

**STATE OF SOUTH DAKOTA**  
**COMMISSION ON EQUAL ACCESS TO OUR COURTS**

**Meeting Agenda**

**December 16, 2019 @ 10:00 am – 12:00 P.M. (CST)**

**Room 132 State Capitol Building**

**Pierre, South Dakota**

**Please join my meeting from your computer, tablet or smartphone.**

<https://global.gotomeeting.com/join/636507189>

**You can also dial in using your phone.**

United States: +1 (872) 240-3212

**Access Code: 636-507-189**

**CALL TO ORDER**

**Welcome and Introductions**

- **New Member Margo Julius**

**NEW BUSINESS**

- ☐ **Discuss Possible Year-round Application for 2020**
- ☐ **Discuss Possible Quarterly Reports from the Organizations**
- ☐ **Demonstration on the Client Intake Software.**
- ☐ **Distribution of Grant Awards**

December 6, 2019

South Dakota Commission on Equals Access to our Courts  
500 East Capitol Avenue  
Pierre, SD 57501-5070

Re: A2J, Inc./DPLS/ERLS Joint Grant Application

Dear Commissioners:

On behalf of Access to Justice, Inc., East River Legal Services and Dakota Plains Legal Services, we submit for your consideration the following joint application for funding from the Commission on Equal Access to our Courts for general program support. All three organizations have utilized the criteria of HB 1083 to develop our application.

Our joint application seeks funding to continue our work with veterans, the elderly, individuals with a disability and/or victims of domestic violence, sexual assault or stalking. East River Legal Services and Dakota Plains Legal Services are requesting an equal division of \$35,500 in funding to support their individual programs. Access to Justice is seeking \$2,500 in funding for staff technology training to support more efficient and advanced use of the Legal Server case management software program and the statewide website and online intake program which were all developed through the collaborative efforts of all three programs and promote increased access to legal services for low-income individuals throughout South Dakota.

Although our three organizations continue to prioritize applications and assistance to veterans, we want to ensure the Commission that we also continue to serve the elderly, individuals with disabilities, victims of violence as well as those who fall below 125% of the federal income poverty guidelines and may utilize EAC funds to do so. Please see the grant narrative for additional details.

We appreciate the opportunity to submit this joint application and we look forward to hearing from the Commission. Please feel free to contact any of the organization representatives should you have any questions or require additional information.

Sincerely,

Tom Mortland, Director, Dakota Plains Legal Services  
Denise Langley, Co-Coordinator, Access to Justice, Inc.  
Elizabeth Overmoe, Co-Coordinator, Access to Justice, Inc.  
Brent Thompson, Director, East River Legal Services

Encl.

## 1. **Organization Background**

---

Dakota Plains Legal Services ("DPLS") was originally incorporated as South Dakota Legal Services in 1970 as the first nonprofit legal aid organization in South Dakota. In 1980 the name was changed to Dakota Plain Legal Services. The program was originally funded to provide legal services exclusively to Native Americans. In 2003, DPLS merged with Black Hills Legal Services in Rapid City and expanded its mission to include all low-income and elderly clients in western South Dakota, as well as continuing its mission to serve the Native American population. Now, DPLS is a legal aid program serving low-income and elderly Native Americans on all South Dakota Indian Reservations. Legal services are provided from eight offices in South Dakota located in Eagle Butte, Ft. Thompson, Mission, Pine Ridge, Sisseton and Rapid City. In addition, in June of 2018 DPLS opened an outreach office in Sioux Falls which serves Native American clients in the eastern part of the state; the office became a permanent location as of July 1, 2019. DPLS also has one office in Ft. Yates, North Dakota which serves the Standing Rock Reservation located in both North and South Dakota. DPLS' eleven attorneys and nine full and part-time paralegals focus their representation in state and tribal courts on the critical legal needs of their clients particularly in family law, housing and Indian Law. Funding for DPLS comes primarily from the Legal Services Corporation (LSC) with additional funding from the Older Americans Act, United Way of the Black Hills, U.S. Department of Justice and Pennington County for appointed criminal representation.

Last year, DPLS provided legal services to 2,339 clients in South Dakota and North Dakota. Of the 2,339 served, 107 were Veterans, 276 were disabled, 78 were victims of domestic violence, and 441 were elderly.

Established in 1977, East River Legal Services ("ERLS") is a non-profit community law firm committed to providing high-quality civil legal assistance to low-income people. Our mission is advancing equal access to justice for our most vulnerable citizens of eastern South Dakota. ERLS strives to make the legal system accessible through innovative counseling and advocacy. To reach that mission, we are continually exploring new avenues and new approaches to better serve the more than 14% of South Dakota citizens living in poverty. We are here to assist those who have been pushed to the margins of self-sufficiency by utilizing a systemic delivery approach consisting of direct representation, brief service, advice, and advocacy. We also provide user-friendly explanations of the law, conduct outreach and community education, and work with other entities that serve low income people, including social service providers, members of the private bar and the courts. Located in Sioux Falls, ERLS is currently comprised of four attorneys and five support staff. The program's service area encompasses the thirty-three eastern South Dakota counties.

Last year, ERLS provided legal assistance to over 2,654 individuals in SD including assistance to over 127 older Americans; helping more than 189 families begin new lives free from abuse; assisting 165 families with housing issues including evictions, repairs, etc.; and advocating for 58 Veterans with various legal issues.

In July of 1995, programs funded by the Legal Services Corporation (LSC) were directed to participate in the development of a comprehensive (state) plan for the design, configuration and operation of legal services programs in each state. LSC wanted each grantee to work with other stakeholders to develop an integrated delivery system to more efficiently and effectively address the needs of indigent people in their state. The State Bar of South Dakota was an active participant in the state planning process and recognized that attorneys in South Dakota were ethically obligated to do what they could to provide legal assistance to indigent citizens who lacked the financial resources to hire lawyers to. Access to Justice, Inc. (A2J") came about as the result of ten years of state planning for legal services in South Dakota and was incorporated by the State Bar of South Dakota as a 501(c)(3) organization in 2005. Today, A2J is a statewide program based in Pierre, South Dakota, and its primary function is to administer the State Bar of South Dakota pro bono and modest means programs.

In 2018, the Access to Justice program recruited volunteer attorneys that provided over 1,000 hours of pro bono legal assistance to clients located all over the state. The attorneys that volunteered through A2J provided approximately \$217,000 worth of pro bono legal assistance to South Dakota residents. In 2018, A2J opened 101 cases for individuals that were veterans, elderly, an individual with a disability, and/or a victim of domestic violence, sexual assault or stalking. Of the 101 cases opened, 22 involved clients that were veterans. That same year, A2J closed 84 cases for individuals that were veterans, elderly, an individual with a disability and/or a victim of domestic violence, sexual assault or stalking. Of 84 cases closed, 18 involved veterans.

## **2. Goals**

---

The primary goal of this application is to supplement funding for the continued collaborative efforts by DPLS, ERLS and A2J to provide civil legal assistance to veterans, elderly, individuals with disabilities and/or victims of domestic violence, sexual assault or stalking throughout the state of South Dakota. Individual programs plan to use the funding to: 1) supplement direct services to the individual client groups identified above; 2) provide technology training to staff in relation to use of Legal Server case management software and the statewide website and online intake program; and 3) supplement unrestricted funds to promote more efficient use of other existing restricted funds to serve the individual client groups identified above.

## **3. Current Programs**

---

Both DPLS and ERLS have Basic Field grants which provide funding to provide civil legal services to low income individuals and families. Each program is required to develop a list of case

priorities for service. Most of the cases involve family law, including domestic violence, housing and consumer law, advance directives and simple Wills and a range of other civil cases.

