

**North Penn Legal Services, Inc.**

Financial Statements and  
Supplementary Information

Years Ended June 30, 2018 and 2017  
with Independent Auditor's Reports

**MaherDuessel**

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# NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2018 AND 2017

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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of North Penn Legal Services, Inc. (NPLS), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NPLS as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of NPLS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NPLS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

Board of Directors  
North Penn Legal Services, Inc.  
Independent Auditor's Report  
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with *Government Auditing Standards* in considering NPLS's internal control over financial reporting and compliance.

*Mahe Duessel*

Harrisburg, Pennsylvania  
October 9, 2018

# NORTH PENN LEGAL SERVICES, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,685,815	\$ 1,333,742
Client escrow funds	1,931	4,337
Accounts receivable:		
PLAN	120,538	105,304
Other	185,846	302,898
Prepaid expenses	138,889	114,014
Property and equipment, net	57,077	65,443
<b>Total Assets</b>	<b><u>\$ 2,190,096</u></b>	<b><u>\$ 1,925,738</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 194,193	\$ 79,446
Accrued compensated absences	99,523	110,084
Client trust deposits	1,931	4,337
<b>Total Liabilities</b>	<b><u>295,647</u></b>	<b><u>193,867</u></b>
<b>Net Assets:</b>		
Unrestricted	1,309,633	1,268,365
Temporarily	584,816	463,506
<b>Total Net Assets</b>	<b><u>1,894,449</u></b>	<b><u>1,731,871</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,190,096</u></b>	<b><u>\$ 1,925,738</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, 2018

	Unrestricted	Temporarily Restricted	Total 2018
<b>Revenues and Other Support:</b>			
Contracts and grants	\$ 5,879,521	\$ 123,297	\$ 6,002,818
Contributions:			
In-kind	101,715	-	101,715
Other	73,884	-	73,884
Interest income	923	-	923
Other income	20,033	-	20,033
Net assets released from restrictions	1,987	(1,987)	-
Total revenues and other support	<u>6,078,063</u>	<u>121,310</u>	<u>6,199,373</u>
<b>Expenses:</b>			
Program services	5,362,556	-	5,362,556
Management and general	663,808	-	663,808
Fundraising	10,431	-	10,431
Total expenses	<u>6,036,795</u>	<u>-</u>	<u>6,036,795</u>
<b>Change in Net Assets</b>	41,268	121,310	162,578
<b>Net Assets:</b>			
Beginning of year	<u>1,268,365</u>	<u>463,506</u>	<u>1,731,871</u>
End of year	<u>\$ 1,309,633</u>	<u>\$ 584,816</u>	<u>\$ 1,894,449</u>

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



# NORTH PENN LEGAL SERVICES, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total 2017
<b>Revenues and Other Support:</b>			
Contracts and grants	\$ 5,796,793	\$ 75,469	\$ 5,872,262
Contributions:			
In-kind	127,275	-	127,275
Other	68,411	-	68,411
Interest income	875	-	875
Other income	4,220	-	4,220
Net assets released from restrictions	-	-	-
Total revenues and other support	<u>5,997,574</u>	<u>75,469</u>	<u>6,073,043</u>
<b>Expenses:</b>			
Program services	5,096,806	-	5,096,806
Management and general	636,283	-	636,283
Fundraising	29,621	-	29,621
Total expenses	<u>5,762,710</u>	<u>-</u>	<u>5,762,710</u>
<b>Change in Net Assets</b>	234,864	75,469	310,333
<b>Net Assets:</b>			
Beginning of year	<u>1,033,501</u>	<u>388,037</u>	<u>1,421,538</u>
End of year	<u>\$ 1,268,365</u>	<u>\$ 463,506</u>	<u>\$ 1,731,871</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, 2018 AND 2017

