

North Penn Legal Services, Inc.

Financial Statements and
Supplementary Information

Years Ended June 30, 2021 and 2020
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, 2021 AND 2020

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YEARS ENDED JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 17 through 22 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, on our consideration of NPLS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NPLS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NPLS's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
October 5, 2021

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 3,381,267	\$ 3,591,309
Client escrow funds	5,109	2,697
Accounts receivable:		
PLAN	304,630	269,778
Other	216,977	209,024
Prepaid expenses	206,010	222,371
Property and equipment, net	<u>105,816</u>	<u>117,206</u>
Total Assets	<u>\$ 4,219,809</u>	<u>\$ 4,412,385</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 195,183	\$ 174,867
Accrued compensated absences	153,101	135,022
Client trust deposits	5,109	2,697
Refundable advances	<u>2,349,872</u>	<u>2,681,473</u>
Total Liabilities	<u>2,703,265</u>	<u>2,994,059</u>
Net Assets:		
Without donor restrictions	1,457,966	1,418,326
With donor restrictions	<u>58,578</u>	<u>-</u>
Total Net Assets	<u>1,516,544</u>	<u>1,418,326</u>
Total Liabilities and Net Assets	<u>\$ 4,219,809</u>	<u>\$ 4,412,385</u>

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

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

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenues and Other Support:			
Contracts and grants	\$ 5,648,728	\$ -	\$ 5,648,728
Contributions:			
In-kind	149,505	-	149,505
Other	54,438	-	54,438
Interest income	6,516	-	6,516
Other income	824,252	-	824,252
Net assets released from restrictions	680,500	(680,500)	-
Total revenues and other support	7,363,939	(680,500)	6,683,439
Expenses:			
Program services	6,625,966	-	6,625,966
Management and general	758,017	-	758,017
Fundraising	10,854	-	10,854
Total expenses	7,394,837	-	7,394,837
Change in Net Assets	(30,898)	(680,500)	(711,398)
Net Assets:			
Beginning of year	1,449,224	680,500	2,129,724
End of year	\$ 1,418,326	\$ -	\$ 1,418,326

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2021 AND 2020

	Program Services	Management and General	Fund- raising	Total 2021
Salaries	\$ 4,081,746	\$ 462,132	\$ 3,042	\$ 4,546,920
Fringe benefits	2,014,539	236,993	1,747	2,253,279
Consultants and contractors	145,064	7,812	36	152,912
Travel	20,346	675	16	21,037
Space costs	433,817	50,566	380	484,763
Consumable supplies	228,903	26,669	95	255,667
Equipment repairs and maintenance	94,381	11,001	84	105,466
Other	352,355	40,524	4,086	396,965
Depreciation	27,231	3,171	-	30,402
	\$ 7,398,382	\$ 839,543	\$ 9,486	\$ 8,247,411
	Program Services	Management and General	Fund- raising	Total 2020
Salaries	\$ 3,689,841	\$ 415,520	\$ 3,518	\$ 4,108,879
Fringe benefits	1,801,368	219,235	2,086	2,022,689
Consultants and contractors	88,989	4,038	40	93,067
Travel	57,087	3,676	63	60,826
Space costs	398,253	46,750	463	445,466
Consumable supplies	134,579	15,794	117	150,490
Equipment repairs and maintenance	93,280	10,949	107	104,336
Other	343,456	39,814	4,460	387,730
Depreciation	19,113	2,241	-	21,354
	\$ 6,625,966	\$ 758,017	\$ 10,854	\$ 7,394,837

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

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 98,218	\$ (711,398)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	30,402	21,354
Anticipated forgiveness of loan	-	(821,861)
(Increase) decrease in:		
Accounts receivable	(42,805)	(82,394)
Prepaid expenses	16,361	(5,281)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,316	(48,902)
Accrued compensated absences	18,079	19,991
Client trust deposits	2,412	(937)
Refundable advances	(331,601)	2,681,473
Net cash and cash equivalents provided by (used in) operating activities	(188,618)	1,052,045
Cash Flows From Investing Activities:		
Purchase of equipment	(19,012)	-
Net cash and cash equivalents used in investing activities	(19,012)	-
Cash Flows From Financing Activities:		
Proceeds from loan	-	821,861
Net cash and cash equivalents provided by financing activities	-	821,861
Net Increase (Decrease) in Cash and Cash Equivalents	(207,630)	1,873,906
Cash and Cash Equivalents:		
Beginning of year	3,594,006	1,720,100
End of year	\$ 3,386,376	\$ 3,594,006
Cash and cash equivalents	\$ 3,381,267	\$ 3,591,309
Client escrow funds	5,109	2,697
Cash and cash equivalents end of year	\$ 3,386,376	\$ 3,594,006

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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 year ended June 30, 2021.