All LSC clients must meet the income and asset guidelines established by each grantee under LSC Regulations. Income eligibility is based on 125% of the federal poverty guidelines which are adjusted each year. Individual legal services program board of directors may provide for exceptions to the 125% criterion under certain specific circumstances, but the maximum possible income level permitted by LSC is 200% of poverty guidelines. The maximum set by the DPLS' Board is 150% of poverty guidelines. ERLS' maximum is at 200%.

In addition to the Basic Field grant, DPLS also receives a grant from the Legal Services Corporation to provide legal services to Native Americans throughout South Dakota and the Standing Rock Reservation which extends into North Dakota. Under this grant, DPLS attorneys and paralegals provide representation to Native Americans largely in tribal courts and occasionally in state courts. Six of the seven offices are located near or on reservations.

The Legal Services Corporation provides renewable annual grants to grantees without competition over a period of one to three years. All grants are subject to funding availability from Congress. Every three years these grants are available for competitive bidding by other organizations.

This year ERLS was awarded a Victims of Crime Act (VOCA) grant to provide legal assistance to victims of crime. The VOCA Formula Grant Program, created under the 1984 Victims of Crime Act, provides federal funding to support victim assistance and compensation programs, to provide training for diverse professionals who work with victims, to develop projects to enhance victims' rights and services, and to undertake public education and awareness activities on behalf of crime victims. The Office for Victims of Crime (OVC) was created by the U.S. Department of Justice and formally established by Congress in 1988 through an amendment to the Victims of Crime Act of 1984. There is no income limit on this grant. The only qualifying factor is that applicants must be the victim of a crime.

Both ERLS and DPLS are current grantees of the South Dakota Department of Social Services which distributes Older American Act funding to provide legal services to South Dakotans over the age of 60. These are also renewable annual grants. No competition is required and the grants are subject to available funding. The legal services provided under the Older American Act funding often involve Powers of Attorney, simple Wills, consumer rights, and occasionally nursing home cases and other matters.

DPLS receives federal Department of Justice, Bureau of Justice Assistance ("BJA") funding through the Native Americans Rights Fund. These funds are designated to provide legal services regarding civil and criminal matters that are within the jurisdiction of tribal courts. Jurisdictions served include Rosebud Sioux Tribal Court, Oglala Sioux Tribal Court, Cheyenne River Sioux Tribal Court, Flandreau Santee Sioux Tribal Court, Yankton Sioux Tribal Court and Sisseton Wahpeton Sioux Tribal Court.

DPLS also has a contract with Pennington County to provide defense representation to indigent defendants in criminal, abuse and neglect and juvenile delinquent cases where the Public Defender has either a conflict or too many cases to handle. Pennington County has contracted for these services continuously since 1980.

The primary function of A2J is to administer the State Bar of South Dakota pro bono, modest means, and judicare programs. A2J also provides referral information to individuals who do not qualify for legal assistance from the program but may need assistance from a supporting or nonlegal organization or agency. A2J also facilitates partnerships between programs, entities and individuals who provide legal assistance or human services to vulnerable persons and their families. Staff participate and collaborate with many of those entities in community education, clinics, and other events.

#### **4. Program Funding Request**

---

DPLS, ERLS and A2J, Inc. are once again submitting a joint application to: 1) supplement funding for the existing Veterans' Legal Services Program established by all three programs in the fall of 2017 via prior CEAC funding; 2) provide access to technology training in relation to the new statewide website and Legal Server software program; and 3) to supplement unrestricted funding for operational costs while still serving veterans, elderly, individuals with a disability and victims of violence through alternative grant resources.

##### **Budget and Basis of Payment:**

For budgeting purposes, the partners agree that Access to Justice will request a grant award of \$2,500 of the anticipated \$38,000 in available CEAC funding and the remaining \$35,500 would be split evenly between ERLS and DPLS resulting in approximately \$17,750 in funding allocated to each ERLS and DPLS.

##### **Dakota Plains Legal Services:**

All DPLS staff who provide services, or who receive or provide training regarding veterans' issues, will be charged against the grant in increments of .25 hour for work done under the grant. The costs will include the employee's gross wages and fringe benefits. In addition, an overhead cost of 28% of gross wages and fringe benefits will be charged. The respective program partner's overhead includes, but is not limited to, the following:

Audit Contract Services	Office Expenses
Accounting Contract Services	Insurance Expense
Program Contract Services	Library Maintenance
Technology	Dues & Membership
Training	Advertising
Rent	Misc - Fees, Fines, Interest

Utilities  
Telephone  
Postage

Fundraising  
Depreciation Expense  
Travel

Travel expenses will be charged at cost. The cost for travel via an employee's personal vehicle will be charged at the applicable IRS rate per mile which, for the year 2019, is \$.58 per mile. Expenses for training on veteran's issues will also be charged at actual cost.

During the 2017, 2018 and 2019 grant years, Dakota Plains Legal Services used the CEAC grant allocation to fund legal services from all seven of its field offices. Both attorney and paralegal staff provided these services and DPLS plans to continue to do the same during the 2020 grant year. Due to the large number of DPLS staff providing representation in CEAC matters, a specific budget breakdown has not been provided in this funding request. These numbers can be provided if requested. DPLS anticipates spending the full CEAC allocation plus additional DPLS funds during the duration of the 2019 grant year, as well as the 2020 grant year.

#### **East River Legal Services:**

In previous distributions, ERLS utilized the grant to fund the salary for a full-time staff attorney. After review, East River Legal Services intends to utilize all CEAC funding awarded during this grant cycle to supplement existing unrestricted funds in support of assisting veterans, elderly, individuals with disabilities, and victims of violence. This will enable the ERLS program to make more efficient use of existing ERLS restricted funds to better serve applicants who qualify for ERLS assistance.

Similar to DPLS, ERLS staff who provide services, or who receive or provide training regarding qualifying grant issues, will be charged against the grant in increments of .25 hour for work done. The costs will include the employee's gross wages and fringe benefits. In addition, an overhead cost of 28% of gross wages and fringe benefits will be charged. The respective program partner's overhead includes, but is not limited to, the following:

Audit Contract Services  
Accounting Contract Services  
Program Contract Services  
Technology  
Training  
Rent  
Utilities  
Telephone  
Postage

Office Expenses  
Insurance Expense  
Library Maintenance  
Dues & Membership  
Advertising  
Misc - Fees, Fines, Interest  
Fundraising  
Depreciation Expense  
Travel

Travel expenses will be charged at cost. The cost for travel via an employee's personal vehicle will be charged at the applicable IRS rate per mile. Expenses for training on qualifying grant issues will also be charged at actual cost.

Due to this change in grant use, ERLS will not be able to provide a specific budget breakdown at this time, but all data and use of funds can be provided to the Commission when requested. ERLS anticipates spending the full CEAC allocation plus additional ERLS funds for the duration of the grant period.

#### **Access to Justice:**

For the December 2019 grant allocation, the three project partners agreed that \$2,500 would be allocated to Access to Justice in order to provide staff with technology training opportunities in relation to the recently established statewide website ([sdlawhelp.org](http://sdlawhelp.org)) and Legal Server case management software and online intake program used by all three programs. Access to Justice is making this specific request pursuant to SDCL 16-2-56.1 (5) and (6). Per SDCL 16-2-56.1 (5), the statewide website and Legal Server program are now utilized by all three legal service programs which promotes statewide cooperation among the three programs. Additionally, the Access to Justice program does not currently have a training budget and the current travel budget is insufficient to support the cost of staff travel and training costs associated with attending a relevant technology training event thereby demonstrating the financial need of Access to Justice in relation to SDCL 16-2-56.1 (6).

