

North Penn Legal Services, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2020 and 2019
with Independent Auditor's Reports

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditor's Report

**Board of Directors
North Penn Legal
Services, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of North Penn Legal Services, Inc. (NPLS), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 NPLS as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 2 to the financial statements, NPLS adopted the following Accounting Standards Updates (ASU): ASU 2014-09, *“Revenue from Contracts with Customers (Topic 606),”* ASU 2016-18, *“Statement of Cash Flows (Topic 230): Restricted Cash,”* and ASU 2018-08, *“Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).”* Our opinion is not modified with respect to these matters.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 19 through 22 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 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 October 6, 2020, on our consideration of NPLS'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 NPLS'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 NPLS's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
October 6, 2020

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 3,591,309	\$ 1,716,466
Client escrow funds	2,697	3,634
Accounts receivable:		
PLAN	269,778	135,619
Other	209,024	260,788
Prepaid expenses	222,371	217,090
Property and equipment, net	117,206	138,561
Total Assets	<u>\$ 4,412,385</u>	<u>\$ 2,472,158</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 174,867	\$ 223,769
Accrued compensated absences	135,022	115,031
Client trust deposits	2,697	3,634
Refundable advances	2,681,473	-
Total Liabilities	<u>2,994,059</u>	<u>342,434</u>
Net Assets:		
Without donor restrictions	1,418,326	1,449,224
With donor restrictions	-	680,500
Total Net Assets	<u>1,418,326</u>	<u>2,129,724</u>
Total Liabilities and Net Assets	<u>\$ 4,412,385</u>	<u>\$ 2,472,158</u>
Cash and cash equivalents	\$ 3,591,309	\$ 1,716,466
Client escrow funds	2,697	3,634
Total cash and cash equivalents shown in the statements of cash flows	<u>\$ 3,594,006</u>	<u>\$ 1,720,100</u>

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenues and Other Support:			
Contracts and grants	\$ 5,684,991	\$ -	\$ 5,684,991
Contributions:			
In-kind	149,505	-	149,505
Other	18,175	-	18,175
Interest income	6,516	-	6,516
Other income	824,252	-	824,252
Net assets released from restrictions	680,500	(680,500)	-
Total revenues and other support	<u>7,363,939</u>	<u>(680,500)</u>	<u>6,683,439</u>
Expenses:			
Program services	6,625,966	-	6,625,966
Management and general	758,017	-	758,017
Fundraising	10,854	-	10,854
Total expenses	<u>7,394,837</u>	<u>-</u>	<u>7,394,837</u>
Change in Net Assets	(30,898)	(680,500)	(711,398)
Net Assets:			
Beginning of year	1,449,224	680,500	2,129,724
End of year	<u>\$ 1,418,326</u>	<u>\$ -</u>	<u>\$ 1,418,326</u>

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Revenues and Other Support:			
Contracts and grants	\$ 6,499,013	\$ 102,043	\$ 6,601,056
Contributions:			
In-kind	152,865	-	152,865
Other	68,692	-	68,692
Interest income	4,423	-	4,423
Other income	8,542	-	8,542
Net assets released from restrictions	6,359	(6,359)	-
Total revenues and other support	<u>6,739,894</u>	<u>95,684</u>	<u>6,835,578</u>
Expenses:			
Program services	5,838,967	-	5,838,967
Management and general	748,510	-	748,510
Fundraising	12,826	-	12,826
Total expenses	<u>6,600,303</u>	<u>-</u>	<u>6,600,303</u>
Change in Net Assets	139,591	95,684	235,275
Net Assets:			
Beginning of year	<u>1,309,633</u>	<u>584,816</u>	<u>1,894,449</u>
End of year	<u>\$ 1,449,224</u>	<u>\$ 680,500</u>	<u>\$ 2,129,724</u>

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2020 AND 2019

	Program Services	Management and General	Fund- raising	Total 2020
Salaries	\$ 3,689,841	\$ 415,520	\$ 3,518	\$ 4,108,879
Fringe benefits	1,801,368	219,235	2,086	2,022,689
Consultants and contractors	88,989	4,038	40	93,067
Travel	57,087	3,676	63	60,826
Space costs	398,253	46,750	463	445,466
Consumable supplies	134,579	15,794	117	150,490
Equipment repairs and maintenance	93,280	10,949	107	104,336
Other	343,456	39,814	4,460	387,730
Depreciation	19,113	2,241	-	21,354
Total expenses	\$ 6,625,966	\$ 758,017	\$ 10,854	\$ 7,394,837
	Program Services	Management and General	Fund- raising	Total 2019
Salaries	\$ 3,392,158	\$ 410,954	\$ 3,604	\$ 3,806,716
Fringe benefits	1,338,360	173,009	1,678	1,513,047
Consultants and contractors	175,497	40,274	129	215,900
Travel	51,087	25,359	87	76,533
Space costs	369,136	46,987	475	416,598
Consumable supplies	63,907	6,439	79	70,425
Equipment repairs and maintenance	74,868	7,544	89	82,501
Other	346,168	35,148	6,685	388,001
Depreciation	27,786	2,796	-	30,582
Total expenses	\$ 5,838,967	\$ 748,510	\$ 12,826	\$ 6,600,303

