

DAKOTA PLAINS LEGAL SERVICES, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT WITH
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017

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*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Dakota Plains Legal Services, Inc.
Mission, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Dakota Plains Legal Services, Inc. (a nonprofit organization) (DPLS), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 audit 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.

Madison Office	112 South Egan Avenue	PO Box 505	Madison, SD 57042	605.256.9165
Yankton Office	207 Douglas Avenue	PO Box 1018	Yankton, SD 57078	605.665.4401
Sioux Falls Office	507 West 10 th Street	PO Box 876	Sioux Falls, SD 57101	605.336.0372

Toll Free: 1-800-456-0889

email: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPA's, South Dakota Society of CPA's



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 DPLS as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Other auditors have previously audited DPLS 2016 financial statements, and they expressed an unmodified audit opinion on those audited financial statements in their report dated April 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 April 13, 2018, on our consideration of DPLS'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 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 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 DPLS's internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
April 13, 2018

Dakota Plains Legal Services, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 468,341	\$ 457,211
Restricted Cash:		
Deposit for Secured Credit Card	8,287	8,333
Net Receivables	47,244	10,447
Prepaid Expenses	19,241	15,373
Total Current Assets	543,113	491,364
PROPERTY AND EQUIPMENT		
Property and Equipment	419,298	419,298
Less: Accumulated Depreciation	(357,922)	(346,728)
Property and Equipment, Net	61,376	72,570
OTHER ASSETS		
Deposits	240	240
Capital Credits Receivable	98,880	94,792
Total Other Assets	99,120	95,032
TOTAL ASSETS	\$ 703,609	\$ 658,966

The accompanying notes are an integral part of this statement.

Dakota Plains Legal Services, Inc.
Statements of Financial Position (Continued)
December 31, 2017 and 2016

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,829	\$ 14,888
Accrued Personnel Costs	70,510	82,903
Unearned Revenue	69,513	73,686
Client Trust Deposits	72	-
Total Current Liabilities	152,924	171,477
NET ASSETS		
Unrestricted:		
General	126,442	234,706
Property and Equipment	61,376	72,570
Total Unrestricted Net Assets	187,818	307,276
Temporarily Restricted:		
Donations	250	250
Equal Access to Our Courts	24,057	49,030
SOBA	1,001	1,001
Legal Services Corporation	337,559	129,932
Total Temporarily Restricted Net Assets	362,867	180,213
Total Net Assets	550,685	487,489
TOTAL LIABILITIES AND NET ASSETS	\$ 703,609	\$ 658,966

The accompanying notes are an integral part of this statement.

Dakota Plains Legal Services, Inc.
Statement of Activities
For the Year Ended December 31, 2017
With Memorandum Totals For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total 2017</u>	<u>Memorandum Only Total 2016</u>
SUPPORT AND REVENUE				
Grants/Contracts	\$ 459,015	\$ 1,400,899	\$ 1,859,914	\$ 1,799,618
Client Services Income	48,277	-	48,277	48,746
Interest Income	139	-	139	139
Donations	726	-	726	-
Insurance Proceeds	53,967	-	53,967	4,750
Loss on Disposition of Equipment	-	-	-	(14,584)
Miscellaneous Income	18,884	-	18,884	4
Miscellaneous LSC Income	-	400	400	17,701
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>1,218,645</u>	<u>(1,218,645)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,799,653</u>	<u>182,654</u>	<u>1,982,307</u>	<u>1,856,374</u>
EXPENSES				
Program Services:				
Legal Services	1,620,129	-	1,620,129	1,493,562
Supporting Services:				
Management and General	<u>298,982</u>	<u>-</u>	<u>298,982</u>	<u>367,024</u>
Total Expenses	<u>1,919,111</u>	<u>-</u>	<u>1,919,111</u>	<u>1,860,586</u>
CHANGE IN NET ASSETS	(119,458)	182,654	63,196	(4,212)
NET ASSETS - BEGINNING	<u>307,276</u>	<u>180,213</u>	<u>487,489</u>	<u>491,701</u>
NET ASSETS - ENDING	<u>\$ 187,818</u>	<u>\$ 362,867</u>	<u>\$ 550,685</u>	<u>\$ 487,489</u>

The accompanying notes are an integral part of this statement.