#### **5. Evaluation**

---

Evaluation will be undertaken in several ways.

**Statistical Reports:** The consortium partners will develop common statistical reports for each program which will include anonymous aggregated demographic information on the number and type of applicants, the nature of the legal problem and the outcome of the representation or advice provided once the case is concluded.

**Measuring Impact:** The consortium partners will measure impact in several ways, depending upon the nature of the case. Among those measures could be a gross number, i.e., the number of evictions prevented.

**Key Evaluation Results:** The number of clients served as well as categorization of the level of service provided for each individual case will be the primary indication of the extent of the project's impact. Each program will keep its own statistics in a common format and program reports can be made periodically.

#### **6. Collaboration**

---

The procedure of the three programs submitting a single application is the result of continuing collaborative work done by the partners over the past few years. Collaboration is at the heart of



this program, both among the partners themselves as well as with other groups. As mentioned earlier, collaboration with veterans' groups, veteran's events, the VA and individual veteran volunteers is critical to reach those in need of the most help.

## **7. Volunteers**

---

The main source of volunteers will be those attorneys who take veterans' cases through A2J, as volunteer pro bono attorneys, volunteer reduced rate attorneys through the Modest Means program and Judicare/P.A.I. funding. ERLS and DPLS will also have volunteer attorneys who accept cases for eligible applicants through their independent P.A.I. programs.

## **8. Planning**

---

The partners are jointly engaged in several challenges and opportunities for the next few years. ERLS was previously awarded a Technology Initiative Grant ("TIG") from Legal Services Corporation for a project which involved the active participation of ERLS, DPLS and A2J. Funding for the TIG was supplemented by the South Dakota State Bar Foundation. The TIG enabled each of the partners to acquire Legal Server, a case management system that has improved the partners' ability to serve their low-income clients and which permitted the implementation of online applications. Online applications have increased access to legal services in remote areas which comprise much of the state's geography. The TIG also funded the establishment of a statewide website to provide access to legal information and legal assistance throughout the state. The partners continue to work cooperatively on development of the website content and additional technology funding opportunities.

Both A2J and ERLS have also implemented a new Sioux Falls based legal services project for veterans called the Wills for Heroes project. The project assists income qualifying veterans with Wills and P.O.A. documents. The project is held once a month at the local Sioux Falls V.A. campus with ERLS staff attorneys assisting in the morning and A2J volunteer attorneys assisting in the afternoon. The partners are also considering future expansion opportunities for the project.

The parties intend to continue to submit joint grant applications and cooperate in providing legal services to South Dakota's indigent clients to the maximum extent possible.

## **9. Other Resources**

---

The partners continue to collaborate in efforts to obtain funding from other sources. As mentioned above, the partners previously collaborated regarding the ERLS TIG grant from LSC with supplemental funding from the South Dakota State Bar Foundation. Total funding for this project was \$183,000, of which \$75,000 was from LSC and \$108,000 was from the State Bar Foundation. With the TIG grant ending, the partners are looking into additional TIG grant and other funding opportunities for the future.

## **10. Criteria**

---

The three organizations involved in this grant application utilized HB 1083 as our model in determining how best to serve our clients with EAC funds. The collaborative grant application between ERLS, DPLS and A2J identifies continuing project goals of increasing legal services to South Dakota veterans, individuals with disabilities and senior citizens who do not exceed 200% of the federal poverty guidelines; followed by assistance to victims of violence who do not exceed 150% of the federal poverty guidelines. Thereafter, as time and resources permit, general legal assistance will be provided to clients who do not exceed 125% of the federal poverty guidelines.

Programs will continue to provide direct representation to qualified individuals by staff members of DPLS and ERLS, while referring cases above the legal aid staff maximum caseload to A2J for private attorney involvement through volunteer attorneys providing pro bono representation and/or the Judicare program along with the opportunity for reduced rate assistance through the Modest Means program. ERLS and DPLS typically expend the total amount of private attorney involvement funds each year and cannot guarantee private attorney funds will be used for this program. Instead, they expect P.A.I. funds received from Legal Services Corporation will be used to serve clients throughout the state on a variety of civil legal issues beyond the scope of this application.

Aside from previous CEAC grant awards, no organization involved with this application receives funding to specifically address serving veterans. In fact, no legal organization within South Dakota receives and prioritizes funding to serve veterans and their unique civil legal needs. Due to the development of a new priority for veteran's applications in 2017, all three organizations are in need of continued funding to support their work with veterans along with other identified priority client groups, as well as to continue promotion and improvement of the state-wide website and Legal Server software and online intake program by providing technology training to staff.

The grant application addresses a coordinated approach between all three legal service programs that aims to increase systemic efficiencies, promote innovative approaches and provide statewide coverage – specifically addressing the priorities of HB 1083. Additional and current collaborative efforts by all three entities are discussed above in Section Eight– Planning.

**A2J**

**STATE BAR OF SOUTH DAKOTA,  
S.D. CONTINUING LEGAL EDUCATION, INC.  
AND  
ACCESS TO JUSTICE, INC.**

**COMBINING FINANCIAL REPORT**

**JULY 31, 2018**

Table of Contents

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT ON THE COMBINED FINANCIAL STATEMENTS</b>	1 - 2
<b>COMBINING FINANCIAL STATEMENTS</b>	
Combining statements of financial position	3 - 4
Combining statements of activities	5 - 6
Statements of functional expenses for the State Bar of South Dakota	7
Statements of functional expenses for S.D. Continuing Legal Education, Inc.	8
Statements of functional expenses for Access to Justice, Inc.	9
Combining statements of cash flows	10 - 11
Notes to combining financial statements	12 - 20
<b>INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION</b>	21
<b>SUPPLEMENTARY INFORMATION</b>	
Combining schedule of revenues collected	22
Schedule of budget vs. actual unrestricted fund expenses for the State Bar South Dakota	23
Schedule of budget vs. actual unrestricted fund expenses for the S.D. Continuing Legal Education, Inc.	24
Schedule of budget vs. actual unrestricted fund expenses for the Access to Justice, Inc.	25



# PALMER, CURRIER & HOFFERT, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

---

To the Board of Bar Commissioners and Boards of Directors  
State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc.

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

We have audited the accompanying combined financial statements of the State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc., which comprise the combined statements of financial position as of July 31, 2018 and 2017, the related combined statements of activities, functional expenses and cash flows for the three entities for the years then ended, and the related notes to the combined financial statements.