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (711,398)	\$ 235,275
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	21,354	30,582
Anticipated forgiveness of loan	(821,861)	-
(Increase) decrease in:		
Accounts receivable	(82,394)	(90,023)
Prepaid expenses	(5,281)	(78,201)
Increase (decrease) in:		
Accounts payable and accrued expenses	(48,902)	29,576
Accrued compensated absences	19,991	15,508
Client trust deposits	(937)	1,703
Refundable advances	2,681,473	-
Net cash and cash equivalents provided by operating activities	<u>1,052,045</u>	<u>144,420</u>
Cash Flows From Investing Activities:		
Purchases of equipment	-	(112,066)
Net cash and cash equivalents used in investing activities	<u>-</u>	<u>(112,066)</u>
Cash Flows From Financing Activities:		
Proceeds from loan	<u>821,861</u>	-
Net cash and cash equivalents provided by financing activities	<u>821,861</u>	-
Net Increase in Cash and Cash Equivalents	1,873,906	32,354
Cash and Cash Equivalents:		
Beginning of year	<u>1,720,100</u>	<u>1,687,746</u>
End of year	<u><u>\$ 3,594,006</u></u>	<u><u>\$ 1,720,100</u></u>

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

1. Organization

Reporting Entity

North Penn Legal Services, Inc. (NPLS) is a nonprofit organization that provides civil legal representation for the poor and disadvantaged in Bradford, Carbon, Clinton, Columbia, Lackawanna, Lehigh, Luzerne, Lycoming, Monroe, Montour, Northampton, Northumberland, Pike, Snyder, Sullivan, Susquehanna, Tioga, Union, Wayne, and Wyoming counties. NPLS's central office is located in Pittston, Pennsylvania. NPLS is part of a statewide network of legal service providers servicing all of Pennsylvania's 67 counties. With its reliance on discretionary government funding, the philanthropic community, and the volunteer services of attorneys and others, it represents its targeted clientele in matters such as protection from abuse, follow-up of governmental benefits including Social Security and food stamps, housing assistance, issues related to the youth and the aged, and other emerging civil matters.

NPLS is funded on a year-to-year basis through a contract with Pennsylvania Legal Aid Network (PLAN), formerly Pennsylvania Legal Services. Funding for the contract is provided by the Commonwealth of Pennsylvania with Commonwealth and Federal Title XX funds, Pennsylvania Interest on Lawyers' Trust Account Program (IOLTA) funds, Access to Justice Act funds, and PA Department of Human Services (DHS) funds. Additional funding is obtained from Legal Services Corporation (LSC), a nonprofit corporation organized by the U.S. Congress to administer a nationwide legal assistance program.

2. Summary of Significant Accounting Policies

Basis of Accounting

NPLS reports on the accrual basis of accounting and, accordingly, has reflected all significant receivables, payables, and other liabilities as prescribed by accounting principles generally accepted in the United States of America (GAAP). The financial statements and notes also incorporate applicable provisions of the LSC's *"Accounting Guide for LSC Recipients,"* consistent with accounting principles generally accepted in the United States of America.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 NPLS 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 NPLS and/or the passage of time or that they be maintained permanently by NPLS.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less when purchased are considered cash equivalents for the purpose of cash flows.

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 received from the funding agency. No allowance for uncollectible accounts receivable is deemed necessary.

Promises to Give

Unconditional promises to give are recognized as revenue and assets in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

Prepaid Expenses

Cash disbursements that benefit a future period are recorded as prepaid expenses.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Property and Equipment

Property and equipment, consisting of leasehold improvements, office furniture, equipment, and law library items (consisting of library books and multiple volume sets), have been recorded at cost. Expenditures and betterments that extend the lives of the applicable assets are capitalized, while maintenance and repairs are expensed when incurred. Property and equipment is capitalized with an initial, individual cost or in the aggregate of more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years for office furniture and equipment, and seven to fifteen years for leasehold improvements.

Impairment

NPLS reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, a loss is recognized in the statements of activities.

Accrued Compensated Absences

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

Contributions and Refundable Advances

Conditional contributions received by NPLS 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

NORTH PENN LEGAL SERVICES, INC.

