

North Penn Legal Services, Inc.

Financial Statements and
Supplementary Information

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

MaherDuessel

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

NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the North Penn Legal Services, Inc. (NPLS), 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 year 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 the NPLS as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the year 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 the NPLS 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 NPLS'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 NPLS'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 NPLS'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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 September 30, 2022 on our consideration of the 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 the 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 the NPLS's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
September 30, 2022

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 2,645,313	\$ 3,381,267
Client escrow funds	5,201	5,109
Accounts receivable:		
PLAN	351,888	304,630
Other	293,051	216,977
Prepaid expenses	235,847	206,010
Property and equipment, net	78,900	105,816
Total Assets	<u>\$ 3,610,200</u>	<u>\$ 4,219,809</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 174,560	\$ 195,183
Accrued compensated absences	166,465	153,101
Client trust deposits	5,201	5,109
Refundable advances	1,741,187	2,349,872
Total Liabilities	<u>2,087,413</u>	<u>2,703,265</u>
Net Assets:		
Without donor restrictions	1,431,977	1,457,966
With donor restrictions	90,810	58,578
Total Net Assets	<u>1,522,787</u>	<u>1,516,544</u>
Total Liabilities and Net Assets	<u>\$ 3,610,200</u>	<u>\$ 4,219,809</u>

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Revenues and Other Support:			
Contracts and grants	\$ 8,443,636	\$ -	\$ 8,443,636
Contributions of cash and other financial assets	53,141	-	53,141
Contributions of nonfinancial assets	102,090	-	102,090
Interest income	4,419	-	4,419
Other income	3,350	-	3,350
Net assets released from restrictions	-	32,232	32,232
Total revenues and other support	<u>8,606,636</u>	<u>32,232</u>	<u>8,638,868</u>
Expenses:			
Program services	7,752,583	-	7,752,583
Management and general	877,598	-	877,598
Fundraising	2,444	-	2,444
Total expenses	<u>8,632,625</u>	<u>-</u>	<u>8,632,625</u>
Change in Net Assets	(25,989)	32,232	6,243
Net Assets:			
Beginning of year	<u>1,457,966</u>	<u>58,578</u>	<u>1,516,544</u>
End of year	<u>\$ 1,431,977</u>	<u>\$ 90,810</u>	<u>\$ 1,522,787</u>

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
Revenues and Other Support:			
Contracts and grants	\$ 8,092,014	\$ -	\$ 8,092,014
Contributions of cash and other financial assets	68,856	58,578	127,434
Contributions of nonfinancial assets	116,580	-	116,580
Interest income	4,658	-	4,658
Other income	4,943	-	4,943
Net assets released from restrictions	-	-	-
Total revenues and other support	<u>8,287,051</u>	<u>58,578</u>	<u>8,345,629</u>
Expenses:			
Program services	7,398,382	-	7,398,382
Management and general	839,543	-	839,543
Fundraising	9,486	-	9,486
Total expenses	<u>8,247,411</u>	<u>-</u>	<u>8,247,411</u>
Change in Net Assets	39,640	58,578	98,218
Net Assets:			
Beginning of year	<u>1,418,326</u>	<u>-</u>	<u>1,418,326</u>
End of year	<u>\$ 1,457,966</u>	<u>\$ 58,578</u>	<u>\$ 1,516,544</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, 2022 AND 2021