	Program Services	Management and General	Fund- raising	Total 2018
Salaries	\$ 3,124,006	\$ 353,414	\$ 1,591	\$ 3,479,011
Fringe benefits	1,214,956	142,739	700	1,358,395
Consultants and contractors	115,336	13,003	35	128,374
Travel	45,752	17,231	32	63,015
Space costs	345,289	40,379	202	385,870
Consumable supplies	55,497	54,833	58	110,388
Equipment repairs and maintenance	87,294	10,796	52	98,142
Other	355,672	25,970	7,761	389,403
Depreciation	18,754	5,443	-	24,197
Total expenses	\$ 5,362,556	\$ 663,808	\$ 10,431	\$ 6,036,795
	Program Services	Management and General	Fund- raising	Total 2017
Salaries	\$ 3,009,854	\$ 367,355	\$ 12,997	\$ 3,390,206
Fringe benefits	996,027	127,405	4,974	1,128,406
Consultants and contractors	92,592	24,820	290	117,702
Travel	46,215	16,372	283	62,870
Space costs	361,169	44,866	1,840	407,875
Consumable supplies	97,132	15,021	509	112,662
Equipment repairs and maintenance	66,058	10,901	350	77,309
Other	383,719	24,100	8,378	416,197
Depreciation	44,040	5,443	-	49,483
Total expenses	\$ 5,096,806	\$ 636,283	\$ 29,621	\$ 5,762,710

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

# NORTH PENN LEGAL SERVICES, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 162,578	\$ 310,333
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	24,197	49,483
(Increase) decrease in:		
Accounts receivable	101,818	41,941
Prepaid expenses	(24,875)	(18,653)
Increase (decrease) in:		
Accounts payable and accrued expenses	114,747	(84,986)
Accrued compensated absences	(10,561)	-
Net cash and cash equivalents provided by operating activities	367,904	298,118
<b>Cash Flows From Investing Activities:</b>		
Purchases of equipment	(15,831)	(29,032)
Net cash and cash equivalents used in investing activities	(15,831)	(29,032)
<b>Cash Flows From Financing Activities:</b>		
Bank overdrafts	-	(140,169)
Net cash and cash equivalents used in financing activities	-	(140,169)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>352,073</b>	<b>128,917</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	1,333,742	1,204,825
End of year	\$ 1,685,815	\$ 1,333,742

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

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 AND 2017

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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:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of NPLS and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by NPLS.

### Cash and Cash Equivalents

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

### Accounts Receivable

Contracts and grants receivable, which include PLAN receivables, are for expenses incurred prior to the fiscal year-end that have not yet been received from the funding agency. No allowance for uncollectible accounts receivable is deemed necessary.

### Promises to Give

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value.

### Property and Equipment

Property and equipment, consisting of leasehold improvements, office furniture, and equipment, and law library items (consisting of library books and multiple volume sets),

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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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.

### Contracts, Grants, and Contributions

NPLS is required to record contracts, grants, and contributions received as unrestricted, temporarily restricted, or permanently restricted support. This requirement 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 unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

### In-Kind Contributions

In-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both support and expenses in the statement of activities.

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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Only those contributed services that create or enhance nonfinancial assets, require skills, and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements. In-kind contributed services totaled \$101,715 and \$127,275 for the years ended June 30, 2018 and 2017, respectively, and consisted of pro bono legal services. The average rate used to determine the value of pro bono legal services provided by attorneys was \$150 per hour. Approximately, 678 and 849 hours of pro bono legal services were provided by attorneys during the years ended June 30, 2018 and 2017, respectively.

### Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis on the statements of activities. 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. However, NPLS is subject to federal income tax on certain employee benefits. NPLS is not considered a private foundation for federal income tax purposes. NPLS annually files a Form 990 and Form 990-T.

### 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.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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### Pending Standards Update

Accounting Standards Update (ASU) 2014-09, *“Revenue from Contracts with Customers,”* is effective for NPLS’s financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU 2016-02, *“Leases (Topic 842),”* is effective for NPLS’s financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Early application of the amendments in the ASU is allowed.

ASU 2016-14, *“Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,”* is effective for NPLS’s financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, how underwater donor-restricted endowment funds are treated, will increase the information available about liquidity and the availability of resources, requires financial statements for not-for-profits to provide expenses both by nature and function, as well as an analysis of those expenses by both nature and function, along with disclosure of the methods used to allocate those costs among the various functions, and standardizes how organizations present investment returns and what expenses should be netted against those returns. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Early application of the amendments in the ASU is allowed.