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YEARS ENDED JUNE 30, 2020 AND 2019

time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions

In-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both support and expenses in the statement of activities. Only those contributed services that create or enhance nonfinancial assets, require skills, and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements. In-kind contributed services totaled \$149,505 and \$152,865 for the years ended June 30, 2020 and 2019, respectively, and consisted of pro bono legal services. The average rate used to determine the value of pro bono legal services provided by attorneys was \$150 per hour for the years ended June 30, 2020 and 2019. Approximately, 997 and 1,019 hours of pro bono legal services were provided by attorneys during the years ended June 30, 2020 and 2019, respectively.

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis on the statements of activities. Employees keep record of the time spent on each function. Accordingly, certain costs have been allocated among programs and support services.

NPLS allocates expenses among PLAN, LSC, and other funding sources. The expense allocation among funding sources is made based on annualized budgetary revenue relationships, specific identification, and time expended on cases.

Income Taxes

NPLS is a not-for-profit corporation and is exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code, as well as from Pennsylvania State corporate taxes. NPLS is not considered a private foundation for federal income tax purposes. NPLS annually files a Form 990.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 of assets and liabilities and disclosure of contingent assets and liabilities 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.

Adoption of Accounting Standards

The requirements of the following Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU) were adopted during the year ended June 30, 2020:

ASU 2014-09, *"Revenue from Contracts with Customers (Topic 606),"* provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. This ASU had no effect on the financial statements.

ASU 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash,"* requires that a statement of cash flows explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result of adoption, the cash and cash equivalents reported on the statements of cash flows now include client escrow funds. This ASU was applied retrospectively.

ASU 2018-08, *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958),"* provides guidance for characterizing grants and similar contracts with government agencies and others as reciprocal (exchanges) or nonreciprocal (contributions) and distinguishing between conditional and unconditional contributions. This ASU was applied on a modified prospective basis.

Pending Standards Update

ASU 2016-02, *"Leases (Topic 842),"* is effective for NPLS'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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 NPLS’s financial statements for the year ending June 30, 2022. This amendment will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license.

Management has not yet determined the impact of these standards on NPLS’s financial statements.

Reclassification

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

Subsequent Events

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

3. Client Escrow Funds

Cash advances received from clients are maintained in escrow accounts, and represent anticipated court costs that are the direct responsibility of the clients.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

4. Property and Equipment

Property and equipment, together with annual depreciation, are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 482,331	\$ 482,331
Leasehold improvements	17,887	17,887
Construction in progress	<u>92,904</u>	<u>92,904</u>
	593,122	593,122
Accumulated depreciation	<u>(475,916)</u>	<u>(454,561)</u>
Property and equipment, net	<u>\$ 117,206</u>	<u>\$ 138,561</u>

Depreciation expense totaled \$21,354 and \$30,582 for the years ended June 30, 2020 and 2019, respectively.

5. Refundable Advances

NPLS' refundable advances as of June 30, 2020 are as follows:

Access to Justice Act	\$ 811,690
IOLTA	116,932
IOLTA - BOA - Landlord Tenant	105,683
IOLTA - BOA - Mortgage Foreclosure	15,838
LSC - fiscal year carryover	793,337
LSC - advance funding	181,191
LSC - Other	457,144
IOLTA - Medical Legal Partnership	108,928
Other	<u>90,730</u>
	<u>\$ 2,681,473</u>

All refundable advances as of June 30, 2020 are considered conditional contributions with an unmet barrier to incur qualifying expenses.

LSC permits up to 10% of current funding to be carried over to the next fiscal year. As of June 30, 2020, NPLS had LSC carryover totaling \$793,337 (37.2% of applicable year

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funding). For the year ended June 30, 2020, a carryover waiver will be requested from LSC.

IOLTA, Access to Justice Act, and Bank of America (BOA) funding also 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 NPLS to carryover up to 35% of IOLTA and Access to Justice Act funding for the year ended June 30, 2020. A fifth quarter carryover was requested and approved for BOA funding for the year ended June 30, 2020. Actual carryover as of June 30, 2020 was 35% of IOLTA funding, 35% of Access to Justice Act funding, and 8% of BOA funding.

6. Loan Payable

In April 2020, NPLS qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the United States Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (M&T Bank), for an aggregate principal amount of \$821,861. The PPP loan bears interest at a fixed rate of 1% per annum. As of June 30, 2020, the full amount of the loan met the conditions set forth by the SBA and was expended within 8 weeks. As this amount is expected to be forgiven, it is reported as other income on the statement of activities. If the loan is not forgiven, payments of principal and interest are due beginning in November 2020 and through April 2022.