	Program Services	Management and General	Fund- raising	Total 2022
Salaries	\$ 4,461,352	\$ 505,343	\$ 759	\$ 4,967,454
Fringe benefits	2,114,699	246,555	418	2,361,672
Consultants and contractors	133,562	6,956	8	140,526
Travel	40,315	3,153	8	43,476
Space costs	450,347	52,207	91	502,645
Consumable supplies	97,245	11,273	19	108,537
Equipment repairs and maintenance	71,024	8,233	14	79,271
Other	347,860	39,685	1,127	388,672
Depreciation	36,179	4,193	-	40,372
Total expenses	\$ 7,752,583	\$ 877,598	\$ 2,444	\$ 8,632,625
	Program Services	Management and General	Fund- raising	Total 2021
Salaries	\$ 4,081,746	\$ 462,132	\$ 3,042	\$ 4,546,920
Fringe benefits	2,014,539	236,993	1,747	2,253,279
Consultants and contractors	145,064	7,812	36	152,912
Travel	20,346	675	16	21,037
Space costs	433,817	50,566	380	484,763
Consumable supplies	228,903	26,669	95	255,667
Equipment repairs and maintenance	94,381	11,001	84	105,466
Other	352,355	40,524	4,086	396,965
Depreciation	27,231	3,171	-	30,402
Total expenses	\$ 7,398,382	\$ 839,543	\$ 9,486	\$ 8,247,411

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 6,243	\$ 98,218
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Depreciation	40,372	30,402
(Increase) decrease in:		
Accounts receivable	(123,332)	(42,805)
Prepaid expenses	(29,837)	16,361
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,623)	20,316
Accrued compensated absences	13,364	18,079
Client trust deposits	92	2,412
Refundable advances	(608,685)	(331,601)
Net cash and cash equivalents used in operating activities	(722,406)	(188,618)
Cash Flows From Investing Activities:		
Purchase of equipment	(13,456)	(19,012)
Net cash and cash equivalents used in investing activities	(13,456)	(19,012)
Net Increase (Decrease) in Cash and Cash Equivalents	(735,862)	(207,630)
Cash and Cash Equivalents:		
Beginning of year	3,386,376	3,594,006
End of year	\$ 2,650,514	\$ 3,386,376
Cash and cash equivalents	\$ 2,645,313	\$ 3,381,267
Client escrow funds	5,201	5,109
Cash and cash equivalents end of year	\$ 2,650,514	\$ 3,386,376

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 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 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. An allowance for uncollectible accounts receivable was recorded in the amount of \$12,000 for the years ended June 30, 2022 and June 30, 2021.

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, 2022 AND 2021

Property and Equipment

Property and equipment, consisting of leasehold improvements, office furniture, and equipment 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 time restriction ends or purpose restriction is accomplished), net assets with donor

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

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.

Adopted Accounting Standard

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

ASU 2020-07, *"Not-For-Profit Entities (Subtopic 958): Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets."* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

Pending Accounting Standards Updates

FASB has issued Accounting Standards Updates (individual 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, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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. Contributed Nonfinancial Assets

NPLS recognized in-kind contributions as both support and expenses in the statements of activities.

Contributed services are recognized as contributions if they create or enhance non-financial assets, require skills and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation. Contributed services recognized include pro bono attorney legal services to clients. The contributed services are valued at \$150 per hour based on starting attorney salaries within the NPLS service region for the years ended June 30, 2022 and June 30, 2021.

Approximately 681 and 777 hours of pro bono legal services were provided by attorneys For the years ended June 30, 2022 and 2021, respectively.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

4. 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.

5. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 575,235	\$ 575,235
Leasehold improvements	50,355	36,899
Construction in progress	<u>-</u>	<u>-</u>
	625,590	612,134
Accumulated depreciation	<u>(546,690)</u>	<u>(506,318)</u>
Property and equipment, net	<u>\$ 78,900</u>	<u>\$ 105,816</u>

Depreciation expense totaled \$40,372 and \$30,402 for the years ended June 30, 2022 and 2021, respectively.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

6. Refundable Advances

NPLS' refundable advances as of June 30, 2022 and 2021 are as follows:

	2022	2021
Access to Justice Act	\$ 282,699	\$ 811,699
IOLTA	39,432	116,932
IOLTA - BOA - Mortgage Foreclosure	-	3,521
LSC - fiscal year carryover	1,129,095	1,160,129
LSC - advance funding	203,491	192,190
LSC - Other	908	970
MLK grant	2,788	2,916
Other	82,774	61,515
	<u>\$ 1,741,187</u>	<u>\$ 2,349,872</u>

