

**North Penn Legal Services, Inc.**

Financial Statements and  
Supplementary Information

Years Ended June 30, 2023 and 2022  
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, 2023 AND 2022

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# NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023, and 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.

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, 2023, and 2022, 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.

#### Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization adopted ASU 2016-02, "*Leases (Topic 842)*," which requires 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. Our opinion is not modified with respect to this matter.

### **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 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 supplementary information listed in the table of contents and 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 October 2, 2023 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  
October 2, 2023

# NORTH PENN LEGAL SERVICES, INC.

## STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,939,572	\$ 2,645,313
Client escrow funds	4,256	5,201
Accounts receivable, net:		
PLAN	288,680	351,888
Other	138,563	293,051
Prepaid expenses	312,892	235,847
Property and equipment, net	47,529	78,900
Right-of-use asset - operating	2,402,031	-
<b>Total Assets</b>	<b><u>\$ 6,133,523</u></b>	<b><u>\$ 3,610,200</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 219,185	\$ 174,560
Accrued compensated absences	170,385	166,465
Client trust deposits	4,256	5,201
Refundable advances	1,849,939	1,741,187
Lease liability - operating	2,401,351	-
<b>Total Liabilities</b>	<b><u>4,645,116</u></b>	<b><u>2,087,413</u></b>
Net Assets:		
Without donor restrictions	1,376,564	1,431,977
With donor restrictions	111,843	90,810
<b>Total Net Assets</b>	<b><u>1,488,407</u></b>	<b><u>1,522,787</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 6,133,523</u></b>	<b><u>\$ 3,610,200</u></b>

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

# NORTH PENN LEGAL SERVICES, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023
<b>Revenues and Other Support:</b>			
Contracts and grants	\$ 8,951,074	\$ -	\$ 8,951,074
Contributions of cash and other financial assets	41,031	21,033	62,064
Contributions of nonfinancial assets	124,815	-	124,815
Interest income	4,850	-	4,850
Other income	3,119	-	3,119
Net assets released from restrictions	-	-	-
Total revenues and other support	<u>9,124,889</u>	<u>21,033</u>	<u>9,145,922</u>
<b>Expenses:</b>			
Program services	8,015,144	-	8,015,144
Management and general	1,160,750	-	1,160,750
Fundraising	4,408	-	4,408
Total expenses	<u>9,180,302</u>	<u>-</u>	<u>9,180,302</u>
<b>Change in Net Assets</b>	(55,413)	21,033	(34,380)
<b>Net Assets:</b>			
Beginning of year	<u>1,431,977</u>	<u>90,810</u>	<u>1,522,787</u>
End of year	<u>\$ 1,376,564</u>	<u>\$ 111,843</u>	<u>\$ 1,488,407</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
<b>Revenues and Other Support:</b>			
Contracts and grants	\$ 8,443,636	\$ -	\$ 8,443,636
Contributions of cash and other financial assets	53,141	32,232	85,373
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	-	-	-
Total revenues and other support	<u>8,606,636</u>	<u>32,232</u>	<u>8,638,868</u>
<b>Expenses:</b>			
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>
<b>Change in Net Assets</b>	(25,989)	32,232	6,243
<b>Net Assets:</b>			
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.

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2023 AND 2022

	Program Services	Management and General	Fund- raising	Total 2023
Salaries	\$ 4,583,306	\$ 676,214	\$ 516	\$ 5,260,036
Fringe benefits	2,207,208	334,190	286	2,541,684
Consultants and contractors	138,848	8,472	6	147,326
Travel	56,121	5,983	6	62,110
Space costs	482,282	73,148	64	555,494
Consumable supplies	73,075	8,471	8	81,554
Equipment repairs and maintenance	66,199	7,674	8	73,881
Other	372,616	42,485	3,514	418,615
Depreciation	35,489	4,113	-	39,602
	\$ 8,015,144	\$ 1,160,750	\$ 4,408	\$ 9,180,302
	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
	\$ 7,752,583	\$ 877,598	\$ 2,444	\$ 8,632,625