7. Line of Credit

NPLS has a secured line of credit agreement with Peoples Security Bank & Trust with a credit limit of \$500,000. The line is collateralized by NPLS's assets and is renewable annually. The note requires monthly interest payments at the Wall Street Journal Prime Rate. The outstanding balances on this line of credit were zero as of June 30, 2020 and 2019.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

8. Net Assets and Transfers Between Net Assets

Net assets as of June 30, 2020 consist of the following:

	Without Donor Restrictions	With Donor Restrictions
Property and equipment - other	\$ 117,206	\$ -
Other	1,301,120	-
Total	<u>\$ 1,418,326</u>	<u>\$ -</u>

Net assets as of June 30, 2019 consist of the following:

	Without Donor Restrictions	With Donor Restrictions
IOLTA carryover	\$ -	\$ 30,932
Access to Justice Act carryover	-	219,688
LSC - fiscal year carryover	-	231,484
LSC - advance funding	-	183,840
Property and equipment - other	138,561	-
Other	1,310,663	14,556
Total	<u>\$ 1,449,224</u>	<u>\$ 680,500</u>

LSC permits up to 10% of current funding to be carried over to the next fiscal year. As of June 30, 2019, NPLS had LSC carryover totaling \$231,484 (11.4% of applicable year funding). For the year ended June 30, 2019, a carryover waiver was approved by LSC.

IOLTA and Access to Justice 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 NPLS to carry over up to 17% of IOLTA and Access to Justice Act funding for the year ended June 30, 2019. A fifth quarter carryover was requested and approved for IOLTA Bank of America funding for the year ended June 30, 2019.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

9. Operating Leases

NPLS presently leases office facilities at various locations in Northeastern Pennsylvania. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year; however, certain leases are cancelable without penalty in the event that NPLS is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2020 and 2019 was \$374,702 and \$354,481, respectively.

The following is a schedule of future minimum lease payments under non-cancelable leases as of June 30, 2020:

Year Ending June 30,	Amount
2021	\$ 240,297
2022	245,209
2023	248,729
2024	151,000
2025	126,794
Thereafter	31,699
	<u>\$ 1,043,728</u>

10. Funding

The receivable from PLAN represents final payment due to NPLS for the grant contract ended June 30, 2020.

LSC requires programs receiving funding to implement procedures to dedicate a minimum predetermined portion (12.5%) of its LSC and/or non-LSC funding for private attorney involvement (PAI). This requirement was intended to increase private attorney participation in service delivery and lead to increased communication and cooperation with state and local bar associations. The basic field grant received from LSC for the period July 1, 2019 through June 30, 2020 totaled \$2,132,552. NPLS expended \$141,256 of its LSC funding for PAI during the year ended June 30, 2020. This amount constituted 6.6% of the amounts received from LSC under its basic field grant for that period. NPLS obtained a waiver from LSC for the 12.5% PAI minimum and met the reduced requirement of \$135,000.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

In accordance with the normal policies of LSC, NPLS may retain unexpended funds for use in future periods, provided that expenses incurred are in compliance with the specified terms of the grant. LSC may, at its discretion, require reimbursement for expenses or return of funds, or both, as a result of noncompliance by NPLS with its terms. In addition, if NPLS terminates its legal assistance activities, all unexpended funds are to be returned to the funding source. LSC also retains a reversionary interest in property, as well as the right to determine the ultimate use of any proceeds from the sale of assets purchased with its funding.

11. Retirement Plan

NPLS has a 401(k) retirement plan available to eligible employees. For the years ended June 30, 2020 and 2019, NPLS adopted an employer contribution percentage of 4.00% and 5.5% of gross wages, respectively, which were contributed to the plan. Employees may make additional contributions to the plan on a voluntary basis. Employer contributions to the plan totaled \$151,771 and \$179,164 for the years ended June 30, 2020 and 2019, respectively.

12. Concentration of Credit Risk

Financial Instruments

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

Sources of Revenue

A significant amount of funding is received for continued operations of NPLS from PLAN and LSC. Grants received are subject to audit and adjustment by grantor agencies, principally LSC and PLAN. 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 NPLS expects such amounts, if any, to be immaterial.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth of Pennsylvania and the federal government. The LSC grant was approximately 18.0% of total revenue and other support for the year ended June 30, 2020. The PLAN grant (including IOLTA funding) was approximately 45.4% of total revenue and other support for the year ended June 30, 2020. Total revenue and other support used in these calculations do not include in-kind contributions.

13. Liquidity and Availability

Substantial support for NPLS' program activities is realized through a grant from LSC, a contract with PLAN, and contracts with local Area Agencies on Aging. NPLS actively pursues additional grants from regional and state funding sources.

NPLS primarily manages its liquid resources by meeting compliance requirements and case goals of funders to ensure the timely receipt of restricted contributions that finance the operating costs of supported programs. Detailed analyses and budgets are prepared to evaluate the financial viability of NPLS's various programs, in addition to planning and controlling the costs of such activities.

A secured line of credit (see Note 7) is also maintained by NPLS to assist in supplementing cash needs.