All refundable advances as of June 30, 2022 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, 2022, NPLS had LSC carryover totaling \$1,129,095 (46.5% of applicable year funding). For the year ended June 30, 2022, a carryover waiver will be requested from LSC. As of June 30, 2021, NPLS had LSC carryover totaling \$1,160,129 (51.5% of applicable year funding). For the year ended June 30, 2021, a carryover waiver was requested from LSC.

IOLTA and Access to Justice Act 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. No waiver was requested for IOLTA funds for the year ended June 30, 2022. A waiver was granted to NPLS to carryover up to 12% of Access to Justice Act funding for the year ended June 30, 2022. Actual carryover as of June 30, 2022 was 10% of IOLTA funding and 12% of Access to Justice funding.

A waiver was granted to NPLS to carryover up to 14% of IOLTA and 27% of Access to Justice Act funding for the year ended June 30, 2021. Actual carryover as of June 30, 2021 was 14% of IOLTA funding and 27% of Access to Justice funding.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

7. Line of Credit

NPLS has a secured line of credit agreement with Penn 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, 2022 and 2021.

8. Net Assets and Transfers Between Net Assets

Net assets as of June 30, 2022 consist of the following:

	Without Donor Restrictions	With Donor Restrictions
Property and equipment - other	\$ 78,900	\$ -
Other	1,353,074	-
Purpose restricted	-	90,810
Total	<u>\$ 1,431,974</u>	<u>\$ 90,810</u>

Net assets as of June 30, 2021 consist of the following:

	Without Donor Restrictions	With Donor Restrictions
Property and equipment - other	\$ 105,816	\$ -
Other	1,352,150	-
Purpose restricted	-	58,578
Total	<u>\$ 1,457,966</u>	<u>\$ 58,578</u>

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

funding to finance its programs. Lease expense for the years ended June 30, 2022 and 2021 was \$412,558 and \$405,827, respectively.

The following is a schedule of future minimum lease payments under non-cancelable leases as of June 30, 2022:

Year Ending June 30,	Amount
2023	\$ 246,729
2024	252,336
2025	254,798
2026	159,703
2027	128,004
Thereafter	<u>277,342</u>
	<u>\$ 1,318,912</u>

10. Funding

The receivable from PLAN represents final payment due to NPLS for the grant contract ended June 30, 2022.

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, 2021 through June 30, 2022 totaled \$2,426,635. NPLS expended \$178,633 of its LSC funding for PAI during the year ended June 30, 2022. This amount constituted 9.1% 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 \$156,027.

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, NPLS adopted an employer contribution percentage of 5.5% of gross wages, which were contributed to the plan. Employees may make additional contributions to the plan on a voluntary basis. Employer contributions to the plan totaled \$256,709 and \$224,999 for the years ended June 30, 2022 and 2021, 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.

PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth of Pennsylvania and the federal government. The LSC grant was approximately 29.4% of total revenue and other support for the year ended June 30, 2022. The PLAN grant (including IOLTA funding) was approximately 53.9% of total revenue and other support for the year ended June 30, 2022. Total revenue and other support used in these calculations do not include in-kind contributions.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, expected to be available within one year to meet operating cash needs:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,645,313	\$ 3,381,267
Accounts receivable	644,939	521,607
	<u>\$ 3,290,252</u>	<u>\$ 3,902,874</u>

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, 2022

(With Comparative Totals for Year Ended June 30, 2021)