Promises to Give

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

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

Prepaid Expenses

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

Property and Equipment

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

Impairment

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

Accrued Compensated Absences

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

Contributions and Refundable Advances

Conditional contributions received by NPLS are recorded as refundable advances until the conditions are substantially met. When the conditions are substantially met, the contribution becomes unconditional.

Unconditional contributions are recorded as without donor restrictions or with donor restrictions. This classification is dependent on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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

In-Kind Contributions

In-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both support and expenses in the statement of activities. Only those contributed services that create or enhance nonfinancial assets, require skills, and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements. In-kind contributed services totaled \$116,580 and \$149,505 for the years ended June 30, 2021 and 2020, respectively, and consisted of pro bono legal services. The average rate used to determine the value of pro bono legal services provided by attorneys was \$150 per hour for the years ended June 30, 2021 and 2020. Approximately, 777 and 997 hours of pro bono legal services were provided by attorneys during the years ended June 30, 2021 and 2020, respectively.

Expense Allocation

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

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

Income Taxes

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

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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.

Pending Standards Update

ASU 2016-02, *“Leases (Topic 842),”* is effective for NPLS’s financial statements for the year ending June 30, 2023. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2018-15, *“Intangibles: Goodwill and Other Internal-Use Software (Subtopic 350-40),”* is effective for NPLS’s financial statements for the year ending June 30, 2022. This amendment will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license.

ASU 2020-07, *“Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets,”* is effective for NPLS’s financial statements for the year ending June 30, 2022. The amendments in this update address presentation and disclosure of contributed nonfinancial assets.

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

Subsequent Events

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

3. Client Escrow Funds

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

4. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 575,235	\$ 482,331
Leasehold improvements	36,899	17,887
Construction in progress	-	92,904
	<u>612,134</u>	<u>593,122</u>
Accumulated depreciation	<u>(506,318)</u>	<u>(475,916)</u>
Property and equipment, net	<u>\$ 105,816</u>	<u>\$ 117,206</u>

Depreciation expense totaled \$30,402 and \$21,354 for the years ended June 30, 2021 and 2020, respectively.

5. Refundable Advances

NPLS' refundable advances as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Access to Justice Act	\$ 811,699	\$ 811,690
IOLTA	116,932	116,932
IOLTA -BOA - Landlord Tenant	-	105,683
IOLTA - BOA - Mortgage Foreclosure	3,521	15,838
LSC - fiscal year carryover	1,160,129	793,337
LSC - advance funding	192,190	181,191
LSC - Other	970	457,144
MLK grant	2,916	-
Other	61,515	199,658
	<u>\$ 2,349,872</u>	<u>\$ 2,681,473</u>

All refundable advances as of June 30, 2021 are considered conditional contributions with an unmet barrier to incur qualifying expenses.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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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, 2021, NPLS had LSC carryover totaling \$1,160,129 (51.5% of applicable year funding). For the year ended June 30, 2021, a carryover waiver will be 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. A waiver was granted to NPLS to carryover up to 14% of IOLTA and 27% of Access to Justice Act funding for the year ended June 30, 2021. Actual carryover as of June 30, 2021 was 14% of IOLTA funding and 27% of Access to Justice Act funding. NPLS must refund \$45,500 of IOLTA funds and \$236,834 of Access to Justice Act funds by November 1, 2021.

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

6. Loan Payable

In April 2020, NPLS qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the United States Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (M&T Bank), for an aggregate principal amount of \$821,861. The PPP loan bears interest at a fixed rate of 1% per annum. As of June 30, 2020, the full amount of the loan met the conditions set forth by the SBA and was expended within 8 weeks. As of June 30, 2021, the total amount has been forgiven.