ASU 2018-08, *“Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,”* is effective for NPLS’s financial statements for the year ending June 30, 2020. This amendment clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendment clarifies how an entity determines whether a resource provider is participating in an exchange transaction. Early application of the amendments in the ASU is allowed.

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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Management has not yet determined the impact of these amendments on NPLS's financial statements.

### Reclassification

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

### Subsequent Events

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

## 3. Client Escrow Funds

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

## 4. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 463,169	\$ 466,298
Leasehold improvements	<u>17,887</u>	<u>17,887</u>
	481,056	484,185
Accumulated depreciation	<u>(423,979)</u>	<u>(418,742)</u>
Property and equipment, net	<u>\$ 57,077</u>	<u>\$ 65,443</u>

Depreciation expense totaled \$24,197 and \$49,483 for the years ended June 30, 2018 and 2017, respectively.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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### 5. Line of Credit

NPLS has a secured line of credit agreement with Peoples Security Bank & Trust with a credit limit of \$500,000. The line is collateralized by NPLS's assets and is renewable annually. The note requires monthly interest payments at the Wall Street Journal Prime Rate. The outstanding balances on this line of credit were zero as of June 30, 2018 and 2017.

### 6. Net Assets and Transfers Between Net Assets

Net assets as of June 30, 2018 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
IOLTA carryover	\$ -	\$ 15,566
Access to Justice Act carryover	-	163,323
LSC - fiscal year carryover	-	244,537
LSC - advance funding	-	155,031
Property and equipment - other	57,077	-
Other	<u>1,252,556</u>	<u>6,359</u>
Total	<u>\$ 1,309,633</u>	<u>\$ 584,816</u>

Net assets as of June 30, 2017 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
IOLTA carryover	\$ -	\$ 11,610
Access to Justice Act carryover	-	136,192
LSC - fiscal year carryover	-	155,573
LSC - advance funding	-	157,018
Property and equipment - other	65,443	-
Other	<u>1,202,922</u>	<u>3,113</u>
Total	<u>\$ 1,268,365</u>	<u>\$ 463,506</u>

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# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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LSC permits up to 10% of current funding to be carried over to the next fiscal year. As of June 30, 2018 and 2017, NPLS had LSC carryover totaling \$244,537 and \$155,573 (12.5% and 8.3% of applicable year funding), respectively. For the year ended June 30, 2018, a carryover waiver will be requested from LSC.

IOLTA, Access to Justice Act, and Bank of America funding also permit a 10% carryover of current funding to the next fiscal year and require recipients to record the carryover funds as temporarily restricted net assets. The recipient may request a written waiver to carry over up to 25% of these funds. No written waiver was required for the years ended June 30, 2018 and 2017.

### 7. Operating Leases

NPLS presently leases office facilities at various locations in Northeastern Pennsylvania. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year; however, certain leases are cancelable without penalty in the event that NPLS is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2018 and 2017 was \$332,490 and \$325,292, respectively.

The following is a schedule of future minimum lease payments under non-cancelable leases as of June 30, 2018:

Year Ending June 30,	Amount
2019	\$ 220,253
2020	226,471
2021	240,297
2022	245,209
2023	248,729
2024-2026	309,492
	<u>\$ 1,490,451</u>

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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### 8. Funding

The receivable from PLAN represents final payment due to NPLS for the grant contract ended June 30, 2018.

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, 2017 through June 30, 2018 totaled \$1,955,189. NPLS expended \$131,575 of its LSC funding for PAI during the year ended June 30, 2018. This amount constituted 6.7% 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 but did not meet the reduced requirement. In accordance with LSC requirements, the shortfall of \$9,090 will be added to NPLS's PAI requirement for the year ended June 30, 2019.

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

### 9. Retirement Plan

NPLS has a 401(k) retirement plan available to eligible employees. For the years ended June 30, 2018 and 2017, 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 \$183,176 and \$167,400 for the years ended June 30, 2018 and 2017, respectively.

# NORTH PENN LEGAL SERVICES, INC.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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### 10. 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 32.1% of total revenue and other support for the year ended June 30, 2018. The PLAN grant (including IOLTA funding) was approximately 47.0% of total revenue and other support for the year ended June 30, 2018. Total revenue and other support used in these calculations do not include in-kind contributions.