	Legal Services Corporation	Pennsylvania Legal Aid Network	Other	Totals	
				2022	2021
Revenues and Other Support:					
Contracts and grants	\$ 2,497,807	\$ 4,582,110	\$ 1,363,090	\$ 8,443,007	\$ 8,092,014
In-kind contributions	-	-	102,090	102,090	116,580
Other contributions	-	-	85,373	85,373	127,434
Interest income	2,213	2,206	-	4,419	4,658
Other income	-	-	3,350	3,350	4,943
Total revenues and other support	2,500,020	4,584,316	1,553,903	8,638,239	8,345,629
Expenses:					
Salaries:					
Attorneys	690,109	1,558,717	414,234	2,663,060	2,459,626
Paralegals	366,854	467,015	182,455	1,016,324	923,609
Support staff and administration	329,892	585,641	251,386	1,166,919	1,042,521
Law students	4,092	7,628	7,341	19,061	4,584
Contributed services	-	-	102,090	102,090	116,580
Total salaries	1,390,947	2,619,001	957,506	4,967,454	4,546,920
Fringe benefits:					
Payroll taxes	84,430	226,127	60,409	370,966	338,895
Health and dental insurance	475,746	907,817	248,193	1,631,756	1,607,250
Unemployment	5,893	11,242	3,075	20,210	13,956
Retirement	74,860	142,801	39,048	256,709	224,999
Group life and disability insurance	20,477	39,061	10,683	70,221	59,239
Workers' compensation	3,444	6,570	1,796	11,810	8,940
Total fringe benefits	664,850	1,333,618	363,204	2,361,672	2,253,279
Consultants and contractors:					
Consultants	33,269	11,118	3,175	47,562	55,632
Auditing	6,067	10,390	2,952	19,409	19,230
Judicare and contract attorneys	73,552	-	3	73,555	78,050
Total consultants and contractors	112,888	21,508	6,130	140,526	152,912
Travel:					
Employee travel - local	6,342	11,130	3,150	20,622	20,618
Employee travel - training	7,185	12,063	3,606	22,854	419
Board travel	-	-	-	-	-
Total travel	13,527	23,193	6,756	43,476	21,037

(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, 2022

(With Comparative Totals for Year Ended June 30, 2021)

(Continued)

Expenses (Continued):	Legal Services Corporation	Pennsylvania Legal Aid Network	Other	Totals	
				2022	2021
Space costs:					
Rent	122,100	231,947	63,511	417,558	405,827
Utilities	5,801	11,018	3,046	19,865	18,407
Maintenance and repairs	9,224	17,523	4,798	31,545	30,539
Other space costs and parking	9,847	18,707	5,123	33,677	29,990
Total space costs	<u>146,972</u>	<u>279,195</u>	<u>76,478</u>	<u>502,645</u>	<u>484,763</u>
Consumable supplies:					
Office supplies	14,364	27,288	7,823	49,475	61,506
Minor office accessories	9,257	17,586	4,815	31,658	182,367
Computer supplies	10,667	13,140	3,597	27,404	11,794
Total consumable supplies	<u>34,288</u>	<u>58,014</u>	<u>16,235</u>	<u>108,537</u>	<u>255,667</u>
Equipment repairs and maintenance	<u>23,253</u>	<u>43,958</u>	<u>12,060</u>	<u>79,271</u>	<u>105,466</u>
Other:					
Insurance and bonding	10,929	20,763	5,685	37,377	36,432
Printing	4,158	7,898	2,162	14,218	5,710
Dues	6,943	13,188	13,351	33,482	31,882
Tuition and seminar fees	3,506	6,134	1,677	11,317	19,178
Law library	22,205	34,858	10,242	67,305	62,098
Telephone	10,012	19,018	5,209	34,239	32,949
Connectivity	30,772	58,457	16,007	105,236	102,728
Advertising	16,516	31,376	8,591	56,483	33,455
Court costs	1,755	2,947	836	5,538	4,609
Postage	5,070	9,630	2,638	17,338	18,174
Bad debt expense	-	-	-	-	12,000
Fundraising	-	-	1,059	1,059	3,823
Miscellaneous	1,429	2,190	1,462	5,081	33,927
Total other	<u>113,295</u>	<u>206,459</u>	<u>68,919</u>	<u>388,673</u>	<u>396,965</u>
Depreciation	-	-	40,372	40,372	30,402
Total expenses	<u>2,500,020</u>	<u>4,584,946</u>	<u>1,547,660</u>	<u>8,632,626</u>	<u>8,247,411</u>
Change in Net Assets	-	(630)	6,243	5,613	98,218
Net Assets:					
Beginning of Year	-	-	-	1,516,544	1,418,326
End of Year	<u>\$ -</u>	<u>\$ (630)</u>	<u>\$ 6,243</u>	<u>\$ 1,522,157</u>	<u>\$ 1,516,544</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,456</u>	<u>\$ 13,456</u>	<u>\$ -</u>