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

# NORTH PENN LEGAL SERVICES, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (34,380)	\$ 6,243
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	39,602	40,372
(Increase) decrease in:		
Accounts receivable	217,696	(123,332)
Prepaid expenses	(77,045)	(29,837)
Right-of-use assets	(2,402,031)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	44,625	(20,623)
Accrued compensated absences	3,920	13,364
Client trust deposits	(945)	92
Refundable advances	108,752	(608,685)
Lease liability	2,401,351	-
Net cash and cash equivalents provided by (used in) operating activities	301,545	(722,406)
<b>Cash Flows From Investing Activities:</b>		
Purchase of equipment	(8,231)	(13,456)
Net cash and cash equivalents used in investing activities	(8,231)	(13,456)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>293,314</b>	<b>(735,862)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	2,650,514	3,386,376
End of year	\$ 2,943,828	\$ 2,650,514
Cash and cash equivalents	\$ 2,939,572	\$ 2,645,313
Client escrow funds	4,256	5,201
Cash and cash equivalents end of year	\$ 2,943,828	\$ 2,650,514

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

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 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, 2023 AND 2022

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### 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, 2023 and 2022.

### 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.

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 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.

### Leases

NPLS determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent NPLS' right to use an underlying asset for the lease term and lease liabilities represent NPLS' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. In determining the discount rate used to measure the right-of-use asset and lease liability, NPLS uses rates implicit on the lease, or if not readily available, they use their incremental borrowing rate. The incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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secured by NPLS' assets. Determining a credit spread as secured by the assets may require significant judgement. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

NPLS' lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. NPLS does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. In 2023, NPLS has seven leases within this class of underlying asset that qualify for the exemption. The short-term lease cost recognized and disclosed for those leases in 2023 is \$89,536. The remaining lease payments due in the next twelve months are \$89,786.

### 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 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.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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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 2016-02, "*Leases (Topic 842)*." These amendments and related amendments 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 are 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.

NPLS elected not to restate the prior period ending June 30, 2022. NPLS also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, NPLS recognized right-of-use assets of \$2,402,031 and lease liabilities totaling \$2,401,351 in its statements of financial position as of June 30, 2023. The adoption did not result in a significant effect on the amounts reported in the statement of activities for the year ended June 30, 2023.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 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, 2023 and 2022.

Approximately 832 and 681 hours of pro bono legal services were provided by attorneys for the years ended June 30, 2023 and 2022, respectively.

### **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.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 5. Property and Equipment

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

2023	<u>Non-LSC</u>	<u>LSC</u>	<u>Total</u>
Furniture and equipment	\$ 250,163	\$ 46,351	\$ 296,514
Leasehold improvements	<u>50,355</u>	<u>-</u>	<u>50,355</u>
	300,518	46,351	346,869
Accumulated depreciation and amortization	<u>(259,265)</u>	<u>(40,075)</u>	<u>(299,340)</u>
	<u>\$ 41,253</u>	<u>\$ 6,276</u>	<u>\$ 47,529</u>
2022	<u>Non-LSC</u>	<u>LSC</u>	<u>Total</u>
Furniture and equipment	\$ 528,884	\$ 46,351	\$ 575,235
Leasehold improvements	<u>50,355</u>	<u>-</u>	<u>50,355</u>
	579,239	46,351	625,590
Accumulated depreciation and amortization	<u>(519,166)</u>	<u>(27,524)</u>	<u>(546,690)</u>
	<u>\$ 60,073</u>	<u>\$ 18,827</u>	<u>\$ 78,900</u>

Depreciation expense totaled \$39,602 and \$40,372 for the years ended June 30, 2023 and 2022, respectively.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 6. Refundable Advances

NPLS' refundable advances as of June 30, 2023 and 2022 are as follows:

	2023	2022
Access to Justice Act	\$ 281,905	\$ 282,699
IOLTA	20,013	39,432
IOLTA - Zone Rural	98,162	-
LSC - fiscal year carryover	924,519	1,129,095
LSC - advance funding	467,869	203,491
LSC - Other	2,573	908
MLK grant	-	2,788
Other	54,898	82,774
	<u>\$ 1,849,939</u>	<u>\$ 1,741,187</u>

All refundable advances as of June 30, 2023 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, 2023, NPLS had LSC carryover totaling \$924,519 (33.2% of applicable year funding). For the year ended June 30, 2023, a carryover waiver will be requested from LSC. 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 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 or Access to Justice Act funds for the year ended June 30, 2023. Actual carryover as of June 30, 2023 was 10% of IOLTA funding and 10% of Access to Justice funding.