Dakota Plains Legal Services, Inc.
Statements of Cash Flows
For the Years December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 63,196	\$ (4,212)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,194	11,836
Capital Credits	(4,088)	-
Loss on Disposition of Equipment	-	9,834
Working Capital Changes		
Net Receivables	(36,797)	15,110
Prepaid Expenses	(3,868)	(6)
Collateral for Secured Credit Card	46	(54)
Accounts Payable	(2,059)	14,663
Accrued Personnel Costs	(12,393)	12,852
Client Rust Deposits	72	-
Unearned Revenue	<u>(4,173)</u>	<u>(9,446)</u>
Net Cash Provided by Operating Activities	<u>11,130</u>	<u>50,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Property and Equipment	-	4,750
Purchase of Property and Equipment	<u>-</u>	<u>(9,999)</u>
Net Cash Used by Investing Activities	<u>-</u>	<u>(5,249)</u>
Net Increase in Cash and Cash Equivalents	11,130	45,328
CASH AND CASH EQUIVALENTS, BEGINNING	<u>457,211</u>	<u>411,883</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 468,341</u>	<u>\$ 457,211</u>

The accompanying notes are an integral part of this statement.

Dakota Plains Legal Services, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017
With Memorandum Totals For the Year Ended December 31, 2016

	Legal Services	Management and General	Total 2017	Memorandum Only Total 2016
EXPENSES				
Salaries and Wages	\$ 1,018,148	\$ 191,972	\$ 1,210,120	\$ 1,140,912
Employee Benefits	311,580	58,748	370,328	334,263
Space - Rent	35,292	1,551	36,843	38,998
Space - Other	22,561	1,481	24,042	23,075
Travel - Staff	25,693	2,714	28,407	39,484
Telephone	35,460	2,092	37,552	36,329
Depreciation	10,505	689	11,194	11,836
Private Bar Involvement -				
Contract Services to Clients	44,924	-	44,924	39,145
Office Supplies	57,721	3,283	61,004	44,053
Insurance	30,130	1,977	32,107	35,579
Audit	-	17,044	17,044	16,880
Library Maintenance	8,777	491	9,268	11,078
Dues and Fees	2,541	4,309	6,850	5,263
Travel and Meeting Expenses -				
Board Members	-	11,526	11,526	12,371
Other Expenses	9,465	674	10,139	10,656
Equipment Maintenance	5,359	327	5,686	3,747
Litigation Costs	830	29	859	1,205
Training - Staff	1,143	75	1,218	745
Repayment of Questioned Costs	-	-	-	54,967
TOTAL EXPENSES	<u>\$ 1,620,129</u>	<u>\$ 298,982</u>	<u>\$ 1,919,111</u>	<u>\$ 1,860,586</u>

The accompanying notes are an integral part of this statement.

Dakota Plains Legal Services, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Dakota Plains Legal Services, Inc. (DPLS) is a nonprofit corporation organized for the purpose of providing legal assistance to low-income and elderly persons in certain areas of South Dakota and North Dakota. DPLS is primarily funded through grants from Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer the federal government's legal assistance program.

Basis of Accounting

DPLS prepares its financial statements on the accrual basis of accounting; consequently, certain revenues and their related assets are recognized when earned rather than when received and certain expenses are recognized when incurred rather than when the obligation is paid.

Cash and Cash Equivalents

For financial statement purposes, DPLS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. DPLS maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. DPLS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Client escrow funds are excluded from cash and cash equivalents since the funds do not belong to DPLS.

Net Receivables

Net receivables consist primarily of amounts due from granting agencies. An allowance has not been recorded as of December 31, 2017, which is based on management's knowledge of current environmental conditions and historical losses. Receivables are charged off as uncollectible when management feels they have exhausted all reasonable collection efforts.

Significant Accounting 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 amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

Property and Equipment

Property and equipment acquired with LSC funds are considered to be owned by DPLS while used in the program or in the future authorized programs. However, LSC retains a reversionary interest in these assets, as well as the right to determine the use of any proceeds from the sale of such assets.

DPLS follows the practice of capitalizing, at cost, all expenses for property and equipment in excess of \$1,000. Depreciation is computed on a straight-line basis over the estimated service lives of the assets.

The estimated useful lives are as follows:

Furniture and Equipment	3 – 15 years
Buildings and Mobile Homes	5 – 25 years
Law Library	5 years

Dakota Plains Legal Services, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the assets to a specific purpose. Assets donated with explicit restrictions regarding their use and donations of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations on how long those assets must be maintained, DPLS reports expirations of donor restrictions when the donated or acquired assets are placed in service. DPLS reclassifies temporarily restricted net assets to unrestricted at that time.