## **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, 2018

(With Comparative Totals for Year Ended June 30, 2017)

	Legal Services Corporation					Totals	
	General Program	PAI	Total	Pennsylvania Legal Aid Network	Other	2018	2017
<b>Revenues and Other Support:</b>							
Contracts and grants	\$ 1,823,614	\$ 131,575	\$ 1,955,189	\$ 2,865,466	\$ 1,182,163	\$ 6,002,818	\$ 5,872,262
In-kind contributions	-	-	-	-	101,715	101,715	127,275
Other contributions	-	-	-	-	73,884	73,884	68,411
Interest income	-	-	-	923	-	923	875
Other income	-	-	-	-	20,033	20,033	4,220
Total revenues and other support	<u>1,823,614</u>	<u>131,575</u>	<u>1,955,189</u>	<u>2,866,389</u>	<u>1,377,795</u>	<u>6,199,373</u>	<u>6,073,043</u>
<b>Expenses:</b>							
Salaries:							
Attorneys	551,865	7,757	559,622	920,464	269,396	1,749,482	1,694,660
Paralegals	227,398	12,967	240,365	277,234	209,218	726,817	649,832
Support staff and administration	207,900	27,143	235,043	483,885	178,657	897,585	913,434
Law students	-	-	-	-	3,412	3,412	5,005
Contributed services	-	-	-	-	101,715	101,715	127,275
Total salaries	<u>987,163</u>	<u>47,867</u>	<u>1,035,030</u>	<u>1,681,583</u>	<u>762,398</u>	<u>3,479,011</u>	<u>3,390,206</u>
Fringe benefits:							
Payroll taxes	72,394	3,664	76,058	127,385	51,836	255,279	246,384
Unemployment	4,237	113	4,350	6,350	2,766	13,466	37,445
Retirement	57,637	1,533	59,170	86,380	37,626	183,176	167,400
Health and dental insurance	269,342	7,149	276,491	402,821	174,890	854,202	627,102
Group life and disability insurance	14,203	378	14,581	21,286	9,269	45,136	42,209
Workers' compensation	2,245	60	2,305	3,365	1,466	7,136	7,866
Total fringe benefits	<u>420,058</u>	<u>12,897</u>	<u>432,955</u>	<u>647,587</u>	<u>277,853</u>	<u>1,358,395</u>	<u>1,128,406</u>
Consultants and contractors:							
Consultants	15,340	400	15,740	22,283	9,758	47,781	46,078
Auditing	5,805	153	5,958	8,636	3,716	18,310	18,129
Judicare and contract attorneys	-	62,283	62,283	-	-	62,283	53,495
Total consultants and contractors	<u>21,145</u>	<u>62,836</u>	<u>83,981</u>	<u>30,919</u>	<u>13,474</u>	<u>128,374</u>	<u>117,702</u>
Travel:							
Employee travel - local	15,155	397	15,552	22,199	9,706	47,457	46,452
Employee travel - training	4,833	126	4,959	6,997	3,067	15,023	15,478
Board travel	172	4	176	249	110	535	940
Total travel	<u>20,160</u>	<u>527</u>	<u>20,687</u>	<u>29,445</u>	<u>12,883</u>	<u>63,015</u>	<u>62,870</u>

(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, 2018

(With Comparative Totals for Year Ended June 30, 2017)

(Continued)