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.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 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, 2023 and 2022.

### 8. Net Assets and Transfers Between Net Assets

Net assets as of June 30, 2023 consist of the following:

	Without Donor Restrictions	With Donor Restrictions
Property and equipment - other	\$ 47,529	\$ -
Other	1,440,878	-
Purpose restricted	-	111,843
Total	<u>\$ 1,488,407</u>	<u>\$ 111,843</u>

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

	Without Donor Restrictions	With Donor Restrictions
Property and equipment - other	\$ 78,900	\$ -
Other	1,353,077	-
Purpose restricted	-	90,810
Total	<u>\$ 1,431,977</u>	<u>\$ 90,810</u>

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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### 9. Operating Leases

NPLS has operating leases for office space. The leases have remaining lease terms of .25 years to 11.25 years, some of which may include the option to extend leases for up to 5 years, and some of which may include options to terminate portions of the leases if there is a 20% reduction of staff with 6 months' notice.

	<u>2023</u>
Operating lease cost	\$ 366,561
Short term lease cost	<u>89,536</u>
Total lease costs	<u>\$ 456,097</u>

Other information related to leases was as follows:

	<u>2023</u>
Supplemental Cash Flows information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 366,561
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	-
Weighted average remaining lease term:	
Operating leases	10.36 years
Weighted average discount rate:	
Operating leases	7.45%

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

<u>Years Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 323,947
2025	314,566
2026	320,363
2027	325,483
2028	330,618
Thereafter	<u>1,890,769</u>
Total future minimum lease payments	3,505,746
Less: interest	<u>(1,104,395)</u>
Total	<u>\$ 2,401,351</u>

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$412,558 for the year ended June 30, 2022.

### 10. Funding

The receivable from PLAN represents final payment due to NPLS for the grant contract ended June 30, 2023.

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, 2022 through June 30, 2023 totaled \$2,785,243. NPLS expended \$184,901 of its LSC funding for PAI during the year ended June 30, 2023. 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 \$136,155.

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,

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022, 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 \$288,017 and \$256,709 for the years ended June 30, 2023 and 2022, 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 33.5% of total revenue and other support for the year ended June 30, 2023. The PLAN grant (including IOLTA funding) was approximately 51.9% of total revenue and other support for the year ended June 30, 2023. The LSC grant was approximately 29.4% of total revenue

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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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.

### 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, 2023 and 2022, expected to be available within one year to meet operating cash needs:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,939,572	\$ 2,645,313
Accounts receivable	<u>427,243</u>	<u>644,939</u>
	<u>\$ 3,366,815</u>	<u>\$ 3,290,252</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, 2023

(With Comparative Totals for Year Ended June 30, 2022)

	Legal Services Corporation	Pennsylvania Legal Aid Network	Other	Totals	
				2023	2022
<b>Revenues and Other Support:</b>					
Contracts and grants	\$ 3,011,393	\$ 4,670,359	\$ 1,269,322	\$ 8,951,074	\$ 8,443,007
In-kind contributions	-	-	124,815	124,815	102,090
Other contributions	-	-	62,064	62,064	85,373
Interest income	2,681	2,169	-	4,850	4,419
Other income	-	-	3,119	3,119	3,350
Total revenues and other support	<u>3,014,074</u>	<u>4,672,528</u>	<u>1,459,320</u>	<u>9,145,922</u>	<u>8,638,239</u>
<b>Expenses:</b>					
Salaries:					
Attorneys	846,801	1,574,247	365,953	2,787,001	2,663,060
Paralegals	480,661	419,367	174,910	1,074,938	1,016,324
Support staff and administration	319,833	699,977	244,196	1,264,006	1,166,919
Law students	6,041	3,133	102	9,276	19,061
Contributed services	-	-	124,815	124,815	102,090
Total salaries	<u>1,653,336</u>	<u>2,696,724</u>	<u>909,976</u>	<u>5,260,036</u>	<u>4,967,454</u>
Fringe benefits:					
Payroll taxes	114,555	220,531	56,000	391,086	370,966
Health and dental insurance	609,818	913,742	246,666	1,770,226	1,631,756
Unemployment	4,990	7,478	2,019	14,487	20,210
Retirement	99,217	148,667	40,133	288,017	256,709
Group life and disability insurance	23,283	34,889	9,415	67,587	70,221
Workers' compensation	3,542	5,307	1,432	10,281	11,810
Total fringe benefits	<u>855,405</u>	<u>1,330,614</u>	<u>355,665</u>	<u>2,541,684</u>	<u>2,361,672</u>
Consultants and contractors:					
Consultants	23,786	16,532	4,692	45,010	47,562
Auditing	6,862	9,770	2,694	19,326	19,409
Judicare and contract attorneys	70,771	-	12,219	82,990	73,555
Total consultants and contractors	<u>101,419</u>	<u>26,302</u>	<u>19,605</u>	<u>147,326</u>	<u>140,526</u>
Travel:					
Employee travel - local	9,911	13,019	9,657	32,587	20,622
Employee travel - training	10,674	14,106	4,743	29,523	22,854
Board travel	-	-	-	-	-
Total travel	<u>20,585</u>	<u>27,125</u>	<u>14,400</u>	<u>62,110</u>	<u>43,476</u>