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

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the combined 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 entities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. as of July 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Palmer, Currier and Hoffert LLP*

Pierre, South Dakota  
February 13, 2019

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**COMBINING STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2018 AND 2017**

	2018		
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note 2)	\$ 460,481	\$ 135,595	\$ 11,777
Accounts receivable (Note 5)	19,308	2,560	-
Prepaid expenses	12,946	2,530	-
Income taxes receivable	1,533	2,131	-
Due from S.D. Continuing Legal Education, Inc.	140,783 *	-	-
Due from Access to Justice, Inc.	2,877 *	-	-
<b>Total current assets</b>	<b>637,928</b>	<b>142,816</b>	<b>11,777</b>
<b>PROPERTY AND EQUIPMENT</b>			
Furniture and equipment	123,466	93,888	20,274
Less accumulated depreciation	64,628	52,583	16,204
	<b>58,838</b>	<b>41,305</b>	<b>4,070</b>
	<b>\$ 696,766</b>	<b>\$ 184,121</b>	<b>\$ 15,847</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Current maturities of capital lease obligations (Note 3)	\$ 4,636	\$ -	\$ -
Accounts payable	13,577	42,315	-
Accrued expenses	74,342	49	8,081
Income taxes payable	-	-	-
Deferred revenue	-	1,436	-
Due to State Bar of South Dakota	-	140,783 *	2,877 *
<b>Total current liabilities</b>	<b>92,555</b>	<b>184,583</b>	<b>10,958</b>
<b>CAPITAL LEASE OBLIGATIONS, LESS CURRENT MATURITIES (NOTE 3)</b>			
	<b>6,547</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS (DEFICIT) (NOTE 5)</b>			
Unrestricted:			
Undesignated	481,670	(462)	4,889
Designated	115,994	-	-
	<b>597,664</b>	<b>(462)</b>	<b>4,889</b>
	<b>\$ 696,766</b>	<b>\$ 184,121</b>	<b>\$ 15,847</b>

See Notes to Combining Financial Statements.

\* Eliminated in the combined column.



2017				
Combined	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
\$ 607,853	\$ 468,732	\$ 143,186	\$ 5,386	\$ 617,304
21,868	5,128	917	-	6,045
15,476	15,039	1,980	-	17,019
3,664	-	3,136	-	3,136
-	223,498 *	-	-	-
-	4,509 *	-	-	-
<u>648,861</u>	<u>716,906</u>	<u>149,219</u>	<u>5,386</u>	<u>643,504</u>
237,628	114,876	124,109	20,274	259,259
133,415	97,725	114,731	12,788	225,244
104,213	17,151	9,378	7,486	34,015
<u>\$ 753,074</u>	<u>\$ 734,057</u>	<u>\$ 158,597</u>	<u>\$ 12,872</u>	<u>\$ 677,519</u>
\$ 4,636	\$ 4,401	\$ -	\$ -	\$ 4,401
55,892	9,498	16,500	-	25,998
82,472	60,558	22	7,661	68,241
-	881	-	-	881
1,436	-	1,353	-	1,353
-	-	223,498 *	4,509 *	-
<u>144,436</u>	<u>75,338</u>	<u>241,373</u>	<u>12,170</u>	<u>100,874</u>
<u>6,547</u>	<u>3,039</u>	<u>-</u>	<u>-</u>	<u>3,039</u>
486,097	558,581	(82,776)	702	476,507
115,994	97,099	-	-	97,099
602,091	655,680	(82,776)	702	573,606
<u>\$ 753,074</u>	<u>\$ 734,057</u>	<u>\$ 158,597</u>	<u>\$ 12,872</u>	<u>\$ 677,519</u>

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**COMBINING STATEMENTS OF ACTIVITIES  
YEARS ENDED JULY 31, 2018 AND 2017**

	2018		
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>			
Revenues collected:			
Dues	\$ 875,763	\$ 260,186	\$ -
Program services	27,841	196,790	61,000
Administration fees	7,347	-	-
Donations	2,498	-	52,850 *
Gain on disposal of equipment	1,883	1,883	-
Interest	2,927 *	349	6
Miscellaneous	240	285	-
<b>Total unrestricted revenues</b>	<b>918,499</b>	<b>459,493</b>	<b>113,856</b>
Expenses paid:			
Supporting activities (Notes 4, 6 and 7)	598,209	135,823 *	8,847
Program services (Note 4)	378,306 *	241,356	100,822
<b>Total expenses paid</b>	<b>976,515</b>	<b>377,179</b>	<b>109,669</b>
<b>Change in unrestricted net assets</b>	<b>(58,016)</b>	<b>82,314</b>	<b>4,187</b>
<b>NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	<b>655,680</b>	<b>(82,776)</b>	<b>702</b>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 597,664</b>	<b>\$ (462)</b>	<b>\$ 4,889</b>

See Notes to Combining Financial Statements

\*Interorganizational interest of \$2,240 in 2018 and \$2,320 in 2017 and interorganizational contributions of \$50,000 in 2018 and \$35,000 in 2017 are eliminated in the combined column.

2017				
Combined	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
\$ 1,135,949	\$ 875,173	\$ 266,500	\$ -	\$ 1,141,673
285,631	14,224	163,399	81,516	259,139
7,347	7,815	-	-	7,815
5,348	2,307	-	35,230 *	2,537
3,766	-	-	-	-
1,042	2,972 *	411	6	1,069
525	1,315	615	107	2,037
<u>1,439,608</u>	<u>903,806</u>	<u>430,925</u>	<u>116,859</u>	<u>1,414,270</u>
740,639	598,121	142,356 *	9,460	747,617
670,484	324,524 *	254,935	104,208	648,667
<u>1,411,123</u>	<u>922,645</u>	<u>397,291</u>	<u>113,668</u>	<u>1,396,284</u>
28,485	(18,839)	33,634	3,191	17,986
<u>573,606</u>	<u>674,519</u>	<u>(116,410)</u>	<u>(2,489)</u>	<u>555,620</u>
<u>\$ 602,091</u>	<u>\$ 655,680</u>	<u>\$ (82,776)</u>	<u>\$ 702</u>	<u>\$ 573,606</u>

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES FOR THE STATE BAR OF SOUTH DAKOTA  
YEARS ENDED JULY 31, 2018 AND 2017**

	2018			2017		
	Supporting Activities	Program Services	Total	Supporting Activities	Program Services	Total
Personnel and other expenses	\$ 410,393	\$ -	\$ 410,393	\$ 409,246	\$ -	\$ 409,246
Disciplinary board	-	108,119	108,119	-	73,382	73,382
Annual meeting	85,201	-	85,201	73,518	-	73,518
Legal services coordinator	-	50,000	50,000	-	35,000	35,000
Publications	43,868	-	43,868	58,829	-	58,829
President's office	-	38,592	38,592	-	42,940	42,940
Bar commissioners	-	28,508	28,508	-	29,391	29,391
Strategic planning committee	-	24,892	24,892	-	28,279	28,279
Young lawyers	-	23,970	23,970	-	17,885	17,885
Socius	-	20,420	20,420	-	22,200	22,200
Legal and accounting	16,220	-	16,220	14,154	-	14,154
Public information	-	14,960	14,960	-	13,400	13,400
Rent	13,530	-	13,530	13,530	-	13,530
Transition committee	-	13,021	13,021	-	1,076	1,076
ABA and State Bar delegates	-	12,979	12,979	-	15,447	15,447
Depreciation expense	11,028	-	11,028	7,532	-	7,532
Pattern jury instructions-civil	-	6,047	6,047	-	10,001	10,001
Lawyer referral	-	5,797	5,797	-	7,467	7,467
Ethics	-	5,016	5,016	-	1,204	1,204
Contribution expense	-	4,999	4,999	-	4,999	4,999
iStream fees	4,531	-	4,531	3,621	-	3,621
Interest expense	2,884	-	2,884	4,115	-	4,115
Equipment expense	2,349	-	2,349	1,514	-	1,514
Professional liability insurance	-	2,263	2,263	-	4,184	4,184
Pattern jury instructions-criminal	-	2,256	2,256	-	2,313	2,313
Travel	2,213	-	2,213	2,745	-	2,745
Phone/internet service	1,727	-	1,727	1,276	-	1,276
Veterans committee	-	1,653	1,653	-	603	603
Lawyers concerned for lawyers	-	1,638	1,638	-	215	215
Office supplies	1,633	-	1,633	2,161	-	2,161
Law school - moot court	-	1,500	1,500	-	1,500	1,500
Stress/depression treatment	-	1,427	1,427	-	2,658	2,658
Project rural practice	-	1,354	1,354	-	2,575	2,575
Lawyer assistance committee	-	1,237	1,237	-	1,629	1,629
State and federal taxes	1,086	-	1,086	2,503	-	2,503
Law school committee	-	1,066	1,066	-	1,115	1,115
Family law	-	1,055	1,055	-	915	915
Women in law	-	1,000	1,000	-	405	405
Postage	957	-	957	300	-	300
Diversity and inclusion	-	920	920	-	704	704
Real property, probate and trust	-	714	714	-	700	700
Sole practitioner and small office	-	691	691	-	201	201
Judicial-Bar liaison	-	392	392	-	222	222
Copies	299	-	299	-	-	-
Business law	-	268	268	-	-	-
Legal services	-	259	259	-	229	229
Alternative dispute resolution	-	252	252	-	33	33
Agricultural law	-	213	213	-	84	84
Law practice management	-	170	170	-	135	135
Administrative law	-	150	150	-	168	168
Education	-	140	140	-	75	75
Debtor-creditor	-	92	92	-	416	416
Labor and employment law	-	49	49	-	98	98
Immigration	-	16	16	-	292	292
In-house counsel	-	6	6	-	75	75
Dues	-	-	-	1,305	-	1,305
Negligence and tort law	-	-	-	-	285	285
Miscellaneous	290	205	495	1,772	24	1,796
	<u>\$ 598,209</u>	<u>\$ 378,306</u>	<u>\$ 976,515</u>	<u>\$ 598,121</u>	<u>\$ 324,524</u>	<u>\$ 922,645</u>