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, 2021 and 2020.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

8. Net Assets and Transfers Between Net Assets

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

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

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

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

9. Operating Leases

NPLS presently leases office facilities at various locations in Northeastern Pennsylvania. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year; however, certain leases are cancelable without penalty in the event that NPLS is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2021 and 2020 was \$405,827 and \$374,702, respectively.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

The following is a schedule of future minimum lease payments under non-cancelable leases as of June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 235,228
2023	246,729
2024	252,336
2025	254,798
2026	159,703
Thereafter	405,346
	<u>\$ 1,554,140</u>

10. Funding

The receivable from PLAN represents final payment due to NPLS for the grant contract ended June 30, 2021.

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, 2020 through June 30, 2021 totaled \$2,256,991. NPLS expended \$157,587 of its LSC funding for PAI during the year ended June 30, 2021. This amount constituted 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 and met the reduced requirement of \$128,113.

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

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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 \$224,999 and \$151,771 for the years ended June 30, 2021 and 2020, 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 27.9% of total revenue and other support for the year ended June 30, 2021. The PLAN grant (including IOLTA funding) was approximately 51.2% of total revenue and other support for the year ended June 30, 2021. Total revenue and other support used in these calculations do not include in-kind contributions.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, expected to be available within one year to meet operating cash needs:

	2021	2020
Cash and cash equivalents	\$ 3,381,267	\$ 3,591,309
Accounts receivable	521,607	478,802
	<u>\$ 3,902,874</u>	<u>\$ 4,070,111</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, 2021

(With Comparative Totals for Year Ended June 30, 2020)

	Legal Services Corporation	Pennsylvania Legal Aid Network	Other	Totals	
				2021	2020
Revenues and Other Support:					
Contracts and grants	\$ 2,330,909	\$ 4,274,796	\$ 1,486,309	\$ 8,092,014	\$ 5,648,728
In-kind contributions	-	-	116,580	116,580	149,505
Other contributions	-	-	127,434	127,434	54,438
Interest income	2,213	2,445	-	4,658	6,516
Other income	-	-	4,943	4,943	824,252
Total revenues and other support	2,333,122	4,277,241	1,735,266	8,345,629	6,683,439
Expenses:					
Salaries:					
Attorneys	703,819	1,317,056	438,751	2,459,626	2,244,664
Paralegals	303,274	423,074	197,261	923,609	807,510
Support staff and administration	224,538	640,334	177,649	1,042,521	904,321
Law students	-	-	4,584	4,584	2,879
Contributed services	-	-	116,580	116,580	149,505
Total salaries	1,231,631	2,380,464	934,825	4,546,920	4,108,879
Fringe benefits:					
Payroll taxes	93,221	183,516	62,158	338,895	302,543
Health and dental insurance	470,210	835,159	301,881	1,607,250	1,488,949
Unemployment	4,092	7,263	2,601	13,956	20,778
Retirement	66,327	116,958	41,714	224,999	151,771
Group life and disability insurance	17,429	30,828	10,982	59,239	50,467
Workers' compensation	2,641	4,642	1,657	8,940	8,180
Total fringe benefits	653,920	1,178,366	420,993	2,253,279	2,022,688
Consultants and contractors:					
Consultants	38,590	12,326	4,716	55,632	19,489
Auditing	6,433	9,230	3,567	19,230	18,984
Judicare and contract attorneys	64,516	13,534	-	78,050	54,594
Total consultants and contractors	109,539	35,090	8,283	152,912	93,067
Travel:					
Employee travel - local	7,033	10,177	3,408	20,618	42,376
Employee travel - training	138	202	79	419	17,928
Board travel	-	-	-	-	522
Total travel	7,171	10,379	3,487	21,037	60,826

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, 2021

(With Comparative Totals for Year Ended June 30, 2020)

(Continued)