(Concluded)

NORTH PENN LEGAL SERVICES, INC.

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

YEAR ENDED JUNE 30, 2022

	LSC				Total
	General Program	PAI	LSC TIG	LSC Fellowship	
Revenues and Other Support:					
Contracts and grants	\$ 2,274,303	\$ 178,633	\$ 40,779	\$ 4,092	\$ 2,497,807
Interest income	2,213	-	-	-	2,213
Total revenues and other support	<u>2,276,516</u>	<u>178,633</u>	<u>40,779</u>	<u>4,092</u>	<u>2,500,020</u>
Expenses:					
Salaries:					
Attorneys	664,092	22,962	3,055	-	690,109
Paralegals	349,072	17,020	762	-	366,854
Law Students				4,092	4,092
Support staff and administration	301,365	26,313	2,214	-	329,892
Total salaries	<u>1,314,529</u>	<u>66,295</u>	<u>6,031</u>	<u>4,092</u>	<u>1,390,947</u>
Fringe benefits:					
Payroll taxes	78,896	5,073	461	-	84,430
Health and dental insurance	456,115	17,920	1,711	-	475,746
Unemployment	5,650	222	21	-	5,893
Retirement	71,772	2,819	269	-	74,860
Group life and disability insurance	19,632	771	74	-	20,477
Workers' compensation	3,302	130	12	-	3,444
Total fringe benefits	<u>635,367</u>	<u>26,935</u>	<u>2,548</u>	<u>-</u>	<u>664,850</u>
Consultants and contractors:					
Consultants	6,321	229	26,719	-	33,269
Auditing	5,834	213	20	-	6,067
Judicare and contract attorneys	-	73,552	-	-	73,552
Total consultants and contractors	<u>12,155</u>	<u>73,994</u>	<u>26,739</u>	<u>-</u>	<u>112,888</u>
Travel:					
Employee travel - local	6,094	226	22	-	6,342
Employee travel - training	6,912	249	24	-	7,185
Board travel	-	-	-	-	-
Total travel	<u>13,006</u>	<u>475</u>	<u>46</u>	<u>-</u>	<u>13,527</u>

(Continued)

NORTH PENN LEGAL SERVICES, INC.

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

YEAR ENDED JUNE 30, 2022

(Continued)