See Notes to Combining Financial Statements.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES FOR S.D. CONTINUING LEGAL EDUCATION, INC.  
YEARS ENDED JULY 31, 2018 AND 2017**

	2018			2017		
	Supporting Activities	Program Services	Total	Supporting Activities	Program Services	Total
Fastcase	\$ -	\$ 117,914	\$ 117,914	\$ -	\$ 127,718	\$ 127,718
Personnel and other expenses	55,624	25,186	80,810	54,028	24,771	78,799
Trial Academy	-	30,508	30,508	-	(426)	(426)
Books and printing	-	18,632	18,632	-	49,905	49,905
Rackspace	-	17,563	17,563	-	15,922	15,922
Supreme court opinions	-	14,084	14,084	-	11,250	11,250
Rent	13,530	-	13,530	13,530	-	13,530
Coffee and pop	11,558	-	11,558	10,532	-	10,532
Staff travel	10,393	-	10,393	13,869	-	13,869
Office supplies	8,224	-	8,224	6,723	-	6,723
Phone/Internet service	6,270	-	6,270	8,095	-	8,095
Program travel and expenses	-	5,621	5,621	-	11,424	11,424
Postage	5,333	-	5,333	14,154	-	14,154
Depreciation	5,100	-	5,100	4,300	-	4,300
Tape lending library expense	-	5,000	5,000	-	5,000	5,000
Equipment expense	3,894	-	3,894	4,679	-	4,679
Pattern jury instruction	-	3,407	3,407	-	2,820	2,820
Interest expense	2,240	-	2,240	2,320	-	2,320
Insurance	1,808	-	1,808	2,135	-	2,135
Legal and accounting	1,411	-	1,411	1,432	-	1,432
Audio - CLE program	-	1,237	1,237	-	1,107	1,107
CLE speaker program fee	-	1,226	1,226	-	3,000	3,000
Capital acquisitions fund	-	1,027	1,027	-	-	-
Federal taxes	1,005	-	1,005	620	-	620
Copies	599	-	599	638	-	638
Committee travel	387	-	387	350	-	350
Remote deposit/cc fees	294	-	294	201	-	201
SDBF CLE speaker	-	-	-	-	2,450	2,450
Miscellaneous	8,153	(49)	8,104	4,750	(6)	4,744
	<u>\$ 135,823</u>	<u>\$ 241,356</u>	<u>\$ 377,179</u>	<u>\$ 142,356</u>	<u>\$ 254,935</u>	<u>\$ 397,291</u>

See Notes to Combining Financial Statements.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES FOR ACCESS TO JUSTICE, INC.  
YEARS ENDED JULY 31, 2018 AND 2017**

	2018			2017		
	Supporting Activities	Program Services	Total	Supporting Activities	Program Services	Total
Personnel and other expenses	\$ -	\$ 99,281	\$ 99,281	\$ -	\$ 98,473	\$ 98,473
Depreciation	3,416	-	3,416	3,024	-	3,024
Phone/Internet service	2,800	-	2,800	2,399	-	2,399
Office supplies	1,020	-	1,020	1,577	-	1,577
Bill Day Pro Bono award exp.	-	1,000	1,000	-	1,000	1,000
Legal and accounting	746	-	746	700	-	700
Program travel and expenses	-	541	541	-	4,735	4,735
Rent	-	-	-	550	-	550
Miscellaneous	865	-	865	1,210	-	1,210
	<u>\$ 8,847</u>	<u>\$ 100,822</u>	<u>\$ 109,669</u>	<u>\$ 9,460</u>	<u>\$ 104,208</u>	<u>\$ 113,668</u>

See Notes to Combining Financial Statements.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**COMBINING STATEMENTS OF CASH FLOWS  
YEARS ENDED JULY 31, 2018 AND 2017**

	2018		
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ (58,016)	\$ 82,314	\$ 4,187
Adjustment to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	11,028	5,100	3,416
Gain on trade of vehicle	(1,883)	(1,883)	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(14,180)	(1,643)	-
(Increase) decrease in prepaid expenses	2,093	(550)	-
(Increase) decrease in income taxes receivable	(1,533)	1,005	-
Increase (decrease) in accounts payable	3,569	25,305	-
Increase (decrease) in accrued expenses	13,784	27	420
Increase (decrease) in income taxes payable	(881)	-	-
Increase (decrease) in deferred revenue	-	83	-
Change in intercompany receivables/payables	84,347	(82,715)	(1,632)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>38,328</b>	<b>27,043</b>	<b>6,391</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	(41,534)	(34,634)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(41,534)</b>	<b>(34,634)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal payments on capital lease obligations	(5,045)	-	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,045)</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(8,251)</b>	<b>(7,591)</b>	<b>6,391</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning	468,732	143,186	5,386
Ending	<u>\$ 460,481</u>	<u>\$ 135,595</u>	<u>\$ 11,777</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash payments for:			
Interest	\$ 2,884	\$ 2,214 *	\$ -
Income taxes	3,500	-	-
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Capital lease obligation incurred for purchase of equipment	\$ 8,788	\$ -	\$ -
Vehicle acquired on account with vendor	510	510	-

See Notes to Combining Financial Statements.

\* Eliminated interorganizational interest of \$2,214 in 2018 and \$2,297 in 2017 in the combined column.