	Legal Services Corporation	Pennsylvania Legal Aid Network	Other	Totals	
				2021	2020
Expenses (Continued):					
Space costs:					
Rent	122,272	208,343	75,212	405,827	374,702
Utilities	5,583	9,408	3,416	18,407	19,076
Maintenance and repairs	9,036	15,939	5,564	30,539	17,638
Other space costs and parking	10,319	15,473	4,198	29,990	34,050
Total space costs	<u>147,210</u>	<u>249,163</u>	<u>88,390</u>	<u>484,763</u>	<u>445,466</u>
Consumable supplies:					
Office supplies	15,760	37,080	8,666	61,506	68,470
Minor office accessories	23,011	151,618	7,738	182,367	72,944
Computer supplies	3,584	6,019	2,191	11,794	9,076
Total consumable supplies	<u>42,355</u>	<u>194,717</u>	<u>18,595</u>	<u>255,667</u>	<u>150,490</u>
Equipment repairs and maintenance	<u>32,123</u>	<u>54,501</u>	<u>18,842</u>	<u>105,466</u>	<u>104,336</u>
Other:					
Insurance and bonding	10,992	18,685	6,755	36,432	32,815
Printing	1,758	3,333	619	5,710	12,504
Dues	4,869	7,462	19,551	31,882	30,521
Tuition and seminar fees	6,871	9,889	2,418	19,178	27,649
Law library	19,825	31,746	10,527	62,098	61,829
Telephone	11,769	17,039	4,141	32,949	27,449
Connectivity	30,940	52,741	19,047	102,728	100,543
Advertising	12,008	17,221	4,226	33,455	25,620
Court costs	1,550	2,212	847	4,609	4,282
Postage	5,274	9,221	3,679	18,174	17,694
Bad debt expense	-	-	12,000	12,000	3,025
Fundraising	-	-	3,823	3,823	4,077
Miscellaneous	3,317	5,012	25,598	33,927	39,722
Total other	<u>109,173</u>	<u>174,561</u>	<u>113,231</u>	<u>396,965</u>	<u>387,730</u>
Depreciation	-	-	30,402	30,402	21,354
Total expenses	<u>2,333,122</u>	<u>4,277,241</u>	<u>1,637,048</u>	<u>8,247,411</u>	<u>7,394,836</u>
Change in Net Assets	-	-	98,218	98,218	(711,397)
Net Assets:					
Beginning of Year	-	-	-	1,418,326	2,129,723
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,218</u>	<u>\$ 1,516,544</u>	<u>\$ 1,418,326</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021

	LSC					Total
	General Program	PAI	LSC TIG	LSC Telework	LSC COVID	
Revenues and Other Support:						
Contracts and grants	\$ 1,717,149	\$ 157,587	\$ 35,164	\$ 3,022	\$ 417,987	\$ 2,330,909
Interest income	2,213	-	-	-	-	2,213
Total revenues and other support	<u>1,719,362</u>	<u>157,587</u>	<u>35,164</u>	<u>3,022</u>	<u>417,987</u>	<u>2,333,122</u>
Expenses:						
Salaries:						
Attorneys	535,490	18,621	1,800	-	147,908	703,819
Paralegals	244,993	26,499	435	-	31,347	303,274
Support staff and administration	161,641	4,276	678	-	57,943	224,538
Total salaries	<u>942,124</u>	<u>49,396</u>	<u>2,913</u>	<u>-</u>	<u>237,198</u>	<u>1,231,631</u>
Fringe benefits:						
Payroll taxes	71,071	3,781	223	-	18,146	93,221
Health and dental insurance	360,394	21,636	1,086	-	87,094	470,210
Unemployment	3,154	187	9	-	742	4,092
Retirement	51,121	3,028	150	-	12,028	66,327
Group life and disability insurance	13,433	796	39	-	3,161	17,429
Workers' compensation	2,035	121	6	-	479	2,641
Total fringe benefits	<u>501,208</u>	<u>29,549</u>	<u>1,513</u>	<u>-</u>	<u>121,650</u>	<u>653,920</u>
Consultants and contractors:						
Consultants	6,843	348	30,017	-	1,382	38,590
Auditing	5,135	258	13	-	1,027	6,433
Judicare and contract attorneys	-	64,516	-	-	-	64,516
Total consultants and contractors	<u>11,978</u>	<u>65,122</u>	<u>30,030</u>	<u>-</u>	<u>2,409</u>	<u>109,539</u>
Travel:						
Employee travel - local	5,653	275	14	-	1,091	7,033
Employee travel - training	110	6	-	-	22	138
Board travel	-	-	-	-	-	-
Total travel	<u>5,763</u>	<u>281</u>	<u>14</u>	<u>-</u>	<u>1,113</u>	<u>7,171</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, 2021

(Continued)