The following reflects NPLS' financial assets as of June 30, 2020 and 2019, expected to be available within one year to meet operating cash needs:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,591,309	\$ 1,716,466
Accounts receivable	478,802	396,407
	<u>\$ 4,070,111</u>	<u>\$ 2,112,873</u>

14. Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity and other economic activities has had, and may continue to have, a material

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

effect on financial markets and economic activity. The extent on the negative impact of the coronavirus on NPLS's operational and financial performance is currently uncertain and cannot be predicted and will depend on certain developments, including, among others, the duration and spread of the outbreak, its impact on NPLS's funders, employees and vendors, and governmental, regulatory and other responses to the coronavirus.

SUPPLEMENTARY INFORMATION

NORTH PENN LEGAL SERVICES, INC.

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

YEAR ENDED JUNE 30, 2020

(With Comparative Totals for Year Ended June 30, 2019)

	Legal Services Corporation					Pennsylvania		Totals	
	General Program	PAI	Prior Year	Other Grants	Total	Legal Aid Network	Other	2020	2019
			Excess Carryover *					2020	2019
Revenues and Other Support:									
Contracts and grants	\$ 1,016,768	\$ 141,256	\$ -	\$ 19,672	\$ 1,177,696	\$ 2,991,337	\$ 1,515,958	\$ 5,684,991	\$ 6,601,056
In-kind contributions	-	-	-	-	-	-	149,505	149,505	152,865
Other contributions	-	-	-	-	-	-	18,175	18,175	68,692
Interest income	-	-	-	-	-	6,515	1	6,516	4,423
Other income	-	-	-	-	-	-	824,252	824,252	8,542
Total revenues and other support	1,016,768	141,256	-	19,672	1,177,696	2,997,852	2,507,891	6,683,439	6,835,578
Expenses:									
Salaries:									
Attorneys	374,378	21,145	7,368	2,042	404,933	1,029,637	810,094	2,244,664	2,026,159
Paralegals	221,391	16,994	4,357	-	242,742	240,269	324,499	807,510	745,631
Support staff and administration	162,528	6,775	3,198	595	173,096	449,556	281,669	904,321	880,210
Law students	-	-	-	-	-	-	2,879	2,879	1,851
Contributed services	-	-	-	-	-	-	149,505	149,505	152,865
Total salaries	758,297	44,914	14,923	2,637	820,771	1,719,462	1,568,646	4,108,879	3,806,716
Fringe benefits:									
Payroll taxes	61,818	3,992	1,217	616	67,643	162,324	72,576	302,543	276,114
Health and dental insurance	308,324	19,419	6,029	1,000	334,772	644,255	509,922	1,488,949	990,834
Unemployment	3,863	294	76	53	4,286	10,708	5,784	20,778	10,991
Retirement	28,218	2,151	555	391	31,315	78,237	42,219	151,771	179,164
Group life and disability insurance	9,383	715	185	130	10,413	26,012	14,043	50,468	47,718
Workers' compensation	1,521	116	30	21	1,688	4,215	2,277	8,180	8,226
Total fringe benefits	413,127	26,687	8,092	2,211	450,117	925,751	646,821	2,022,689	1,513,047
Consultants and contractors:									
Consultants	4,352	276	85	50	4,763	9,634	5,092	19,489	95,756
Auditing	3,945	269	78	49	4,341	9,360	5,283	18,984	18,685
Judicare and contract attorneys	-	54,593	-	-	54,593	-	1	54,594	101,459
Total consultants and contractors	8,297	55,138	163	99	63,697	18,994	10,376	93,067	215,900
Travel:									
Employee travel - local	9,986	590	197	107	10,880	21,418	10,078	42,376	45,272
Employee travel - training	3,773	253	74	46	4,146	8,663	5,119	17,928	28,484
Board travel	146	7	3	1	157	253	112	522	2,777
Total travel	13,905	850	274	154	15,183	30,334	15,309	60,826	76,533

(Continued)

NORTH PENN LEGAL SERVICES, INC.

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

YEAR ENDED JUNE 30, 2020

(With Comparative Totals for Year Ended June 30, 2019)

(Continued)