2017				
Combined	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
\$ 28,485	\$ (18,839)	\$ 33,634	\$ 3,191	\$ 17,986
19,544	7,532	4,300	3,024	14,856
(3,766)	-	-	-	-
(15,823)	(2,323)	2,869	-	546
1,543	(2,493)	(419)	134	(2,778)
(528)	172	(3,136)	-	(2,964)
28,874	(776)	3,676	(152)	2,748
14,231	23,945	(161)	3,422	27,206
(881)	881	(774)	-	107
83	-	(3,066)	-	(3,066)
-	23,776	(28,285)	4,509	-
<u>71,762</u>	<u>31,875</u>	<u>8,638</u>	<u>14,128</u>	<u>54,641</u>
<u>(76,168)</u>	<u>(6,461)</u>	<u>(990)</u>	<u>(9,597)</u>	<u>(17,048)</u>
<u>(76,168)</u>	<u>(6,461)</u>	<u>(990)</u>	<u>(9,597)</u>	<u>(17,048)</u>
<u>(5,045)</u>	<u>(3,223)</u>	<u>-</u>	<u>-</u>	<u>(3,223)</u>
<u>(5,045)</u>	<u>(3,223)</u>	<u>-</u>	<u>-</u>	<u>(3,223)</u>
(9,451)	22,191	7,648	4,531	34,370
<u>617,304</u>	<u>446,541</u>	<u>135,538</u>	<u>855</u>	<u>582,934</u>
<u>\$ 607,853</u>	<u>\$ 468,732</u>	<u>\$ 143,186</u>	<u>\$ 5,386</u>	<u>\$ 617,304</u>
\$ 2,884	\$ 3,877	\$ 2,297 *	\$ -	\$ 3,877
3,500	1,450	4,530	-	5,980
\$ 8,788	\$ -	\$ -	\$ -	\$ -
1,020	-	-	-	-



**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 1. Nature of Activities and Significant Accounting Policies**

***Nature of activities:***

The State Bar of South Dakota is organized as a public association and the S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. are organized as nonprofit corporations under the laws of the State of South Dakota.

The purpose of the State Bar of South Dakota is to obtain the cooperation of all the practicing lawyers in the State for the betterment of the administration of justice and in maintaining a high standard of professional conduct at the Bar, to furnish a legal entity through which the considered judgment of its members on matters affecting the judicial system of the State may be ascertained and made available to the courts and the State Legislature, to uphold the honor of the profession of the law and to encourage adequate preparation for its practice.

The purpose of S.D. Continuing Legal Education, Inc. is to provide, through the facilities and personnel of the Corporation and by financial support, an educational program for the study, discussion and dissemination of information relating to the laws of the State of South Dakota, United States of America, the several states thereof, and governmental units and organizations inferior to or related to any of them, and international law, for members of the State Bar of South Dakota.

The purpose of Access to Justice, Inc. is to provide, through facilities and personnel of the Corporation and by financial support, coordination of pro bono lawyers to assist poor citizens with their legal problems, thus providing access to justice for those lacking financial resources to hire a lawyer.

***A summary of significant accounting policies follows:***

***Principles of combination:***

The combining financial statements include the accounts of the State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. The commissioners of the State Bar of South Dakota are also the directors of S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. All material interorganizational balances and transactions have been eliminated in the combination.

***Method of accounting and basis of presentation:***

The accompanying combined financial statements of the Bar and Corporations are prepared under the accrual method of accounting. The Bar and Corporations classify their net assets, their revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets (permanently restricted, temporarily restricted and unrestricted) are displayed in a statement of financial position and the amounts of change in each of the three classes of net assets are displayed in the statement of activities. As of July 31, 2018 and 2017, and for the years then ended, the Bar and Corporations held no permanently or temporarily restricted net assets.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

*Use of estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and cash equivalents:*

For purposes of reporting cash flows, the Bar and Corporations consider money market funds to be cash equivalents. The Bar and Corporations maintain their cash and cash equivalents primarily in two commercial banks in South Dakota. The balances in these accounts may, at times, exceed the federally insured limits. The amount on deposits at July 31, 2018 and 2017 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$173,000 and \$172,400, respectively. The Bar has not experienced any losses in these accounts and does not expect any losses in the future.

*Accounts receivable:*

Accounts receivable are carried at original invoice amount less an estimate for doubtful accounts based on a review of outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and credit history. No allowance for doubtful accounts was recorded as of July 31, 2018 and 2017. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recognized as income when received.

*Property, equipment and depreciation:*

Furniture and equipment are recorded at cost. Depreciation of furniture and equipment is computed using the declining-balance method over the estimated useful lives of five years to seven years. The depreciation expense on equipment acquired under capital leases is included in depreciation expense on owned assets.

*Impairment of long-lived Assets*

Long-lived assets are evaluated for impairment whenever events or changes in circumstances have indicated that an asset may not be recoverable and are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities (asset group). If the sum of the projected undiscounted cash flows (excluding interest charges) of an asset group is less than its carrying value and the fair value of an asset group is also less than its carrying value, the assets will be written down by the amount by which the carrying value of the asset group exceeded its fair value. However the carrying amount of a finite-lived intangible asset can never be written down below its fair value. Any loss would be recognized in income from continuing operations in the period in which the determination is made. Management has determined that there was no impairment of long-lived assets as of July 31, 2018 and 2017.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

*Donated services:*

The Boards of Commissioners and Directors donate their time to the Bar and Corporations during their term. This time can not be quantified but is not considered material.

*Revenue recognition:*

Member dues are recognized as revenue during the period for which the membership applies. Interest income, newsletter advertising income and program services income are recognized as revenue when earned. Contributions are recognized as income at their fair value in the period in which they are received. The deferred revenue is from prepaid newsletter advertising income and will be recognized as revenue in the following year.

S. D. Continuing Legal Education, Inc. classifies all taxes collected from customers and remitted to government authorities on a net basis for the years ended July 31, 2018 and 2017.

*Functional allocation of expenses:*

The Bar and Corporations allocate their expenses on a functional basis by program and supporting services. Expenses that can be identified with a specific program and support service are allocated to that program according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

*Fundraising Expense*

The Bar and Corporations do not have any fundraising costs that they incurred during the fiscal years ended July 31, 2018 and 2017.

*Subsequent events:*

The Bar and Corporations have evaluated subsequent events through February 13, 2019, the date on which the financial statements were available to be issued.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**Note 2. Cash and Cash Equivalents**

The composition of cash and cash equivalents is as follows:

2018				
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
Cash and cash equivalents:				
Designated for client security:				
Money market and savings accounts	\$ 92,032	\$ -	\$ -	\$ 92,032
Checking account	5,161	-	-	5,161
	<u>97,193</u>	<u>-</u>	<u>-</u>	<u>97,193</u>
Undesignated:				
Money market and savings accounts	269,481	66,532	-	336,013
Checking account	93,807	69,063	11,777	174,647
	<u>363,288</u>	<u>135,595</u>	<u>11,777</u>	<u>510,660</u>
	<u>\$ 460,481</u>	<u>\$ 135,595</u>	<u>\$ 11,777</u>	<u>\$ 607,853</u>
2017				
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
Cash and cash equivalents:				
Designated for client security:				
Money market and savings accounts	\$ 91,940	\$ -	\$ -	\$ 91,940
Checking account	5,158	-	-	5,158
	<u>97,098</u>	<u>-</u>	<u>-</u>	<u>97,098</u>
Undesignated:				
Money market and savings accounts	269,744	116,547	-	386,291
Checking account	101,890	26,639	5,386	133,915
	<u>371,634</u>	<u>143,186</u>	<u>5,386</u>	<u>520,206</u>
	<u>\$ 468,732</u>	<u>\$ 143,186</u>	<u>\$ 5,386</u>	<u>\$ 617,304</u>

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

**Note 3. Lease Commitments and Total Rental Expense**

The capital lease obligations at July 31, 2018 and 2017 in the amount of \$11,183 and \$7,440, respectively, represents the present value of the lease for office equipment. Interest for the copier machine and postage machine has been imputed at 5.81% to July 22, 2018 and 52.71% to July 7, 2019, respectively. Since the present value of the future minimum lease payments at the beginning of the lease exceeded ninety percent of the fair value of the leased asset at the date, the lease is considered to be a capital lease. Equipment includes equipment under capital lease in the amount of \$18,783 and \$17,795 at July 31, 2018 and 2017, respectively. Lease amortization is included with accumulated depreciation and was \$10,737 and \$15,619 at July 31, 2018 and 2017, respectively.