Contributions, Grants and Contracts

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

LSC funding and grants are recognized as contributions. Any funds which have been recognized as support, but which remain unexpended at the end of an accounting period, are reported as temporarily restricted net assets.

Contract revenue is recognized monthly over the term of the contract or as expenses are incurred.

Donated Services

Valuation of donated services is determined based on a fair market rate for the services provided. DPLS has determined that the difference between fair market value and costs paid for these services is not significant to record in the accompanying statements.

Federal Income Taxes

DPLS follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. Using that guidance, a tax position initially needs to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the taxing authorities.

DPLS is a nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and is a non-private foundation under Section 509(a)(1) of the Internal Revenue Code. DPLS is not liable for income taxes if it operates within the confines of its exempt status, though DPLS may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of DPLS could be changed if an adjustment in the tax-exempt purpose of income from unrelated business activities is ultimately determined by the taxing authorities.

As of December 31, 2017, DPLS had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. DPLS' income tax filings are subject to audit by various taxing authorities. DPLS is no longer subject to federal and state income tax examinations by taxing authorities for the years before 2014. Management continually evaluates expiring statutes of limitations, audits proposed settlements, changes in tax law and new authoritative rulings. DPLS believes their estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

Dakota Plains Legal Services, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue represents contribution, grant and contract revenue received but not yet earned. DPLS received \$144,341 from the Mortgage Settlement Fund. For the years ended December 31, 2017 and 2016, \$4,173 and \$9,446 of the grant was recognized as revenue, respectively. The remaining amount of \$69,513 is included in unearned revenue as of December 31, 2017.

Net Assets

DPLS is required to report Information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. DPLS has no permanently restricted net assets.

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

Temporarily Restricted - Net assets subject to donor-Imposed stipulations that will be met, either for a specific purpose and/or the passage of time.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

DPLS receives restricted federal funds, grants and contract revenue to provide legal assistance to individuals determined to be eligible in accordance with donor restrictions. Management believes restrictions have been met when eligible services have been provided. Accordingly, the funds are released from restriction at that time.

Concentration of Grants

DPLS receives approximately 70% of its budget from LSC. Therefore, its funding is vulnerable to changes in legislative priorities of the federal and state governments.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The only program of DPLS is to provide legal services.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2017:

	2017	2016
Buildings and Mobile Homes	\$ 249,252	\$ 249,252
Furniture and Equipment	152,005	152,005
Land	16,267	16,267
Law Library	1,774	1,774
	419,298	419,298
Less: Accumulated Depreciation	(357,922)	(346,728)
Property and Equipment, Net	\$ 61,376	\$ 72,570

Dakota Plains Legal Services, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 3 – LEASES

DPLS leases office space and land for certain program locations under various operating leases, many of which are month to month. Lease expense for all operating leases was \$36,843 for the year ended December 31, 2017. The future minimum operating lease payments are as follows for each of the years ending December 31:

2018	\$	400
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NOTE 4 – SUMMARY OF LSC FUNDING

In accordance with general LSC policy, DPLS may use unexpended LSC funds in future periods as long as the expenses incurred are in compliance with the specific terms defined in the LSC grant. LSC may, at its discretion, request reimbursement for expenses or return of unexpended funds or both, as a result of noncompliance by DPLS with the terms of the grant. In addition, if DPLS terminates its LSC grant activities, all unexpended LSC funds are to be returned to LSC.

DPLS was awarded \$1,360,726 in funding from LSC for the year ended December 31, 2017. DPLS received funding in the amount of \$1,360,726. All LSC recipients are required by 45 CFR Part 1628 to return any fund balance in excess of 10 percent of LSC support. DPLS was in not compliance at December 31, 2017 as the unexpended portion of \$337,559 exceeds 10 percent of LSC support. DPLS will request a waiver for the excess.

LSC requires the Organization to spend 12.5% of its Basic Field grant on private attorney involvement activities pursuant to 45 CFR 1614.9(c). DPLS' PAI expenditure requirement for the year ended December 31, 2017 was \$50,074. DPLS had PAI expenditures of \$65,841 and met this requirement.