LSC

	General Program	PAI	LSC TIG	LSC Telework	LSC COVID	Total
Expenses (Continued):						
Space costs:						
Rent	94,828	5,464	271	-	21,709	122,272
Utilities	4,330	250	12	-	991	5,583
Maintenance and repairs	7,008	404	20	-	1,604	9,036
Other space costs and parking	8,281	406	20	-	1,612	10,319
Total space costs	<u>114,447</u>	<u>6,524</u>	<u>323</u>	<u>-</u>	<u>25,916</u>	<u>147,210</u>
Consumable supplies:						
Office supplies	10,673	615	30	1,999	2,443	15,760
Minor office accessories	17,816	831	41	1,023	3,300	23,011
Computer supplies	2,780	160	8	-	636	3,584
Total consumable supplies	<u>31,269</u>	<u>1,606</u>	<u>79</u>	<u>3,022</u>	<u>6,379</u>	<u>42,355</u>
Equipment repairs and maintenance	<u>25,118</u>	<u>1,395</u>	<u>69</u>	<u>-</u>	<u>5,541</u>	<u>32,123</u>
Other:						
Insurance and bonding	8,525	491	24	-	1,952	10,992
Printing	1,425	66	3	-	264	1,758
Dues	3,920	189	9	-	751	4,869
Tuition and seminar fees	5,567	260	13	-	1,031	6,871
Law library	16,780	-	38	-	3,007	19,825
Telephone	9,536	445	22	-	1,766	11,769
Connectivity	23,995	1,383	69	-	5,493	30,940
Advertising	9,730	454	22	-	1,802	12,008
Court costs	1,237	62	3	-	248	1,550
Postage	4,050	244	12	-	968	5,274
Miscellaneous	2,690	120	8	-	499	3,317
Total other	<u>87,455</u>	<u>3,714</u>	<u>223</u>	<u>-</u>	<u>17,781</u>	<u>109,173</u>
Total expenses	<u>1,719,362</u>	<u>157,587</u>	<u>35,164</u>	<u>3,022</u>	<u>417,987</u>	<u>2,333,122</u>
Change in Net Assets	-	-	-	-	-	-
Net Assets:						
Beginning of Year	-	-	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021

	Pennsylvania Legal Aid Network									
	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	Employment Project	State CARES Act	Total
Revenues and Other Support:										
Contracts and grants	\$ 652,045	\$ 2,129,139	\$ 309,309	\$ 114,569	\$ 230,000	\$ 510,227	\$ 34,642	\$ -	\$ 294,865	\$ 4,274,796
Interest income	-	2,015	-	-	-	430	-	-	-	2,445
Total revenues and other support	<u>652,045</u>	<u>2,131,154</u>	<u>309,309</u>	<u>114,569</u>	<u>230,000</u>	<u>510,657</u>	<u>34,642</u>	<u>-</u>	<u>294,865</u>	<u>4,277,241</u>
Expenses:										
Salaries:										
Attorneys	287,004	643,855	97,981	29,114	29,180	156,403	21,239	-	52,280	1,317,056
Paralegals	26,169	196,237	26,391	28,377	85,857	43,847	-	-	16,196	423,074
Support staff and administration	30,440	436,923	58,856	403	245	107,212	-	-	6,255	640,334
Total salaries	<u>343,613</u>	<u>1,277,015</u>	<u>183,228</u>	<u>57,894</u>	<u>115,282</u>	<u>307,462</u>	<u>21,239</u>	<u>-</u>	<u>74,731</u>	<u>2,380,464</u>
Fringe benefits:										
Payroll taxes	26,286	97,692	14,017	5,839	8,819	23,521	1,625	-	5,717	183,516
Health and dental insurance	150,164	402,808	59,643	27,569	55,162	96,090	9,835	-	33,888	835,159
Unemployment	1,297	3,478	515	238	476	830	88	-	341	7,263
Retirement	21,013	56,368	8,346	3,858	7,719	13,446	1,424	-	4,784	116,958
Group life and disability insurance	5,522	14,811	2,193	1,014	2,028	3,533	374	-	1,353	30,828
Workers' compensation	836	2,244	332	154	307	535	57	-	177	4,642
Total fringe benefits	<u>205,118</u>	<u>577,401</u>	<u>85,046</u>	<u>38,672</u>	<u>74,511</u>	<u>137,955</u>	<u>13,403</u>	<u>-</u>	<u>46,260</u>	<u>1,178,366</u>
Consultants and contractors:										
Consultants	2,414	6,476	959	443	64	1,545	-	-	425	12,326
Auditing	1,793	4,811	712	329	659	496	-	-	430	9,230
Judicare and contract attorneys	-	-	-	-	-	-	-	-	13,534	13,534
Total consultants and contractors	<u>4,207</u>	<u>11,287</u>	<u>1,671</u>	<u>772</u>	<u>723</u>	<u>2,041</u>	<u>-</u>	<u>-</u>	<u>14,389</u>	<u>35,090</u>
Travel:										
Employee travel - local	1,906	5,114	757	350	293	1,220	-	-	537	10,177
Employee travel - training	39	103	15	7	1	25	-	-	12	202
Board travel	-	-	-	-	-	-	-	-	-	-
Total travel	<u>1,945</u>	<u>5,217</u>	<u>772</u>	<u>357</u>	<u>294</u>	<u>1,245</u>	<u>-</u>	<u>-</u>	<u>549</u>	<u>10,379</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, 2021
(Continued)