Expenses (Continued):	Legal Services Corporation					Pennsylvania		Totals	
	General Program	PAI	Prior Year Excess Carryover *	Other Grants	Total	Legal Aid Network	Other	2020	2019
Space costs:									
Rent	69,773	5,310	1,373	964	77,420	193,011	104,271	374,702	354,481
Utilities	3,547	270	70	49	3,936	9,831	5,309	19,076	21,398
Maintenance and repairs	2,868	219	56	40	3,183	10,165	4,290	17,638	16,245
Other space costs and parking	8,493	483	167	88	9,231	17,548	7,271	34,050	24,474
Total space costs	84,681	6,282	1,666	1,141	93,770	230,555	121,141	445,466	416,598
Consumable supplies:									
Office supplies	9,829	836	193	2,227	13,085	37,233	18,152	68,470	38,516
Minor office accessories	11,051	628	218	9,968	21,865	41,604	9,475	72,944	28,552
Computer supplies	1,687	129	33	23	1,872	4,678	2,526	9,076	3,357
Total consumable supplies	22,567	1,593	444	12,218	36,822	83,515	30,153	150,490	70,425
Equipment repairs and maintenance	20,603	1,450	405	263	22,721	53,866	27,749	104,336	82,501
Other:									
Insurance and bonding	6,150	465	121	84	6,820	16,862	9,133	32,815	37,404
Printing	3,135	177	62	32	3,406	6,425	2,673	12,504	2,607
Dues	4,930	258	97	47	5,332	9,353	15,836	30,521	19,993
Tuition and seminar fees	6,932	392	136	71	7,531	14,207	5,911	27,649	14,435
Law library	15,527	-	306	159	15,992	28,632	17,205	61,829	59,270
Telephone	6,882	389	135	71	7,477	14,105	5,867	27,449	59,123
Connectivity	18,827	1,425	371	259	20,882	51,664	27,997	100,543	120,215
Relocation	6,424	363	126	66	6,979	13,164	5,477	25,620	21,720
Court costs	932	60	18	11	1,021	2,067	1,194	4,282	3,620
Postage	3,313	251	65	46	3,675	9,098	4,921	17,694	17,228
Bad debt expense	-	-	-	-	-	-	3,025	3,025	20,859
Fundraising	-	-	-	-	-	-	4,077	4,077	6,291
Miscellaneous	9,963	562	196	103	10,824	20,418	8,480	39,722	5,236
Total other	83,015	4,342	1,633	949	89,939	185,995	111,796	387,730	388,001
Depreciation	-	-	-	-	-	-	21,354	21,354	30,582
Total expenses	1,404,492	141,256	27,600	19,672	1,593,020	3,248,472	2,553,345	7,394,837	6,600,303
Change in Net Assets	(387,724)	-	(27,600)	-	(415,324)	(250,620)	(45,454)	(711,398)	235,275
Net Assets:									
Beginning of Year	387,724	-	27,600	-	415,324	250,620	1,463,780	2,129,724	1,894,449
End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,418,326	\$ 1,418,326	\$ 2,129,724
Acquisition of Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,066

(Concluded)

* Total prior year carryover was \$231,484, of which \$27,600 was in excess of 10%.

NORTH PENN LEGAL SERVICES, INC.

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

YEAR ENDED JUNE 30, 2020

	Pennsylvania Legal Aid Network									
	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	Employment Project	State CARES Act	Total
Revenues and Other Support:										
Contracts and grants	\$ 633,793	\$ 1,504,876	\$ 300,544	\$ 114,543	\$ 152,000	\$ 216,871	\$ 28,291	\$ 900	\$ 39,519	\$ 2,991,337
Interest income	-	5,695	-	-	-	820	-	-	-	6,515
Total revenues and other support	<u>633,793</u>	<u>1,510,571</u>	<u>300,544</u>	<u>114,543</u>	<u>152,000</u>	<u>217,691</u>	<u>28,291</u>	<u>900</u>	<u>39,519</u>	<u>2,997,852</u>
Expenses:										
Salaries:										
Attorneys	229,113	533,630	97,187	42,112	48,014	75,066	-	522	3,993	1,029,637
Paralegals	31,410	135,895	21,450	13,065	20,586	17,532	-	331	-	240,269
Support staff and administration	63,460	265,725	47,092	1,604	1,331	47,226	23,118	-	-	449,556
Total salaries	<u>323,983</u>	<u>935,250</u>	<u>165,729</u>	<u>56,781</u>	<u>69,931</u>	<u>139,824</u>	<u>23,118</u>	<u>853</u>	<u>3,993</u>	<u>1,719,462</u>
Fringe benefits:										
Payroll taxes	30,771	87,223	14,574	5,614	7,455	12,808	3,054	31	794	162,324
Health and dental insurance	132,639	340,929	60,354	28,097	34,885	47,155	146	-	50	644,255
Unemployment	2,243	5,629	918	386	670	757	41	-	64	10,708
Retirement	16,386	41,120	6,703	2,816	4,896	5,528	301	16	471	78,237
Group life and disability insurance	5,449	13,674	2,229	937	1,628	1,838	100	-	157	26,012
Workers' compensation	883	2,216	361	152	264	298	16	-	25	4,215
Total fringe benefits	<u>188,371</u>	<u>490,791</u>	<u>85,139</u>	<u>38,002</u>	<u>49,798</u>	<u>68,384</u>	<u>3,658</u>	<u>47</u>	<u>1,561</u>	<u>925,751</u>
Consultants and contractors:										
Consultants	2,104	5,280	861	362	218	710	39	-	60	9,634
Auditing	2,050	5,143	838	352	612	268	38	-	59	9,360
Total consultants and contractors	<u>4,154</u>	<u>10,423</u>	<u>1,699</u>	<u>714</u>	<u>830</u>	<u>978</u>	<u>77</u>	<u>-</u>	<u>119</u>	<u>18,994</u>
Travel:										
Employee travel - local	4,491	11,270	1,837	772	547	1,515	82	-	904	21,418
Employee travel - training	1,930	4,844	790	332	26	651	35	-	55	8,663
Board travel	56	141	23	10	1	19	1	-	2	253
Total travel	<u>6,477</u>	<u>16,255</u>	<u>2,650</u>	<u>1,114</u>	<u>574</u>	<u>2,185</u>	<u>118</u>	<u>-</u>	<u>961</u>	<u>30,334</u>

(Continued)

NORTH PENN LEGAL SERVICES, INC.