	LSC				Total
	General Program	PAI	LSC TIG	LSC Telework Fellowship	
Expenses (Continued):					
Space costs:					
Rent	117,076	4,586	438	-	122,100
Utilities	5,562	218	21	-	5,801
Maintenance and repairs	8,845	346	33	-	9,224
Other space costs and parking	9,442	370	35	-	9,847
Total space costs	<u>140,925</u>	<u>5,520</u>	<u>527</u>	<u>-</u>	<u>146,972</u>
Consumable supplies:					
Office supplies	13,773	539	52	-	14,364
Minor office accessories	8,876	348	33	-	9,257
Computer supplies	6,632	260	3,775	-	10,667
Total consumable supplies	<u>29,281</u>	<u>1,147</u>	<u>3,860</u>	<u>-</u>	<u>34,288</u>
Equipment repairs and maintenance	<u>22,299</u>	<u>871</u>	<u>83</u>	<u>-</u>	<u>23,253</u>
Other:					
Insurance and bonding	10,480	410	39	-	10,929
Printing	3,987	156	15	-	4,158
Dues	6,657	261	25	-	6,943
Tuition and seminar fees	3,096	123	287	-	3,506
Law library	22,134	-	71	-	22,205
Telephone	9,600	376	36	-	10,012
Connectivity	29,506	1,156	110	-	30,772
Advertising	15,837	620	59	-	16,516
Court costs	1,688	61	6	-	1,755
Postage	4,862	190	18	-	5,070
Miscellaneous	1,107	43	279	-	1,429
Total other	<u>108,954</u>	<u>3,396</u>	<u>945</u>	<u>-</u>	<u>113,295</u>
Total expenses	<u>2,276,516</u>	<u>178,633</u>	<u>40,779</u>	<u>4,092</u>	<u>2,500,020</u>
Change in Net Assets	-	-	-	-	-
Net Assets:					
Beginning of Year	-	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2022

	Pennsylvania Legal Aid Network								
	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	HAF	Total
Revenues and Other Support:									
Contracts and grants	\$ 652,588	\$2,649,167	\$ 501,951	\$ 113,847	\$ 220,707	\$ 427,372	\$ 12,608	\$ 3,870	\$4,582,110
Interest income	-	1,903	-	-	-	303	-	-	2,206
Total revenues and other support	<u>652,588</u>	<u>2,651,070</u>	<u>501,951</u>	<u>113,847</u>	<u>220,707</u>	<u>427,675</u>	<u>12,608</u>	<u>3,870</u>	<u>4,584,316</u>
Expenses:									
Salaries:									
Attorneys	247,050	915,109	178,519	20,684	37,793	154,587	3,059	1,916	1,558,717
Paralegals	30,245	280,289	42,077	25,266	53,058	36,020	-	60	467,015
Law students	-	-	-	-	-	-	7,628	-	7,628
Support staff and administration	105,643	291,599	66,516	24,472	44,375	52,086	-	950	585,641
Total salaries	<u>382,938</u>	<u>1,486,997</u>	<u>287,112</u>	<u>70,422</u>	<u>135,226</u>	<u>242,693</u>	<u>10,687</u>	<u>2,926</u>	<u>2,619,001</u>
Fringe benefits:									
Payroll taxes	30,825	134,023	24,681	4,682	10,345	21,337	234	-	226,127
Health and dental insurance	124,225	535,782	98,911	20,594	40,721	85,362	1,406	816	907,817
Unemployment	1,539	6,636	1,225	255	504	1,057	16	10	11,242
Retirement	19,543	84,289	15,561	3,240	6,406	13,429	205	128	142,801
Group life and disability insurance	5,346	23,057	4,256	886	1,752	3,673	56	35	39,061
Workers' compensation	899	3,878	716	149	295	618	9	6	6,570
Total fringe benefits	<u>182,377</u>	<u>787,665</u>	<u>145,350</u>	<u>29,806</u>	<u>60,023</u>	<u>125,476</u>	<u>1,926</u>	<u>995</u>	<u>1,333,618</u>
Consultants and contractors:									
Consultants	1,588	6,851	1,265	263	49	1,092	-	10	11,118
Auditing	1,479	6,373	1,176	245	484	623	-	10	10,390
Judicare and contract attorneys	-	-	-	-	-	-	-	-	-
Total consultants and contractors	<u>3,067</u>	<u>13,224</u>	<u>2,441</u>	<u>508</u>	<u>533</u>	<u>1,715</u>	<u>-</u>	<u>20</u>	<u>21,508</u>
Travel:									
Employee travel - local	1,569	6,766	1,249	260	198	1,078	-	10	11,130
Employee travel - training	1,728	7,454	1,376	287	18	1,188	-	12	12,063
Board travel	-	-	-	-	-	-	-	-	-
Total travel	<u>3,297</u>	<u>14,220</u>	<u>2,625</u>	<u>547</u>	<u>216</u>	<u>2,266</u>	<u>-</u>	<u>22</u>	<u>23,193</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, 2022