# 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, 2023

(With Comparative Totals for Year Ended June 30, 2022)

(Continued)

	Legal Services Corporation	Pennsylvania Legal Aid Network	Other	Totals	
				2023	2022
<b>Expenses (Continued):</b>					
Space costs:					
Rent	157,110	235,413	63,550	456,073	417,558
Utilities	11,851	17,756	4,792	34,399	19,865
Maintenance and repairs	10,636	15,938	4,301	30,875	31,545
Other space costs and parking	11,762	17,627	4,758	34,147	33,677
Total space costs	<u>191,359</u>	<u>286,734</u>	<u>77,401</u>	<u>555,494</u>	<u>502,645</u>
Consumable supplies:					
Office supplies	14,722	21,986	7,162	43,870	49,475
Minor office accessories	5,450	8,168	2,205	15,823	31,658
Computer supplies	7,531	11,285	3,045	21,861	27,404
Total consumable supplies	<u>27,703</u>	<u>41,439</u>	<u>12,412</u>	<u>81,554</u>	<u>108,537</u>
Equipment repairs and maintenance	<u>25,488</u>	<u>38,094</u>	<u>10,299</u>	<u>73,881</u>	<u>79,271</u>
Other:					
Insurance and bonding	12,543	18,794	5,075	36,412	37,377
Printing	2,565	3,842	3,483	9,890	14,218
Dues	7,676	11,500	15,179	34,355	33,482
Tuition and seminar fees	2,306	3,456	6,400	12,162	11,317
Law library	26,364	32,976	9,609	68,949	67,305
Telephone	26,259	39,345	10,925	76,529	34,239
Connectivity	37,112	55,608	15,012	107,732	105,236
Advertising	14,510	21,742	5,870	42,122	56,483
Court costs	2,263	2,992	851	6,106	5,538
Postage	7,067	10,588	2,858	20,513	17,338
Fundraising	-	-	3,467	3,467	1,059
Miscellaneous	114	168	96	378	5,081
Total other	<u>138,779</u>	<u>201,011</u>	<u>78,825</u>	<u>418,615</u>	<u>388,673</u>
Depreciation	-	-	39,602	39,602	40,372
Total expenses	<u>3,014,074</u>	<u>4,648,043</u>	<u>1,518,185</u>	<u>9,180,302</u>	<u>8,632,626</u>
<b>Change in Net Assets</b>	-	24,485	(58,865)	(34,380)	5,613
<b>Net Assets:</b>					
Beginning of Year	-	(630)	6,243	1,522,787	1,517,174
End of Year	<u>\$ -</u>	<u>\$ 23,855</u>	<u>\$ (52,622)</u>	<u>\$ 1,488,407</u>	<u>\$ 1,522,787</u>
<b>Acquisition of Property</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,231</u>	<u>\$ 8,231</u>	<u>\$ 13,456</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, 2023