Dakota Plains Legal Services, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 5 – FUNDING SOURCES

Funding for the year ended December 31, 2017 was as follows:

Unrestricted Grants and Contracts	
Pennington County Advocacy Contract	\$ 237,500
State of South Dakota - Department of Social Services - Office of Audit Services and Aging - Contract	96,620
Tribal Civil and Criminal Legal Assistance Grants	94,149
United Way Grant	19,500
State of North Dakota - Indigent Civil Legal Defense Fund	<u>11,246</u>
Total Unrestricted Grants and Contracts	<u>459,015</u>
Temporarily Restricted Grants and Contracts	
Mortgage Settlement Fund	4,173
South Dakota Commission on Equal Access to Our Courts (Note 6)	<u>36,000</u>
Total Temporarily Restricted Grants and Contracts	<u>40,173</u>
Total Funding From Sources Other Than LSC	499,188
Legal Services Corporation	<u>1,360,726</u>
Total Grants and Contracts	<u>\$ 1,859,914</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the year ended December 31, 2017 consisted of the following:

	Balance 12/31/2016	Additions	Releases	Balance 12/31/2017
Donations	\$ 250	\$ 726	\$ (726)	\$ 250
SD Commission on Equal Access to Our Courts				
Purchase of Computers and Printers	588	-	-	588
Provide Legal Services to Yankton Sioux Reservation Area	48,442	36,000	(60,973)	23,469
Mortgage Settlement Fund	-	4,173	(4,173)	-
SOBA	1,001	-	-	1,001
Legal Services Corporation	<u>129,932</u>	<u>1,361,126</u>	<u>(1,153,499)</u>	<u>337,559</u>
Total Temporarily Restricted Net Assets	<u>\$ 180,213</u>	<u>\$ 1,402,025</u>	<u>\$ (1,219,371)</u>	<u>\$ 362,867</u>

NOTE 7 – CONTINGENCY

DPLS receives a significant amount of financial assistance from the federal government. Grants and contracts are generally conditional upon compliance with terms and conditions of the grant agreements with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by the granters.

Dakota Plains Legal Services, Inc.
Notes to the Financial Statements
December 31, 2017 and 2016

NOTE 8 – PENSION PLAN

DPLS maintains a 403(b) defined contribution retirement plan on behalf of its employees through Modern Woodsmen of America. Employees that work more than 20 hours per week or 1,000 hours per year are eligible to participate. No employer contributions are made under the plan.

NOTE 9 – DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated through April 13, 2018, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment to or disclosure in the accompanying financial statements.

NOTE 10 – 2016 STATEMENT OF ACTIVITIES

The amounts shown for 2016 in the accompanying Statement of Activities and Changes in Net Assets are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

Dakota Plains Legal Services, Inc.
Statement of Support and Revenue, Expenses and
Changes in Net Assets by Funding Source
For the Year Ended December 31, 2017

	Basic	Native American	Private Attorney Involvement	LSC Total	Temporarily Restricted Grants and Contracts
SUPPORT AND REVENUE					
Grants/Contracts	\$ 350,524	\$ 960,128	\$ 50,074	\$ 1,360,726	\$ 40,173
Client Services Income	-	-	-	-	-
Interest Income	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-
Donations	-	-	-	-	-
Miscellaneous Income	107	293	-	400	-
	<u>350,631</u>	<u>960,421</u>	<u>50,074</u>	<u>1,361,126</u>	<u>40,173</u>
Total Support and Revenue					
EXPENSES					
Salaries and Wages	187,676	448,632	11,447	647,755	45,410
Employee Benefits	57,434	137,293	3,503	198,230	13,897
Space - Rent	4,458	12,212	637	17,307	491
Space - Other	4,256	11,657	608	16,521	469
Travel - Staff	5,391	14,768	-	20,159	1,234
Telephone	6,014	16,473	859	23,346	663
Depreciation	1,982	5,428	283	7,693	218
Private Bar Involvement -					
Contract Services to Clients	-	-	44,924	44,924	-
Office Supplies	9,437	25,849	1,348	36,634	1,040
Insurance	5,683	15,568	812	22,063	626
Audit	3,017	8,264	431	11,712	333
Library Maintenance	1,411	3,864	201	5,476	156
Dues and Fees	454	1,244	65	1,763	50
Travel and Meeting Expenses -					
Board Members	2,040	5,588	291	7,919	225
Other Expenses	1,785	4,891	255	6,931	197
Equipment Maintenance	941	2,578	134	3,653	104
Litigation Costs	84	229	12	325	9
Training - Staff	216	591	31	838	24
Reimbursement of Expenses	25,679	70,338	(15,767)	80,250	-
	<u>317,958</u>	<u>785,467</u>	<u>50,074</u>	<u>1,153,499</u>	<u>65,146</u>
Total Expenses					
CHANGE IN NET ASSETS	32,673	174,954	-	207,627	(24,973)
NET ASSETS - BEGINNING	129,932	-	-	129,932	50,281
TRANSFERS					
General	-	-	-	-	-
Purchase of Property and Equipment	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 162,605</u>	<u>\$ 174,954</u>	<u>\$ -</u>	<u>\$ 337,559</u>	<u>\$ 25,308</u>