Maturities of capital lease obligations at July 31, 2018 are as follows:

Year Ending July 31:	Total Lease Payments	Amount Representing Interest	Principal
2019	\$ 5,940	\$ 1,304	\$ 4,636
2020	2,028	335	1,693
2021	2,028	234	1,794
2022	2,028	128	1,900
2023	1,183	23	1,160
	<u>\$ 13,207</u>	<u>\$ 2,024</u>	<u>\$ 11,183</u>

State Bar of South Dakota rents office space under an operating lease which expires January 1, 2022. The lease provides that State Bar of South Dakota pay a monthly rental amount of \$2,255. S.D. Continuing Legal Education, Inc. is using this same office space for its operations and was paying the Bar \$1,128 per month. The total minimum rental commitment at July 31, 2018 under this lease is as follows:

Year ending July 31,	
2019	\$ 27,060
2020	27,060
2021	27,060
2022	11,275
	<u>\$ 92,455</u>

The State Bar of South Dakota and the S.D. Continuing Legal Education, Inc. have each reported \$13,530 of rent expense for each of the years ended July 31, 2018 and 2017 in the combining statements of activities. The total rent expense of the entities included in the combining statements of activities for each of the years ended July 31, 2018 and 2017 was \$27,060.

Access to Justice, Inc. rented office space under an operating lease which expired August 31, 2016. The lease provided that Access to Justice, Inc. pay a monthly rental amount of \$550. The total rent expense included in the combining statements of activities for year ended July 31, 2017 was \$550.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 4. Employee Benefit Plan**

State Bar of South Dakota participates in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for the employees of the State of South Dakota and its political subdivisions. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

All of State Bar of South Dakota's full-time employees are covered by the plan. Under the plan, covered employees are required by state statute to contribute 6 percent of their salary to the plan. State statute also requires the employer to contribute an amount equal to the employee's contribution. State Bar of South Dakota paid the full contribution for the year under the plan and was reimbursed by S.D. Continuing Legal Education, Inc. for its share of the contributions based on State Bar of South Dakota employees time spent performing operations of S.D. Continuing Legal Education, Inc. Total contributions reported in the combining statements of activities for the year ended July 31, 2018 was \$29,166, of which, State Bar of South Dakota has reported \$25,205 in general operations and \$0 in program services and S.D. Continuing Legal Education, Inc. has reported \$2,818 in general operations and \$1,143 in program services and for the year ended July 31, 2017 was \$28,537, of which State Bar of South Dakota has reported \$24,674 in general operations and \$0 in program services and S.D. Continuing Legal Education, Inc. has reported \$2,743 in general operations and \$1,120 in program services.

The Director for Access to Justice, Inc. participates in a Simple IRA with The Vanguard Group. Under the plan, the director contributes 6 percent of her salary to the plan. The employer contributes an amount equal to the employee's contribution. Total contributions reported in the combining statement of activities for the years ended July 31, 2018 and 2017 was \$5,049 and \$4,798, respectively.

**Note 5. Net Assets**

The unrestricted, undesignated net assets in the accompanying combining statements of financial position are for the day-to-day activities of State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. The unrestricted, designated net assets are designated for client claims against State Bar of South Dakota members, for which State Bar of South Dakota's by-laws require \$80,000 of net assets be maintained. State Bar of South Dakota has unrestricted, designated net assets of \$115,994 and \$97,099 for the years ended July 31, 2018 and 2017, respectively.

The by-laws of State Bar of South Dakota approved by the Supreme Court require a \$25 surcharge to all active members of State Bar of South Dakota when the balance drops below \$80,000. The aggregate payout limit per lawyer is \$75,000. As of July 31, 2018, State Bar of South Dakota does not anticipate any losses due to claims against the Client Assistance Program. Subsequent to July 31, 2018, the Client Assistance Program received \$18,801 for reimbursement of payments made.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 6. Unrelated Business Income Tax Matters**

The Internal Revenue Service ("IRS") and certain state taxing authorities are currently revisiting what, if any, products and services provided by the Bar and Corporations are subject to unrelated business income tax ("UBIT"). There is currently very little guidance in the IRS Code on what activities should be subject to UBIT. The IRS has indicated that they are studying the issue and may issue additional guidance. As a result, at this time there is uncertainty regarding whether the Bar and Corporations should pay income tax on certain types of net income from activities that may be considered by taxing authorities as unrelated to the purpose for which the Bar and Corporations were granted non-taxable status. The Bar and Corporations have not filed any tax returns in the past for potential taxable activities. The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net income from activities deemed to be unrelated to the Bar and Corporations' non-taxable status is not expected to have a material effect on the Bar and Corporations' financial position or results of operations.

State Bar of South Dakota is exempt from federal income taxes pursuant to the provisions in Section 501(c)(6) of the Internal Revenue Code. State Bar of South Dakota is subject to tax on unrelated business income and lobbying and political expenditures. Taxes of \$1,086 and \$2,503 related to this activity have been recognized in the combined financial statements for 2018 and 2017, respectively. S.D Continuing Legal Education, Inc. and Access to Justice, Inc. are exempt from federal income taxes pursuant to the provisions in Section 501(c)(3) of the Internal Revenue Code but are subject to tax on unrelated business income. Taxes of \$1,005 and \$620 for S.D. Continuing Legal Education, Inc. related to this income have been included in the combined financial statements for 2018 and 2017, respectively.

The Bar and Corporations are no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before the year ended July 31, 2014.

**Note 7. Related Party Transactions**

For each of the years ended July 31, 2018 and 2017, State Bar of South Dakota received management fees of \$5,000 from the South Dakota Bar Foundation, a related party. The South Dakota Bar Foundation made contributions totaling \$60,000 and \$63,516 to Access to Justice, Inc. for the years ended July 31, 2018 and 2017, respectively.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 8. Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Bar and Corporations have not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the combining financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs, which rescinds certain SEC Observer comments and staff announcements from the lease guidance and incorporates SEC staff announcements on the effect of a change in tax law on leveraged leases from ASC 840 into ASC 842. In January 2018, the FASB issued ASU 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842, which amends the new lease guidance to add an optional transition practical expedient that permits an entity to continue applying its current accounting policy for land easements that exist or expire before the ASC 842 effective date. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an optional transition method allowing the standard to be applied at the adoption date.

An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Companies expect to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2020, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Bar and Corporations expect to elect all the practical expedients available.



**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**NOTES TO COMBINING FINANCIAL STATEMENTS**

---

**Note 8. Recently Issued Accounting Pronouncements (Continued)**

We are currently evaluating the impact of our pending adoption of the new standard on our combining financial statements. The Bar and Corporations are implementing new lease systems in connection with the adoption and are also evaluating the impact that ASU 2016-02 will have on its combining financial statements. We currently expect the adoption of this standard to result in a material increase to the assets and liabilities on the combining statements of financial position, but we do not expect a material impact on the combining statements of activities or combining statements of cash flows. Management will continue to evaluate the impact of this guidance on our combining financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Bar and Corporations are currently evaluating the impact of this guidance will have on their combining financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Bar and Corporations on January 1, 2019. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Bar and Corporations are currently evaluating the impact the adoption of this guidance will have on their combining statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where the Organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. The Bar and Corporations are currently evaluating the impact of the adoption of this guidance on their combining financial statements. The adoption of ASU 2018-08 is not expected to have a material impact on the Bar and Corporations' combining financial statements.