Pennsylvania Legal Aid Network

	Federal Title XX	Access to Justice Act Funds	State	DAP	DAP Innovation	IOLTA	MLK Fellowship	Employment Project	State CARES Act	Total
Expenses (Continued):										
Space costs:										
Rent	37,924	101,731	15,063	6,963	13,932	24,267	-	-	8,463	208,343
Utilities	1,732	4,645	688	318	636	1,108	-	-	281	9,408
Maintenance and repairs	2,803	7,519	1,113	515	1,030	1,794	-	-	1,165	15,939
Other space costs and parking	2,815	7,552	1,118	517	1,034	1,801	-	-	636	15,473
Total space costs	<u>45,274</u>	<u>121,447</u>	<u>17,982</u>	<u>8,313</u>	<u>16,632</u>	<u>28,970</u>	<u>-</u>	<u>-</u>	<u>10,545</u>	<u>249,163</u>
Consumable supplies:										
Office supplies	4,268	11,450	1,695	784	1,568	2,731	-	-	14,584	37,080
Minor office accessories	5,764	15,463	2,290	1,058	2,118	3,689	-	-	121,236	151,618
Computer supplies	1,112	2,982	442	204	408	711	-	-	160	6,019
Total consumable supplies	<u>11,144</u>	<u>29,895</u>	<u>4,427</u>	<u>2,046</u>	<u>4,094</u>	<u>7,131</u>	<u>-</u>	<u>-</u>	<u>135,980</u>	<u>194,717</u>
Equipment repairs and maintenance	<u>9,679</u>	<u>25,565</u>	<u>3,844</u>	<u>1,777</u>	<u>3,556</u>	<u>5,977</u>	<u>-</u>	<u>-</u>	<u>4,103</u>	<u>54,501</u>
Other:										
Insurance and bonding	3,409	9,146	1,354	626	1,252	2,182	-	-	716	18,685
Printing	461	1,237	183	85	169	295	-	-	903	3,333
Dues	1,312	3,521	521	241	482	840	-	-	545	7,462
Tuition and seminar fees	1,801	4,832	715	331	662	1,153	-	-	395	9,889
Law library	5,253	14,092	2,087	-	5,578	3,361	-	-	1,375	31,746
Telephone	3,085	8,277	1,225	566	1,133	1,974	-	-	779	17,039
Connectivity	9,596	25,742	3,812	1,762	3,525	6,140	-	-	2,164	52,741
Advertising	3,148	8,445	1,250	578	1,157	2,015	-	-	628	17,221
Court costs	434	1,163	172	80	7	278	-	-	78	2,212
Postage	1,692	4,537	672	311	621	1,082	-	-	306	9,221
Miscellaneous	874	2,335	348	158	322	556	-	-	419	5,012
Total other	<u>31,065</u>	<u>83,327</u>	<u>12,339</u>	<u>4,738</u>	<u>14,908</u>	<u>19,876</u>	<u>-</u>	<u>-</u>	<u>8,308</u>	<u>174,561</u>
Total expenses	<u>652,045</u>	<u>2,131,154</u>	<u>309,309</u>	<u>114,569</u>	<u>230,000</u>	<u>510,657</u>	<u>34,642</u>	<u>-</u>	<u>294,865</u>	<u>4,277,241</u>
Change in Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets:										
Beginning of Year	-	-	-	-	-	-	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Acquisition of Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH PENN LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