Expenses (Continued):	Legal Services Corporation					Totals	
	General Program	PAI	Total	Pennsylvania Legal Aid Network	Other	2018	2017
	Space costs:						
Rent	104,620	2,783	107,403	156,787	68,300	332,490	325,292
Utilities	6,250	159	6,409	8,970	3,642	19,021	20,618
Maintenance and repairs	5,467	138	5,605	7,749	3,079	16,433	19,992
Other space costs and parking	5,931	150	6,081	8,452	3,393	17,926	41,973
Total space costs	122,268	3,230	125,498	181,958	78,414	385,870	407,875
Consumable supplies:							
Office supplies	6,663	177	6,840	9,986	4,348	21,174	36,155
Minor office accessories	26,690	705	27,395	39,702	17,094	84,191	73,497
Computer supplies	1,592	42	1,634	2,367	1,022	5,023	3,010
Total consumable supplies	34,945	924	35,869	52,055	22,464	110,388	112,662
Equipment repairs and maintenance	32,849	821	33,670	45,846	18,626	98,142	77,309
Other:							
Insurance and bonding	10,762	286	11,048	16,129	7,026	34,203	32,633
Printing	3,128	79	3,207	4,459	1,788	9,454	7,307
Dues	8,843	187	9,030	10,521	2,762	22,313	23,469
Tuition and seminar fees	3,790	100	3,890	5,637	2,429	11,956	16,116
Law library	1,917	-	1,917	23,115	25,554	50,586	49,836
Telephone	18,411	486	18,897	27,362	11,807	58,066	55,395
Connectivity	33,027	878	33,905	49,497	21,562	104,964	100,729
Advertising	7,145	181	7,326	10,182	4,083	21,591	1,599
Court costs	1,678	42	1,720	2,329	951	5,000	2,465
Postage	6,355	162	6,517	9,122	3,704	19,343	18,878
Bad debt expense	-	-	-	-	35,237	35,237	96,303
Fundraising	-	-	-	-	7,580	7,580	6,989
Miscellaneous	2,993	72	3,065	4,310	1,735	9,110	4,478
Total other	98,049	2,473	100,522	162,663	126,218	389,403	416,197
Depreciation	-	-	-	-	24,197	24,197	49,483
Total expenses	1,736,637	131,575	1,868,212	2,832,056	1,336,527	6,036,795	5,762,710
<b>Change in Net Assets</b>	86,977	-	86,977	34,333	41,268	162,578	310,333
<b>Reclassification of</b>							
<b>Acquisition of Property</b>	-	-	-	-	-	-	-
<b>Net Assets:</b>							
Beginning of Year	312,591	-	312,591	150,915	1,268,365	1,731,871	1,421,538
End of Year	\$ 399,568	\$ -	\$ 399,568	\$ 185,248	\$ 1,309,633	\$ 1,894,449	\$ 1,731,871
<b>Acquisition of Property</b>	\$ -	\$ -	\$ -	\$ -	\$ 15,831	\$ 15,831	\$ 29,032

(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, 2018

	Pennsylvania Legal Aid Network							Total
	Federal Title XX	Access to Justice Act Funds	State	DAP	IOLTA	Employment Project	Bank of America	
<b>Revenues and Other Support:</b>								
Contracts and grants	\$ 609,353	\$ 1,632,392	\$ 295,435	\$ 116,540	\$ 155,583	\$ 1,150	\$ 55,013	\$ 2,865,466
Interest income	-	843	-	-	80	-	-	923
Total revenues and other support	<u>609,353</u>	<u>1,633,235</u>	<u>295,435</u>	<u>116,540</u>	<u>155,663</u>	<u>1,150</u>	<u>55,013</u>	<u>2,866,389</u>
<b>Expenses:</b>								
Salaries:								
Attorneys	216,334	497,224	111,952	20,931	47,292	385	26,346	920,464
Paralegals	48,264	154,520	25,722	34,338	12,973	526	891	277,234
Support staff and administration	85,861	309,260	24,481	22,649	31,587	137	9,910	483,885
Total salaries	<u>350,459</u>	<u>961,004</u>	<u>162,155</u>	<u>77,918</u>	<u>91,852</u>	<u>1,048</u>	<u>37,147</u>	<u>1,681,583</u>
Fringe benefits:								
Payroll taxes	26,810	73,517	12,405	4,704	7,027	80	2,842	127,385
Unemployment	1,438	3,544	749	213	328	-	78	6,350
Retirement	19,564	48,207	10,190	2,898	4,459	1	1,061	86,380
Health and dental insurance	91,231	224,802	47,516	13,512	20,793	18	4,949	402,821
Group life and disability insurance	4,821	11,879	2,511	714	1,099	-	262	21,286
Workers' compensation	762	1,878	397	113	174	-	41	3,365
Total fringe benefits	<u>144,626</u>	<u>363,827</u>	<u>73,768</u>	<u>22,154</u>	<u>33,880</u>	<u>99</u>	<u>9,233</u>	<u>647,587</u>
Consultants and contractors:								
Consultants	5,103	12,575	2,658	756	1,163	-	28	22,283
Auditing	1,956	4,819	1,019	290	446	-	106	8,636
Total consultants and contractors	<u>7,059</u>	<u>17,394</u>	<u>3,677</u>	<u>1,046</u>	<u>1,609</u>	<u>-</u>	<u>134</u>	<u>30,919</u>
Travel:								
Employee travel - local	5,069	12,490	2,640	751	1,155	-	94	22,199
Employee travel - training	1,604	3,953	836	238	366	-	-	6,997
Board travel	57	141	30	8	13	-	-	249
Total travel	<u>6,730</u>	<u>16,584</u>	<u>3,506</u>	<u>997</u>	<u>1,534</u>	<u>-</u>	<u>94</u>	<u>29,445</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, 2018  
(Continued)