	LSC					Total
	2022 General Program	2023 General Program	PAI	LSC TIG	LSC Fellowship	
<b>Revenues and Other Support:</b>						
Contracts and grants	\$ 1,332,586	\$ 1,469,651	\$ 184,901	\$ 18,921	\$ 5,334	\$ 3,011,393
Interest income	-	2,681	-	-	-	2,681
Total revenues and other support	<u>1,332,586</u>	<u>1,472,332</u>	<u>184,901</u>	<u>18,921</u>	<u>5,334</u>	<u>3,014,074</u>
<b>Expenses:</b>						
Salaries:						
Attorneys	390,920	431,915	21,728	2,238	-	846,801
Paralegals	221,385	244,601	13,930	745	-	480,661
Law Students	336	371	-	-	5,334	6,041
Support staff and administration	131,222	144,984	41,992	1,635	-	319,833
Total salaries	<u>743,863</u>	<u>821,871</u>	<u>77,650</u>	<u>4,618</u>	<u>5,334</u>	<u>1,653,336</u>
Fringe benefits:						
Payroll taxes	51,433	56,827	5,942	353	-	114,555
Health and dental insurance	281,305	310,805	16,341	1,367	-	609,818
Unemployment	2,302	2,543	134	11	-	4,990
Retirement	45,768	50,568	2,659	222	-	99,217
Group life and disability insurance	10,740	11,867	624	52	-	23,283
Workers' compensation	1,634	1,805	95	8	-	3,542
Total fringe benefits	<u>393,182</u>	<u>434,415</u>	<u>25,795</u>	<u>2,013</u>	<u>-</u>	<u>855,405</u>
Consultants and contractors:						
Consultants	5,747	6,349	311	11,379	-	23,786
Auditing	3,168	3,501	178	15	-	6,862
Judicare and contract attorneys	-	-	70,771	-	-	70,771
Total consultants and contractors	<u>8,915</u>	<u>9,850</u>	<u>71,260</u>	<u>11,394</u>	<u>-</u>	<u>101,419</u>
Travel:						
Employee travel - local	4,545	5,021	325	20	-	9,911
Employee travel - training	4,934	5,452	266	22	-	10,674
Board travel	-	-	-	-	-	-
Total travel	<u>9,479</u>	<u>10,473</u>	<u>591</u>	<u>42</u>	<u>-</u>	<u>20,585</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, 2023

(Continued)

	LSC					Total
	2022 General Program	2023 General Program	PAI	LSC TIG	LSC Fellowship	
<b>Expenses (Continued):</b>						
Space costs:						
Rent	72,474	80,074	4,210	352	-	157,110
Utilities	5,466	6,040	318	27	-	11,851
Maintenance and repairs	4,906	5,421	285	24	-	10,636
Other space costs and parking	5,426	5,995	315	26	-	11,762
Total space costs	<u>88,272</u>	<u>97,530</u>	<u>5,128</u>	<u>429</u>	<u>-</u>	<u>191,359</u>
Consumable supplies:						
Office supplies	6,769	7,479	441	33	-	14,722
Minor office accessories	2,514	2,778	146	12	-	5,450
Computer supplies	3,474	3,838	202	17	-	7,531
Total consumable supplies	<u>12,757</u>	<u>14,095</u>	<u>789</u>	<u>62</u>	<u>-</u>	<u>27,703</u>
Equipment repairs and maintenance	<u>11,758</u>	<u>12,991</u>	<u>682</u>	<u>57</u>	<u>-</u>	<u>25,488</u>
Other:						
Insurance and bonding	5,786	6,393	336	28	-	12,543
Printing	1,183	1,307	69	6	-	2,565
Dues	3,541	3,912	206	17	-	7,676
Tuition and seminar fees	1,064	1,175	62	5	-	2,306
Law library	12,500	13,811	-	53	-	26,364
Telephone	12,113	13,383	704	59	-	26,259
Connectivity	17,120	18,915	994	83	-	37,112
Advertising	6,693	7,395	389	33	-	14,510
Court costs	1,046	1,156	56	5	-	2,263
Postage	3,260	3,602	189	16	-	7,067
Miscellaneous	54	58	1	1	-	114
Total other	<u>64,360</u>	<u>71,107</u>	<u>3,006</u>	<u>306</u>	<u>-</u>	<u>138,779</u>
Total expenses	<u>1,332,586</u>	<u>1,472,332</u>	<u>184,901</u>	<u>18,921</u>	<u>5,334</u>	<u>3,014,074</u>
<b>Change in Net Assets</b>	-	-	-	-	-	-
<b>Net Assets:</b>						
Beginning of Year	-	-	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Acquisition of Property</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Concluded)