(Continued)

		Pennsylvania Legal Aid Network							
Expenses (Continued):	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	HAF	Total
Space costs:									
Rent	31,789	137,104	25,311	5,270	10,420	21,844	-	209	231,947
Utilities	1,510	6,513	1,202	250	495	1,038	-	10	11,018
Maintenance and repairs	2,402	10,358	1,912	398	787	1,650	-	16	17,523
Other space costs and parking	2,564	11,058	2,041	425	840	1,762	-	17	18,707
Total space costs	<u>38,265</u>	<u>165,033</u>	<u>30,466</u>	<u>6,343</u>	<u>12,542</u>	<u>26,294</u>	<u>-</u>	<u>252</u>	<u>279,195</u>
Consumable supplies:									
Office supplies	3,740	16,129	2,978	620	1,226	2,570	-	25	27,288
Minor office accessories	2,410	10,395	1,919	400	790	1,656	-	16	17,586
Computer supplies	1,801	7,767	1,434	299	590	1,237	-	12	13,140
Total consumable supplies	<u>7,951</u>	<u>34,291</u>	<u>6,331</u>	<u>1,319</u>	<u>2,606</u>	<u>5,463</u>	<u>-</u>	<u>53</u>	<u>58,014</u>
Equipment repairs and maintenance	6,035	26,027	4,805	1,000	1,978	4,073	-	40	43,958
Other:									
Insurance and bonding	2,845	12,273	2,266	472	933	1,955	-	19	20,763
Printing	1,082	4,669	862	179	355	744	-	7	7,898
Dues	1,807	7,796	1,439	300	592	1,242	-	12	13,188
Tuition and seminar fees	841	3,625	669	139	276	578	-	6	6,134
Law library	5,124	22,099	4,080	-	-	3,521	-	34	34,858
Telephone	2,607	11,242	2,075	432	854	1,791	-	17	19,018
Connectivity	8,012	34,554	6,379	1,328	2,626	5,505	-	53	58,457
Advertising	4,300	18,546	3,424	713	1,410	2,955	-	28	31,376
Court costs	422	1,821	336	70	5	290	-	3	2,947
Postage	1,320	5,694	1,051	219	433	907	-	6	9,630
Miscellaneous	298	1,294	240	50	99	207	-	2	2,190
Total other	<u>28,658</u>	<u>123,613</u>	<u>22,821</u>	<u>3,902</u>	<u>7,583</u>	<u>19,695</u>	<u>-</u>	<u>187</u>	<u>206,459</u>
Total expenses	<u>652,588</u>	<u>2,651,070</u>	<u>501,951</u>	<u>113,847</u>	<u>220,707</u>	<u>427,675</u>	<u>12,613</u>	<u>4,495</u>	<u>4,584,946</u>
Change in Net Assets	-	-	-	-	-	-	(5)	(625)	(630)
Net Assets:									
Beginning of Year	-	-	-	-	-	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ (625)</u>	<u>\$ (630)</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