	Pennsylvania Legal Aid Network							Total
	Federal Title XX	Access to Justice Act Funds	State	DAP	IOLTA	Employment Project	Bank of America	
<b>Expenses (Continued):</b>								
Space costs:								
Rent	35,510	87,502	18,495	5,259	8,094	1	1,926	156,787
Utilities	2,032	5,006	1,058	301	463	-	110	8,970
Maintenance and repairs	1,755	4,325	914	260	400	-	95	7,749
Other space costs and parking	1,914	4,717	997	284	436	-	104	8,452
Total space costs	<u>41,211</u>	<u>101,550</u>	<u>21,464</u>	<u>6,104</u>	<u>9,393</u>	<u>1</u>	<u>2,235</u>	<u>181,958</u>
Consumable supplies:								
Office supplies	2,262	5,573	1,178	335	515	-	123	9,986
Minor office accessories	8,992	22,157	4,683	1,332	2,049	1	488	39,702
Computer supplies	536	1,322	279	79	122	-	29	2,367
Total consumable supplies	<u>11,790</u>	<u>29,052</u>	<u>6,140</u>	<u>1,746</u>	<u>2,686</u>	<u>1</u>	<u>640</u>	<u>52,055</u>
Equipment repairs and maintenance	<u>10,482</u>	<u>25,484</u>	<u>5,459</u>	<u>1,552</u>	<u>2,317</u>	<u>-</u>	<u>552</u>	<u>45,846</u>
Other:								
Insurance and bonding	3,653	9,001	1,903	541	833	-	198	16,129
Printing	1,010	2,488	526	150	230	-	55	4,459
Dues	2,383	5,872	1,241	353	543	-	129	10,521
Tuition and seminar fees	1,277	3,146	665	189	291	-	69	5,637
Law library	5,403	13,312	2,814	355	1,231	-	-	23,115
Telephone	6,190	15,296	3,220	906	1,414	-	336	27,362
Connectivity	11,210	27,624	5,839	1,660	2,555	1	608	49,497
Advertising	2,306	5,682	1,201	342	526	-	125	10,182
Court costs	534	1,316	278	79	122	-	-	2,329
Postage	2,066	5,091	1,076	306	471	-	112	9,122
Miscellaneous	964	2,381	503	142	220	-	100	4,310
Total other	<u>36,996</u>	<u>91,209</u>	<u>19,266</u>	<u>5,023</u>	<u>8,436</u>	<u>1</u>	<u>1,732</u>	<u>162,663</u>
Total expenses	<u>609,353</u>	<u>1,606,104</u>	<u>295,435</u>	<u>116,540</u>	<u>151,707</u>	<u>1,150</u>	<u>51,767</u>	<u>2,832,056</u>
<b>Change in Net Assets</b>	-	27,131	-	-	3,956	-	3,246	34,333
<b>Net Assets:</b>								
Beginning of Year	-	136,192	-	-	11,610	-	3,113	150,915
End of Year	<u>\$ -</u>	<u>\$ 163,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,566</u>	<u>\$ -</u>	<u>\$ 6,359</u>	<u>\$ 185,248</u>

(Concluded)