# 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, 2023

	Pennsylvania Legal Aid Network								
	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	HAF	Total
<b>Revenues and Other Support:</b>									
Contracts and grants	\$ 651,048	\$ 2,819,841	\$ 501,172	\$ 113,224	\$ 239,096	\$ 219,545	\$ 2,788	\$ 123,645	\$ 4,670,359
Interest income	-	2,014	-	-	-	156	-	-	2,170
Total revenues and other support	651,048	2,821,855	501,172	113,224	239,096	219,701	2,788	123,645	4,672,529
<b>Expenses:</b>									
Salaries:									
Attorneys	233,810	957,193	183,517	26,497	50,888	81,271	-	41,071	1,574,247
Paralegals	34,367	268,209	28,344	15,646	53,389	16,797	-	2,615	419,367
Law students	63	232	23	-	-	27	2,788	-	3,133
Support staff and administration	119,457	393,670	81,278	29,654	37,218	25,572	-	13,128	699,977
Total salaries	387,697	1,619,304	293,162	71,797	141,495	123,667	2,788	56,814	2,696,724
Fringe benefits:									
Payroll taxes	29,875	135,650	23,521	5,492	10,824	10,823	-	4,346	220,531
Health and dental insurance	122,905	561,631	97,117	19,312	47,788	44,985	-	20,004	913,742
Unemployment	1,006	4,596	795	158	391	368	-	164	7,478
Retirement	19,997	91,378	15,801	3,142	7,775	7,319	-	3,255	148,667
Group life and disability insurance	4,693	21,444	3,708	737	1,825	1,718	-	764	34,889
Workers' compensation	714	3,262	564	112	278	261	-	116	5,307
Total fringe benefits	179,190	817,961	141,506	28,953	68,881	65,474	-	28,649	1,330,614
Consultants and contractors:									
Consultants	2,337	10,678	1,846	367	69	855	-	380	16,532
Auditing	1,342	6,131	1,060	211	522	286	-	218	9,770
Judicare and contract attorneys	-	-	-	-	-	-	-	-	-
Total consultants and contractors	3,679	16,809	2,906	578	591	1,141	-	598	26,302
Travel:									
Employee travel - local	1,803	8,240	1,425	283	315	660	-	293	13,019
Employee travel - training	1,999	9,135	1,580	314	21	732	-	325	14,106
Board travel	-	-	-	-	-	-	-	-	-
Total travel	3,802	17,375	3,005	597	336	1,392	-	618	27,125

(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, 2023

(Continued)

