,000 and \$14,300, 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, 2022 and 2021, PHLP paid PATF \$7,980 and \$10,000, respectively, related to the grant contract. At June 30, 2022 and 2021, no amount was due to PATF for those services.

13. Liquidity and Availability

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

The following reflects PHLP's financial assets as of June 30, 2022 and 2021 expected to be available within one year to meet the cash needs for general expenses are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,963,041	\$ 1,778,772
Accounts receivable	233,902	464,275
	<u>\$ 2,196,943</u>	<u>\$ 2,243,047</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, 2022

(with comparative totals for year ended June 30, 2021)

	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			2022	2021
	Revenues and Other Support:										
Contracts and grants	\$ 111,616	\$ 85,851	\$ 121,250	\$ 510,000	\$ 89,995	\$ 465,482	\$ 1,384,194	\$ 122,600	\$ 502,847	\$ 2,009,641	\$ 2,426,307
Contributions	-	-	-	-	-	-	-	-	164,905	164,905	11,941
Other income	-	-	-	-	-	-	-	-	242,350	242,350	11,456
Interest income	-	-	-	-	4	34	38	5	40	83	132
Total revenues and other support	111,616	85,851	121,250	510,000	89,999	465,516	1,384,232	122,605	910,142	2,416,979	2,449,836
Expenses:											
Salaries:											
Attorneys	47,870	35,299	51,127	205,162	30,688	171,054	541,200	37,200	174,090	752,490	851,699
Paralegals	14,750	13,477	15,334	98,322	25,596	86,434	253,913	36,102	36,390	326,405	278,643
Program	-	-	-	-	-	-	-	-	45,992	45,992	129,042
Support	5,891	3,950	6,356	10,408	1,494	12,890	40,989	3,970	10,116	55,075	101,352
Law student	145	97	157	303	62	1,542	2,306	562	4,632	7,500	10,218
Total salaries	68,656	52,823	72,974	314,195	57,840	271,920	838,408	77,834	271,220	1,187,462	1,370,954
Fringe benefits:											
Payroll taxes	5,871	4,515	6,378	26,813	4,651	24,009	72,237	6,432	18,850	97,519	116,842
Health and dental insurance	15,133	11,639	16,439	69,116	11,990	61,888	186,205	16,581	48,586	251,372	277,168
Life, accident, and disability insurance	1,502	1,155	1,632	6,861	1,190	6,143	18,483	1,646	4,823	24,952	25,304
Workers' compensation	129	99	140	586	102	526	1,582	141	412	2,135	2,556
Loan repayment	-	-	-	-	-	-	-	-	-	-	2,500
Retirement	4,782	3,678	5,195	21,845	3,789	19,559	58,848	5,240	15,355	79,443	119,974
Total fringe benefits	27,417	21,086	29,784	125,221	21,722	112,125	337,355	30,040	88,026	455,421	544,344
Consultants and contractors:											
Auditing	-	-	-	-	1,740	8,999	10,739	-	3,758	14,497	9,597
Accounting and payroll	1,284	988	1,395	5,869	1,017	5,253	15,806	1,399	4,132	21,337	22,481
Consultants - other	2,768	2,130	3,008	12,643	2,194	11,322	34,065	3,014	117,577	154,656	158,003
Total consultants and contractors	4,052	3,118	4,403	18,512	4,951	25,574	60,610	4,413	125,467	190,490	190,081
Travel:											
Local	206	159	224	941	163	843	2,536	-	888	3,424	67
Total travel	206	159	224	941	163	843	2,536	-	888	3,424	67

(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, 2022

(with comparative totals for year ended June 30, 2021)

(Continued)

Pennsylvania Legal Aid Network

	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			2022	2021
Expenses (Continued):											
Space costs:											
Rent and parking	5,407	4,209	7,478	24,762	882	31,500	74,238	4,715	12,141	91,094	92,193
Utilities	670	515	727	3,058	531	2,738	8,239	729	2,154	11,122	8,756
Office maintenance	190	146	206	867	151	778	2,338	207	612	3,157	6,156
Total space costs	<u>6,267</u>	<u>4,870</u>	<u>8,411</u>	<u>28,687</u>	<u>1,564</u>	<u>35,016</u>	<u>84,815</u>	<u>5,651</u>	<u>14,907</u>	<u>105,373</u>	<u>107,105</u>
Office supplies	331	254	359	1,510	261	1,352	4,067	360	1,063	5,490	3,790
Equipment related expense:											
Equipment leased	222	171	241	1,180	-	919	2,733	-	956	3,689	4,193
Equipment and software expense	379	291	411	1,726	301	1,547	4,655	-	1,629	6,284	18,831
Maintenance agreement	-	-	-	-	-	-	-	-	-	-	118
Total equipment related expense	<u>601</u>	<u>462</u>	<u>652</u>	<u>2,906</u>	<u>301</u>	<u>2,466</u>	<u>7,388</u>		<u>2,585</u>	<u>9,973</u>	<u>23,142</u>
Other:											
Insurance and bonding	787	605	855	3,594	623	3,217	9,681	857	2,531	13,069	13,985
Printing and copying	-	-	-	-	-	-	-	-	-	-	127
Dues	461	354	501	2,104	366	1,885	5,671	502	1,483	7,656	3,151
Training and seminars	25	20	28	115	20	104	312	28	81	421	2,535
Advertising	61	47	66	275	48	248	745	66	195	1,006	1,055
Meetings	274	211	298	1,252	217	1,122	3,374	299	882	4,555	2,271
Periodicals	453	348	492	2,069	359	1,852	5,573	493	1,458	7,524	5,703
Telephone	1,020	719	1,108	4,020	762	3,683	11,312	967	2,424	14,703	16,780
Connectivity	347	267	377	1,589	275	1,421	4,276	378	1,119	5,773	7,337
Postage and freight	247	190	269	1,129	196	1,011	3,042	269	796	4,107	3,050
Development	180	139	196	824	143	737	2,219	196	580	2,995	1,390
Bank charges	132	101	143	602	105	539	1,622	144	424	2,190	924
Miscellaneous	99	78	110	455	83	401	1,226	108	322	1,656	1,661
Total other	<u>4,086</u>	<u>3,079</u>	<u>4,443</u>	<u>18,028</u>	<u>3,197</u>	<u>16,220</u>	<u>49,053</u>	<u>4,307</u>	<u>12,295</u>	<u>65,655</u>	<u>59,969</u>
Total expenses	<u>111,616</u>	<u>85,851</u>	<u>121,250</u>	<u>510,000</u>	<u>89,999</u>	<u>465,516</u>	<u>1,384,232</u>	<u>122,605</u>	<u>516,451</u>	<u>2,023,288</u>	<u>2,299,452</u>
Change in Net Assets	-	-	-	-	-	-	-	-	393,691	393,691	150,384
Net Assets:											
Beginning of year	-	-	-	-	-	-	-	-	1,521,750	1,521,750	1,371,366
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,915,441</u>	<u>\$ 1,915,441</u>	<u>\$ 1,521,750</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, 2022

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

**Board of Directors
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, 2022, 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, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the PHLP’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
October 4, 2022