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

YEAR ENDED JUNE 30, 2020
(Continued)

Pennsylvania Legal Aid Network

	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	Employment Project	State CARES Act	Total
Expenses (Continued):										
Space costs:										
Rent	40,456	101,520	16,549	6,954	12,087	13,648	743	-	1,054	193,011
Utilities	2,060	5,168	842	354	615	695	38	-	59	9,831
Maintenance and repairs	1,665	4,179	681	286	498	562	31	-	2,263	10,165
Other space costs and parking	3,676	9,225	1,504	632	1,098	1,240	67	-	106	17,548
Total space costs	<u>47,857</u>	<u>120,092</u>	<u>19,576</u>	<u>8,226</u>	<u>14,298</u>	<u>16,145</u>	<u>879</u>	<u>-</u>	<u>3,482</u>	<u>230,555</u>
Consumable supplies:										
Office supplies	6,369	15,982	2,605	1,095	1,903	2,149	117	-	7,013	37,233
Minor office accessories	4,787	12,012	1,958	823	1,430	1,615	88	-	18,891	41,604
Computer supplies	980	2,459	401	168	293	331	18	-	28	4,678
Total consumable supplies	<u>12,136</u>	<u>30,453</u>	<u>4,964</u>	<u>2,086</u>	<u>3,626</u>	<u>4,095</u>	<u>223</u>	<u>-</u>	<u>25,932</u>	<u>83,515</u>
Equipment repairs and maintenance	<u>11,049</u>	<u>27,210</u>	<u>4,520</u>	<u>1,936</u>	<u>3,190</u>	<u>3,597</u>	<u>48</u>	<u>-</u>	<u>2,316</u>	<u>53,866</u>
Other:										
Insurance and bonding	3,543	8,891	1,449	609	1,058	1,195	15	-	102	16,862
Printing	1,350	3,388	552	232	403	455	6	-	39	6,425
Dues	1,965	4,932	804	338	587	663	8	-	56	9,353
Tuition and seminar fees	2,985	7,490	1,221	513	892	1,007	13	-	86	14,207
Law library	6,675	16,751	2,731	-	-	2,254	29	-	192	28,632
Telephone	2,964	7,437	1,212	509	885	1,000	13	-	85	14,105
Connectivity	10,855	27,239	4,440	1,866	3,243	3,662	47	-	312	51,664
Relocation	2,766	6,941	1,132	475	826	933	12	-	79	13,164
Court costs	462	1,160	189	79	6	156	2	-	13	2,067
Postage	1,909	4,790	781	328	570	644	8	-	68	9,098
Miscellaneous	4,292	10,766	1,756	735	1,283	1,446	17	-	123	20,418
Total other	<u>39,766</u>	<u>99,785</u>	<u>16,267</u>	<u>5,684</u>	<u>9,753</u>	<u>13,415</u>	<u>170</u>	<u>-</u>	<u>1,155</u>	<u>185,995</u>
Total expenses	<u>633,793</u>	<u>1,730,259</u>	<u>300,544</u>	<u>114,543</u>	<u>152,000</u>	<u>248,623</u>	<u>28,291</u>	<u>900</u>	<u>39,519</u>	<u>3,248,472</u>
Change in Net Assets	-	(219,688)	-	-	-	(30,932)	-	-	-	(250,620)
Net Assets:										
Beginning of Year	-	219,688	-	-	-	30,932	-	-	-	250,620
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH PENN LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Congress:</u>				
Legal Services Corporation	N/A	09.U01.339070	\$ 1,573,348	\$ -
Legal Services Corporation - COVID 19 Supplemental Funds Grant	CV20032	09.U01.339070	2,876	-
Legal Services Corporation - Telework Capacity Building Grant	CVT20028	09.U01.339070	11,930	-
Legal Services Corporation - Technology Initiative Grant	19033	09.U01.339070	4,866	-
Subtotal 09.U01.339070			1,593,020	-
Total U.S. Congress			1,593,020	-
<u>U.S. Department of Health and Human Services:</u>				
Passed through Commonwealth of Pennsylvania Department of Human Services:				
Passed through Pennsylvania Legal Aid Network:				
Social Services Block Grant	NPLS	93.667	633,793	-
Pass through Pennsylvania Coalition Against Domestic Violence:				
Social Services Block Grant	6061-2020	93.667	65,869	-
Subtotal 93.667			699,662	-
Passed through Northumberland County Area Agency of Aging:				
Special Programs for Aging	N/A	93.042	38,500	-
Passed through Area Agency on Aging Luzerne/Wyoming Counties:				
Special Programs for Aging	37	93.042	18,550	-
Subtotal 93.042			57,050	-
Total U.S. Department of Health and Human Services			756,712	-
<u>U.S. Department of Justice:</u>				
Passed through Pennsylvania Commission on Crime and Delinquency:				
Crime Victim Assistance	2018-VF-05-31094	16.575	108,821	-
Crime Victim Assistance	2017/2018-VF-05-29050	16.575	114,523	-
Crime Victim Assistance	2016/2017/2018-VF-05-29051	16.575	25,277	-
Crime Victim Assistance	2016-VF-05-26841	16.575	37,395	-
Subtotal 16.575			286,016	-