	Pennsylvania Legal Aid Network								Total
	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	HAF	
<b>Expenses (Continued):</b>									
Space costs:									
Rent	31,665	144,696	25,021	4,976	12,312	11,589	-	5,154	235,413
Utilities	2,388	10,914	1,887	375	929	874	-	389	17,756
Maintenance and repairs	2,144	9,796	1,694	337	833	785	-	349	15,938
Other space costs and parking	2,371	10,834	1,873	373	922	868	-	386	17,627
Total space costs	<u>38,568</u>	<u>176,240</u>	<u>30,475</u>	<u>6,061</u>	<u>14,996</u>	<u>14,116</u>	<u>-</u>	<u>6,278</u>	<u>286,734</u>
Consumable supplies:									
Office supplies	2,957	13,514	2,337	465	1,150	1,082	-	481	21,986
Minor office accessories	1,099	5,020	868	173	427	402	-	179	8,168
Computer supplies	1,518	6,936	1,199	239	590	556	-	247	11,285
Total consumable supplies	<u>5,574</u>	<u>25,470</u>	<u>4,404</u>	<u>877</u>	<u>2,167</u>	<u>2,040</u>	<u>-</u>	<u>907</u>	<u>41,439</u>
Equipment repairs and maintenance	5,129	23,439	4,053	806	1,994	1,838	-	835	38,094
Other:									
Insurance and bonding	2,528	11,552	1,998	397	983	925	-	411	18,794
Printing	517	2,362	408	81	201	189	-	84	3,842
Dues	1,547	7,069	1,222	243	601	566	-	252	11,500
Tuition and seminar fees	465	2,124	367	73	181	170	-	76	3,456
Law library	4,787	21,875	3,783	-	-	1,752	-	779	32,976
Telephone	5,292	24,183	4,182	832	2,058	1,937	-	861	39,345
Connectivity	7,480	34,180	5,910	1,175	2,908	2,738	-	1,217	55,608
Advertising	2,924	13,364	2,311	460	1,137	1,070	-	476	21,742
Court costs	424	1,937	335	67	5	155	-	69	2,992
Postage	1,424	6,508	1,125	224	554	521	-	232	10,588
Miscellaneous	21	103	20	3	8	10	-	4	169
Total other	<u>27,409</u>	<u>125,257</u>	<u>21,661</u>	<u>3,555</u>	<u>8,636</u>	<u>10,033</u>	<u>-</u>	<u>4,461</u>	<u>201,012</u>
Total expenses	<u>651,048</u>	<u>2,821,855</u>	<u>501,172</u>	<u>113,224</u>	<u>239,096</u>	<u>219,701</u>	<u>2,788</u>	<u>99,160</u>	<u>4,648,044</u>
<b>Change in Net Assets</b>	-	-	-	-	-	-	-	24,485	24,485
<b>Net Assets:</b>									
Beginning of Year	-	-	-	-	-	-	-	(625)	(625)
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,860</u>	<u>\$ 23,860</u>
<b>Acquisition of Property</b>	<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, 2023**

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	\$ 2,989,818	\$ -
Legal Services Corporation - Technology Initiative Grant	19033	09.U01.339070	19,021	-
Subtotal 09.U01.339070			<u>3,008,839</u>	<u>-</u>
Total U.S. Congress			<u>3,008,839</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	651,048	-
Pass through Pennsylvania Coalition Against Domestic Violence:				
Social Services Block Grant	6061-2023	93.667	95,816	-
Subtotal 93.667			<u>746,864</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>746,864</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	158,104	-
Passed through Luzerne County:				
Violence Against Women Formula Grants	36036	16.588	5,702	-
Passed through Victim's Resource Center:				
Violence Against Women Formula Grants	N/A	16.588	12,350	-
Subtotal 16.588			<u>18,052</u>	<u>-</u>
Total U.S. Department of Justice			<u>176,156</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, 2023

(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	12,000	-
COVID-19 -Community Development Block Grant/State's Program and Non-Entitlement Grants	COVID	14.228	4,722	-
Subtotal 14.228			16,722	-
Passed through City of Bethlehem:				
Community Development Block Grant/Entitlement Grants	2019-9	14.218	16,243	-
Passed through City of Allentown:				
Community Development Block Grant/Entitlement Grants	N/A	14.218	23,438	-
Subtotal 14.218			39,681	-
Total U.S. Department of Housing and Urban Development			56,403	-
<u>U.S. Department of the Treasury:</u>				
Passed through County of Lehigh:				
COVID-19 - American Rescue Plan Act	NPLS	21.027	80,884	-
Passed through County of Northampton:				
COVID-19 - Emergency Rental Assistance Program	N/A	21.023	38,779	-
Passed through Pennsylvania Housing Finance Agency:				
Passed through Pennsylvania Legal Aid Network:				
COVID-19 - Homeowner Assistance Fund Program	NPLS2022	21.026	99,160	-
Total U.S. Department of the Treasury			218,823	-
<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	7,200	-
Total U.S. Department of Veterans Affairs			7,200	-
Total Expenditures of Federal Awards			\$ 4,214,285	\$ -

(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, 2023

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### 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, 2023

**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, 2023, 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 2, 2023.

## **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 NPLS’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 NPLS'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  
October 2, 2023

## 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 that could have a direct and material effect on NPLS's major federal program for the year ended June 30, 2023. 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, 2023.

#### **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; and 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). 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*, and the Uniform Guidance 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.

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*

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

*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 that might be material weaknesses or significant 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 in internal control over compliance 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  
October 2, 2023

**NORTH PENN LEGAL SERVICES, INC.**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

**NONE**

# NORTH PENN LEGAL SERVICES, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

### 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, 2023**

- 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.**