Dakota Plains Legal Services, Inc.
Statement of Support and Revenue, Expenses and
Changes in Net Assets by Funding Source (Continued)
For the Year Ended December 31, 2017

	Non-LSC Grants and Contracts	General	Property and Equipment	Totals
SUPPORT AND REVENUE				
Grants/Contracts	\$ 459,015	\$ -	\$ -	\$ 1,859,914
Client Services Income	-	48,277	-	48,277
Interest Income	-	139	-	139
Insurance Proceeds	-	53,967	-	53,967
Donations	-	726	-	726
Miscellaneous Income	-	18,884	-	19,284
	<u>459,015</u>	<u>121,993</u>	<u>-</u>	<u>1,982,307</u>
Total Support and Revenue				
EXPENSES				
Salaries and Wages	436,378	80,577	-	1,210,120
Employee Benefits	133,542	24,659	-	370,328
Space - Rent	17,494	1,551	-	36,843
Space - Other	5,571	1,481	-	24,042
Travel - Staff	4,300	2,714	-	28,407
Telephone	11,451	2,092	-	37,552
Depreciation	2,594	689	-	11,194
Private Bar Involvement -				
Contract Services to Clients	-	-	-	44,924
Office Supplies	20,047	3,283	-	61,004
Insurance	7,441	1,977	-	32,107
Audit	3,949	1,050	-	17,044
Library Maintenance	3,145	491	-	9,268
Dues and Fees	728	4,309	-	6,850
Travel and Meeting Expenses -				
Board Members	2,672	710	-	11,526
Other Expenses	2,337	674	-	10,139
Equipment Maintenance	1,602	327	-	5,686
Litigation Costs	496	29	-	859
Training - Staff	281	75	-	1,218
Reimbursement of Expenses	(80,250)	-	-	-
	<u>573,778</u>	<u>126,688</u>	<u>-</u>	<u>1,919,111</u>
Total Expenses				
CHANGE IN NET ASSETS	(114,763)	(4,695)	-	63,196
NET ASSETS - BEGINNING	-	234,706	72,570	487,489
TRANSFERS				
General	114,763	(103,569)	(11,194)	-
Purchase of Property and Equipment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ -</u>	<u>\$ 126,442</u>	<u>\$ 61,376</u>	<u>\$ 550,685</u>

Dakota Plains Legal Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

CFDA Numbers	Direct Award	Major Program	Cluster/Program Name	Pass-through Entity	Pass-through Entity Identifying Number	Amount
Legal Services Corporation						
09-742018	Y	Y	Legal Services Corporation - Basic Field - Native American			\$ 785,467
09-742018	Y	Y	Legal Services Corporation - Basic Field - General			<u>368,032</u>
<u>1,153,499</u>						
U.S. Department of Health and Human Services						
Aging Cluster:						
93.044	N	N	State of South Dakota - Department of Social Services Office of Adult Services and Aging	SD Department of Social Services	12032691	<u>96,620</u>
U.S. Department of Justice						
16.815	N	N	Tribal Civil and Criminal Legal Assistance Grants	Native American Rights Fund (NARF) and National Association of Indian Legal Services (NAILS)	840611877	<u>90,282</u>
Total Federal Financial Assistance						<u>\$ 1,340,401</u>

Note 1: This schedule of expenditures of federal awards includes the federal award activity of Dakota Plains Legal Services, Inc. and is presented on the accrual basis of accounting, modified to include expenditures for capital additions and exclude depreciation expense. 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)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basis financial statements.

Dakota Plains Legal Services did not elect to use the ten percent de minimis cost rate.

Note 2: There were no awards passed through to subrecipients.

See Independent Auditor's Report

*Wahlenberg
Ritzman & Co., LLC*

certified public accountants

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

To the Board of Directors of
Dakota Plains Legal Services, Inc.
Mission, South Dakota

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 Dakota Plains Legal Services, Inc. (a nonprofit organization) (DPLS), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expense for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2018.