**NORTH PENN LEGAL SERVICES, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Congress:</u>				
Legal Services Corporation	N/A	09.U01.339070	\$ 1,868,212	\$ -
Total U.S. Congress			<u>1,868,212</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:				
Title XX Social Services Block Grant	NPLS	93.667	609,353	-
Total U.S. Department of Health and Human Services			<u>609,353</u>	<u>-</u>
<u>U.S. Department of Justice:</u>				
Passed through Pennsylvania Commission on Crime and Delinquency:				
Crime Victim Assistance	2016-VF-05-26841	16.575	27,400	-
Passed through Luzerne County:				
Violence Against Women Formula Grants	2016-VA-07 26313-2	16.588	10,737	-
Passed through Victim's Resource Center:				
Violence Against Women Formula Grants	N/A	16.588	3,859	-
Subtotal 16.588			<u>14,596</u>	<u>-</u>
Total U.S. Department of Justice			<u>41,996</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development:</u>				
Passed through County of Lehigh:				
Community Development Block Grant/State's Program	N/A	14.228	21,253	-
Passed through City of Bethlehem:				
Community Development Block Grant/Entitlement Grants	2016-8	14.218	10,872	-
Passed through County of Northampton:				
Community Development Block Grant/Entitlement Grants	N/A	14.218	14,762	-
Passed through City of Allentown:				
Community Development Block Grant/Entitlement Grants	N/A	14.218	26,183	-
Passed through City of Easton:				
Community Development Block Grant/Entitlement Grants	N/A	14.218	7,234	-
Subtotal CDBG - Entitlement Grants Cluster			<u>59,051</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>80,304</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,599,865</u>	<u>\$ -</u>

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, 2018

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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).

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, 2018

**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, 2018, 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 9, 2018.

### **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) to determine 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questions costs as Finding 2018-001, that we consider to be a material weakness.

### **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 determination of financial statement amounts. 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*.

### **NPLS's Response to the Finding**

NPLS's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. NPLS's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

*Maher Duessel*

Harrisburg, Pennsylvania  
October 9, 2018

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

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

### **Report on Compliance for the Major Federal Program**

We have audited North Penn Legal Services, Inc.’s (NPLS) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2018. NPLS’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### ***Management’s Responsibility***

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

### ***Auditor’s Responsibility***

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

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



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

***Opinion on the Major Federal Program***

In our opinion, NPLS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

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

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

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

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

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

*Mahe Duessel*

Harrisburg, Pennsylvania  
October 9, 2018

# **NORTH PENN LEGAL SERVICES, INC.**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

YEAR ENDED JUNE 30, 2018

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **FINDING: 2017-001 Eligibility**

U.S. Congress via Legal Services Corporation (CFDA #09.U01.339070)

*Statement of Condition:* During the audit, we noted that the financial eligibility guidelines were not updated since February 27, 2014.

*Current Status:* North Penn Legal Services (NPLS) successfully implemented its corrective action.

# NORTH PENN LEGAL SERVICES, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

### I. Summary of Audit Results

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

2. Internal control over financial reporting:

Material weakness(es) identified?  yes  no

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

3. Noncompliance material to financial statements noted?  yes  no

4. Internal control over major programs:

Material weakness(es) identified?  yes  no

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

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

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

7. Major Programs:

CFDA Number(s)

09.U01.339070

Name of Federal Program or Cluster

Legal Services Corporation

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

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

# NORTH PENN LEGAL SERVICES, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

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

### **Finding 2018-001: Financial Reporting**

*Statement of Condition:* During the audit process, various adjustments were made to NPLS's accounting records, which decreased assets by \$12,932, increased liabilities by \$93,154, decreased ending net assets by \$106,086, decreased revenue by \$110,780, and decreased expenses by \$16,671.

*Criteria:* NPLS should have the ability to produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Cause:* NPLS did not have adequate staffing to produce GAAP financial statements.

*Effect of the Condition:* If the entity relies upon its auditors to assist them in producing GAAP financial statements, the auditor is required to communicate a significant deficiency or material weakness related to financial reporting.

*Recommendation:* We recommend putting procedures in place to ensure that NPLS's trial balance is properly reviewed before the audit begins.

*Views of Responsible Officials:* The Chief Financial Officer shall receive the necessary additional training on the monthly cost allocation process. Effective with the July 2018 monthly close, the Chief Financial Officer reviews the trial balance for compliance with generally accepted accounting principles before preparation of NPLS's internal financial statements.

III. Findings and questioned costs for federal awards.

**No matters were reported.**