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

NORTH PENN LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

(Continued)

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
Passed through Luzerne County:				
Violence Against Women Formula Grants	2016-VA-07 28778	16.588	11,395	
Passed through Victim's Resource Center:				
Violence Against Women Formula Grants	N/A	16.588	12,349	-
Subtotal 16.588			<u>23,744</u>	-
Total U.S. Department of Justice			<u>309,760</u>	-
<u>U.S. Department of Housing and Urban Development:</u>				
Passed through County of Lehigh:				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	N/A	14.228	12,968	-
Passed through City of Bethlehem:				
Community Development Block Grant/Entitlement Grants	2018-5	14.218	12,527	-
Community Development Block Grant/Entitlement Grants	2019-9	14.218	5,555	-
Passed through County of Northampton:				
Community Development Block Grant/Entitlement Grants	N/A	14.218	34,543	-
Passed through City of Allentown:				
Community Development Block Grant/Entitlement Grants	N/A	14.218	27,897	-
Subtotal CDBG - Entitlement Grants Cluster			<u>80,522</u>	-
Total U.S. Department of Housing and Urban Development			<u>93,490</u>	-
<u>U.S. Department of the Treasury:</u>				
Passed through Commonwealth of Pennsylvania Department of Human Services:				
Passed through Pennsylvania Legal Aid Network: Coronavirus Relief Fund	NPLS	21.019	39,519	-
Total U.S. Department of the Treasury			<u>39,519</u>	-
Total Expenditures of Federal Awards			<u>\$ 2,792,501</u>	<u>\$ -</u>

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

1. General

The accompanying schedule of expenditures of federal awards reflects the activity of all federal awards programs of North Penn Legal Services, Inc.

North Penn Legal Services, Inc. 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 North Penn Legal Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of North Penn Legal Services, Inc.

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.

North Penn Legal Services, Inc.

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2020

**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
North Penn Legal
Services, Inc.**

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 North Penn Legal Services, Inc. (NPLS), which comprise the statement of financial position as of June 30, 2020, 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 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NPLS’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 NPLS’s internal control. Accordingly, we do not express an opinion on the effectiveness of NPLS’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.

Board of Directors
North Penn Legal Services, Inc.
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 NPLS'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 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, the communication is not suitable for any other purpose.

Mahe Duessel

Harrisburg, Pennsylvania
October 6, 2020

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

Board of Directors
North Penn Legal
Services, Inc.

Report on Compliance for the Major Federal Program

We have audited North Penn Legal Services, Inc.'s (NPLS) 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 NPLS's major federal program for the year ended June 30, 2020. NPLS's major federal program is 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 NPLS's major federal program 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 NPLS'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 the major federal program. However, our audit does not provide a legal determination of NPLS's compliance.

Board of Directors
North Penn Legal Services, Inc.
Independent Auditor's Report on Compliance for
the Major Program and on Internal Control over
Compliance Required by the Uniform Guidance

Opinion on the Major Federal Program

In our opinion, NPLS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of NPLS 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 NPLS's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 NPLS'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
North Penn Legal Services, Inc.
Independent Auditor's Report on Compliance for
the 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.

Mahe Duessel

Harrisburg, Pennsylvania
October 6, 2020

NORTH PENN LEGAL SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

Findings and Questioned Costs for Federal Awards

Finding 2019-001: Eligibility

U.S. Congress via Legal Services Corporation (CFDA # 09.U01.33070)

Statement of Condition: During our audit, we tested 60 case files, and two of the case files did not have signed retainer agreements at year-end. One of the files contained a retainer agreement, but it was missing the client's signature. The other file had no retainer agreement.

Current Status: NPLS successfully implemented its corrective action.

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

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:

CFDA Number(s)

09.U01.339070

Name of Federal Program or Cluster

Legal Services Corporation

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

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

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

- 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.