Internal Control over Financial Reporting

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

Madison Office	112 South Egan Avenue	PO Box 505	Madison, SD 57042	605.256.9165
Yankton Office	207 Douglas Avenue	PO Box 1018	Yankton, SD 57078	605.665.4401
Sioux Falls Office	507 West 10 th Street	PO Box 876	Sioux Falls, SD 57101	605.336.0372

Toll Free: 1-800-456-0889

email: wrc@wrccpa.com

Member of: Private Companies Practice Section American Institute of CPA's, South Dakota Society of CPA's



Compliance and Other Matters

As part of obtaining reasonable assurance about whether DPLS'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*.

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 report is not suitable for any other purpose.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
April 13, 2018

*Wahlenberg
Ritzman & Co., LLC*
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Dakota Plains Legal Services, Inc.
Mission, South Dakota

Report on Compliance for Each Major Federal Program

We have audited Dakota Plains Legal Services, Inc. (DPLS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Legal Services Corporations Audit Guide and Compliance Supplement* that could have a direct and material effect on each of DPLS's major federal program for the year ended December 31, 2017. DPLS' 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 DPLS'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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 DPLS'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 DPLS's compliance.

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Opinion on Each Major Federal Program

In our opinion, DPLS 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of DPLS 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 DPLS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 DPLS'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.

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.

Wohlschlag Ritzman + Co., LLC

Yankton, South Dakota
April 13, 2018

DAKOTA PLAINS LEGAL SERVICES, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017**

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2016-001: Internal Control Over Financial Reporting, Internal Control Over Compliance, and Noncompliance

Drafting the Financial Statements, Notes to the Financial Statements and the Schedule of Expenditures of Federal Awards

Material Weakness

Condition:

The Organization requests its auditor to draft the year-end financial statements, accompanying notes to the financial statements, and schedule of expenditures of federal awards. This finding was reported in the prior year as item 2015-001.

Recommendation:

We recommend that the Organization develop a system of internal controls to ensure proper reporting of the financial statements, notes to the financial statements, and schedule of expenditures of federal awards. If the Organization does not have the resources or expertise to prepare the financial statements, we recommend that the Organization obtain a financial reporting expert on the Board to help mitigate or eliminate this internal control weakness.

Current Status:

Corrected.

Finding 2016-002: Internal Control Over Financial Reporting and Internal Control Over Compliance

Performing Account Reconciliations and Drafting Year-End Entries

Material Weakness

Condition:

The Organization lacks an appropriate system of internal controls to ensure that reconciliations and year-end entries are performed as part of their year-end closing process. This finding was reported in the prior year as item 2015-002.

DAKOTA PLAINS LEGAL SERVICES, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - continued
YEAR ENDED DECEMBER 31, 2017**

FINDINGS – FINANCIAL STATEMENTS AUDIT, continued

Finding 2016-002: Internal Control Over Financial Reporting and Internal Control Over Compliance, continued

Recommendation:

We recommend that management develop a system of internal controls to ensure year-end entries and reconciliations are performed. We suggest comparing prior year and current year balances to ensure reasonableness and obtaining all necessary support to perform reconciliations.

Current Status:

Corrected.

Finding 2016-003: Internal Control Over Financial Reporting and Internal Control Over Compliance

Lack of an Allocation Method for Common Expenses and Indirect Expenses

Material Weakness

Condition:

The Organization has established a formal allocation method for charging common expenses to programs, but has not implemented the process. This finding was reported in the prior year as item 2015-003.

Recommendation:

We recommend that the Organization begin allocating expenses in accordance with the allocation method documented in the accounting manual.

Current Status:

Corrected.

DAKOTA PLAINS LEGAL SERVICES, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - continued
YEAR ENDED DECEMBER 31, 2017**

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

Finding 2016-007: Internal Control Over Compliance

Missing Documentation to Support Control Activities

Material Weakness

Condition:

We noted five instances of missing vouchers and invoices for expenses charged to the LSC program.

Recommendation:

The Organization should implement a process to ensure that all original supporting documentation is taken back in the main office for filing.

Current Status:

Corrected.

DAKOTA PLAINS LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified? _____ yes X none reported

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

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance
2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A	Legal Services Corporation Grant #09-742018

Dollar threshold used to distinguish
between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes X no

DAKOTA PLAINS LEGAL SERVICES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – continued
YEAR ENDED DECEMBER 31, 2017**

SECTION II – FINANCIAL STATEMENT AUDIT

There are no financial statement audit findings to report.

SECTION III – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no federal award program findings to report.