NORTH PENN LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal ALN	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Congress:</u>				
Legal Services Corporation - Basic Field Grant	N/A	09.U01.339070	\$ 2,455,149	\$ -
Legal Services Corporation - Technology Imitative Grant	19033	09.U01.339070	40,779	-
Subtotal 09.U01.339070			<u>2,495,928</u>	<u>-</u>
Total U.S. Congress			<u>2,495,928</u>	<u>-</u>
<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	652,588	-
Pass through Pennsylvania Coalition Against Domestic Violence:				
Social Services Block Grant	6061-2022	93.667	92,478	-
Subtotal 93.667			<u>745,066</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>745,066</u>	<u>-</u>
<u>U.S. Department of Justice:</u>				
Passed through Pennsylvania Commission on Crime and Delinquency:				
Crime Victim Assistance	2020-VF-05-33023	16.575	141,503	-
Crime Victim Assistance	2017/2018-VF-05-	16.575	73,495	-
Subtotal 16.575			<u>214,998</u>	<u>-</u>
Passed through Luzerne County:				
Violence Against Women Formula Grants	36036	16.588	7,064	
Passed through Victim's Resource Center:				
Violence Against Women Formula Grants	N/A	16.588	12,350	-
Subtotal 16.588			<u>19,414</u>	<u>-</u>
Total U.S. Department of Justice			<u>234,412</u>	<u>-</u>

(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, 2022

(Continued)

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal ALN	Federal Expenditures	Expenditures to Subrecipients
<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	N/A	14.228	10,000	-
COVID-19 -Community Development Block Grant/State's Program and Non-Entitlement Grants	COVID	14.228	12,248	-
Passed through City of Scranton: COVID-19 - Community Development Block Grant/State's Program	COVID	14.228	127,452	-
Subtotal 14.228			<u>149,700</u>	<u>-</u>
Passed through City of Bethlehem: Community Development Block Grant/Entitlement Grants	2019-9	14.218	7,356	-
Passed through County of Northampton: Community Development Block Grant/Entitlement Grants	N/A	14.218	3,420	-
Passed through City of Allentown: COVID-19 - Community Development Block Grant/State's Program	COVID	14.218	19,977	-
Community Development Block Grant/Entitlement Grants	N/A	14.218	20,168	-
Subtotal 14.218			<u>50,921</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>200,621</u>	<u>-</u>
<u>U.S. Department of the Treasury:</u>				
Passed through County of Lehigh: COVID-19 - American Rescue Plan Act	NPLS	21.027	19,116	-
Passed through County of Northampton: Emergency Rental Assistance Program	N/A	21.023	36,125	-
Passed through Pennsylvania Housing Finance Agency: Passed through Pennsylvania Legal Aid Network: COVID-19 - Homeowner Assistance Fund Program	NPLS2022	21.026	4,495	-
Total U.S. Department of the Treasury			<u>59,736</u>	<u>-</u>
<u>U.S. Department of Veterans Affairs:</u>				
Passed through Veterans Multi Service Center: VA Supportive Services for Veteran Families Program	N/A	64.033	56,900	-
Total U.S. Department of Veterans Affairs			<u>56,900</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,792,663</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, 2022

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.

3. Prior Period Report

For SEFA period ending June 30, 2021, Pennsylvania Commission on Crime and Delinquency grants 29050 and 33203 were underreported by \$33,166 and \$9,344, respectively. In addition, grants 29051 and 31094 were overreported by \$239 and \$42,328, respectively. These grants all fall under assistance listing number 16.575 and the total expenditures for the assistance listing number were correct.

North Penn Legal Services, Inc.

Independent Auditor's Reports
Required by the Uniform Guidance

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
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, 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 September 30, 2022.

Report on 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not 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

Report on 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 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.

Mahe Duessel

Harrisburg, Pennsylvania
September 30, 2022

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

Opinion on the Major Federal Program

We have audited North Penn Legal Services, Inc.'s (NPLS) compliance with the types of compliance requirements identified as subject to audit 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, 2022. NPLS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

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*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NPLS and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of NPLS's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to NPLS's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NPLS's compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance, and *LSC Compliance Supplement for Audits of LSC Recipients* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NPLS's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 NPLS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NPLS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 NPLS's internal control over compliance. Accordingly, no such opinion is expressed.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Maher Duessel

Harrisburg, Pennsylvania
September 30, 2022

NORTH PENN LEGAL SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

NONE

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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:

ALN(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, 2022

- 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.