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 - Basic Field Grant	N/A	09.U01.339070	\$ 1,876,987	\$ -
Legal Services Corporation - COVID 19 Supplemental Funds Grant	CV20032	09.U01.339070	417,987	-
Legal Services Corporation - Telework Capacity Building Grant	CVT20028	09.U01.339070	3,022	-
Legal Services Corporation - Technology Initiative Grant	19033	09.U01.339070	35,164	-
Subtotal 09.U01.339070			<u>2,333,160</u>	<u>-</u>
Total U.S. Congress			<u>2,333,160</u>	<u>-</u>
<u>U.S. Department of Health and Human Services:</u>				
Passed through Commonwealth of Pennsylvania Department of Human Services:				
Passed through Pennsylvania Legal Aid Network:				
Social Services Block Grant	NPLS	93.667	652,045	-
Pass through Pennsylvania Coalition Against Domestic Violence:				
Social Services Block Grant	6061-2021	93.667	79,884	-
Subtotal 93.667			<u>731,929</u>	<u>-</u>
Passed through Area Agency on Aging Luzerne/Wyoming Counties:				
Special Programs for Aging	37	93.042	18,550	-
Passed through Area Agency on Aging Luzerne/Wyoming Counties:				
Special Programs for Aging	37-COVID	93.042	2,262	-
Subtotal 93.042			<u>20,812</u>	<u>-</u>
Passed through Northhampton County Area Agency of Aging:				
Special Programs for Aging	17-323	93.044	15,896	-
Total U.S. Department of Health and Human Services			<u>768,637</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	63,393	-
Crime Victim Assistance	2018-VF-05-31094	16.575	61,595	-
	2017/2018-VF-05-			
Crime Victim Assistance	29050	16.575	121,246	-
	2016/2017/2018-VF-			
Crime Victim Assistance	05-29051	16.575	36,934	-
Subtotal 16.575			<u>283,168</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, 2021

(Continued)

Grantor/Program Title/ Pass-Through Agency	Pass-Through Grantor Number	Federal CFDA Number	Federal Expenditures	Expenditures to Subrecipients
Passed through Luzerne County: Violence Against Women Formula Grants	2016-VA-07 28778	16.588	5,591	
Passed through Victim's Resource Center: Violence Against Women Formula Grants	N/A	16.588	12,349	-
Subtotal 16.588			17,940	-
Total U.S. Department of Justice			301,108	-
<u>U.S. Department of Housing and Urban Development:</u>				
Passed through County of Lehigh: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	N/A	14.228	11,313	-
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	COVID	14.228	3,197	-
Passed through City of Scranton: Community Development Block Grant/State's Program	COVID	14.228	22,548	
Subtotal 14.228			37,058	-
Passed through City of Bethlehem: Community Development Block Grant/Entitlement Grants	2018-5	14.218	10,174	-
Community Development Block Grant/Entitlement Grants	2019-9	14.218	5,731	
Passed through County of Northampton: Community Development Block Grant/Entitlement Grants	N/A	14.218	18,214	-
Passed through City of Allentown: Community Development Block Grant/Entitlement Grants	N/A	14.218	22,831	-
Subtotal 14.218			56,950	-
Total U.S. Department of Housing and Urban Development			94,008	-
<u>U.S. Department of the Treasury:</u>				
Passed through Commonwealth of Pennsylvania Department of Human Services: Passed through Pennsylvania Legal Aid Network: Coronavirus Relief Fund	NPLS	21.019	294,865	-
Passed through County of Northampton Emergency Rental Assistance Program	N/A	21.023	27,340	-
Total U.S. Department of the Treasury			322,205	-
<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	67,500	-
Total U.S. Department of Veterans Affairs			67,500	-
Total Expenditures of Federal Awards			\$ 3,886,618	\$ -

See accompanying notes to schedule of expenditures of federal awards.

(Concluded)

NORTH PENN LEGAL SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

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, 2021

**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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NPLS’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NPLS’s internal control. Accordingly, we do not express an opinion on the effectiveness of NPLS’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NPLS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mahe Duessel

Harrisburg, Pennsylvania
October 5, 2021

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

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

Report on Compliance for the Major Federal Program

We have audited North Penn Legal Services, Inc.'s (NPLS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *Legal Services Corporation (LSC) Audit Guide for Recipients and Auditors and Compliance Supplement* that could have a direct and material effect on NPLS's major federal program for the year ended June 30, 2021. 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, 2021.

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 5, 2021

NORTH PENN LEGAL SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2021

NONE

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

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, 2021

- 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.