**PALMER, CURRIER & HOFFERT, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION**

---

Board of Bar Commissioners and Boards of Directors  
State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc.

We have audited the combined financial statements of State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. (the Bar and Corporations) as of and for the years ended July 31, 2018 and 2017, and have issued our report thereon, which contains an unmodified opinion on those combined financial statements. See pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 audits 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.

*Palmer, Currier and Hoffert LLP*

Pierre, South Dakota  
February 13, 2019

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**COMBINING SCHEDULE OF REVENUES COLLECTED  
YEAR ENDED JULY 31, 2018 WITH COMPARATIVE TOTALS FOR 2017  
See Auditor's Report on the Supplementary Information**

	2018					2017
	State Bar of South Dakota			S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	
	General Operations	Client Security	Total			Combined
Dues:						
Bar dues	\$ 875,763	\$ -	\$ 875,763	\$ -	\$ -	\$ 875,173
CLE dues	-	-	-	260,186	-	266,500
	<u>875,763</u>	<u>-</u>	<u>875,763</u>	<u>260,186</u>	<u>-</u>	<u>1,135,949</u>
Program services:						
Dakota Disc	-	-	-	120,832	-	120,832
Program contributions	-	-	-	-	60,000	60,000
Trial Academy registration fees	-	-	-	22,500	-	22,500
Pattern jury instructions	-	-	-	21,828	-	21,828
Client Assistance Fund	-	18,801	18,801	-	-	18,801
Supreme court opinions - paper	-	-	-	10,320	-	10,320
Newsletter advertising	-	-	-	9,752	-	9,752
Pro hac vice	7,500	-	7,500	-	-	7,500
Trial Academy scholarship	-	-	-	7,500	-	7,500
Supreme court weekly opinions	-	-	-	2,100	-	2,100
Young lawyers ABA grant	1,540	-	1,540	-	-	1,540
Bill Day Pro Bono award donations	-	-	-	-	1,000	1,000
Membership directories	-	-	-	786	-	786
Lawyer referral	-	-	-	567	-	567
Labels	-	-	-	305	-	305
CLE registration fees	-	-	-	300	-	300
Commission on Equal Access to the Courts	-	-	-	-	-	-
Trial Academy miscellaneous	-	-	-	-	-	-
Disciplinary board	-	-	-	-	-	-
	<u>9,040</u>	<u>18,801</u>	<u>27,841</u>	<u>196,790</u>	<u>61,000</u>	<u>285,631</u>
Administration fees:						
SD Bar Foundation	5,000	-	5,000	-	-	5,000
Credit card fees	1,250	-	1,250	-	-	1,250
Hagan benefits	1,097	-	1,097	-	-	1,097
	<u>7,347</u>	<u>-</u>	<u>7,347</u>	<u>-</u>	<u>-</u>	<u>7,347</u>
Donations	2,498	-	2,498	-	52,850	53,488 *
Interest	2,832	95	2,927	349	6	1,042 *
Gain on disposal of equipment	1,883	-	1,883	1,883	-	3,766 *
Miscellaneous	240	-	240	285	-	525
	<u>\$ 899,603</u>	<u>\$ 18,896</u>	<u>\$ 918,499</u>	<u>\$ 459,493</u>	<u>\$ 113,856</u>	<u>\$ 1,439,608</u>
						<u>\$ 1,414,270</u>

\* Interorganizational interest of \$2,240 in 2018 and \$2,320 in 2017 and interorganizational contributions of \$50,000 in 2018 and \$35,000 in 2017 are eliminated in the combined column.

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**SCHEDULE OF BUDGET VS. ACTUAL UNRESTRICTED FUND EXPENSES  
FOR THE STATE BAR OF SOUTH DAKOTA**

**YEAR ENDED JULY 31, 2018**

**See Auditor's Report on the Supplementary Information**

	2017 - 2018 Budget Allowance	Expenses Paid	Variance Under (Over)
Administration	\$ 548,253	\$ 455,225	\$ 93,028
Disciplinary board	110,000	108,119	1,881
Annual meeting	80,000	85,201	(5,201)
Publications	65,000	43,868	21,132
Legal services coordinator	50,000	50,000	-
President's office	45,000	38,592	6,408
Bar commissioners	30,000	28,508	1,492
Stress/Depression treatment	29,686	1,427	28,259
Strategic planning committee	25,000	24,892	108
Young lawyers	23,000	23,970	(970)
Socious	23,000	20,420	2,580
Public information	15,000	14,960	40
ABA and State Bar delegates	14,000	12,979	1,021
Transition committee	12,310	13,021	(711)
Pattern jury instructions-civil	7,500	6,047	1,453
Lawyer referral	4,443	5,797	(1,354)
Professional liability insurance	3,000	2,263	737
Business Law	3,000	268	2,732
Ethics	2,500	5,016	(2,516)
Veterans committee	2,500	1,653	847
Lawyers concerned for lawyers	2,500	1,638	862
Project rural practice	2,500	1,354	1,146
Lawyer assistance committee	2,500	1,237	1,263
Pattern jury instructions-criminal	2,225	2,256	(31)
Law school - moot court	1,500	1,500	-
Law school committee	1,066	1,066	-
Family law	1,000	1,055	(55)
Women in law	1,000	1,000	-
Diversity and inclusion	1,000	920	80
Real property, probate and trust	1,000	714	286
Legal services	1,000	259	741
Law practice management	1,000	170	830
In-House counsel	750	6	744
Sole practitioner and small office	500	691	(191)
Agricultural law	500	213	287
Judicial - Bar liaison	200	392	(192)
Alternative dispute resolution	200	252	(52)
Administrative law	200	150	50
Education	200	140	60
Elder law	200	108	92
Debtor-Creditor	200	92	108
Labor and employment law	200	49	151
Criminal law	200	48	152
Indian law	200	37	163
Immigration	200	16	184
Practice rules revision	200	15	185
Evidence	200	-	200
Public sector	200	-	200
Liaison with SD District IRS	200	-	200
Worker's compensation	200	-	200
Natural resources	200	-	200
Negligence and tort law	200	-	200
Consumer protection	100	-	100
Depreciation	-	11,028	(11,028)
Contribution expense	-	4,999	(4,999)
Interest expense	-	2,884	(2,884)
	<u>\$ 1,116,733</u>	<u>\$ 976,515</u>	<u>\$ 140,218</u>

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**SCHEDULE OF BUDGET VS. ACTUAL UNRESTRICTED FUND EXPENSES**

**FOR S.D. CONTINUING LEGAL EDUCATION, INC.**

**YEAR ENDED JULY 31, 2018**

**See Auditor's Report on the Supplementary Information**

	2017 - 2018		
	Budget	Expenses	Variance
	Allowance	Paid	Under (Over)
Personnel and other expenses	\$ 155,000	\$ 80,810	\$ 74,190
Fastcase - contract	130,000	117,914	12,086
Books and printing	40,000	18,632	21,368
Staff travel	20,000	10,393	9,607
Rackspace	19,000	17,563	1,437
Supreme court opinions	15,000	14,084	916
Office supplies	15,000	8,224	6,776
Rent	13,530	13,530	-
Coffee and pop	12,000	11,558	442
Postage	12,000	5,333	6,667
Program travel and expenses	10,000	5,621	4,379
Phone/Internet service	8,000	6,270	1,730
Lease agreements	8,000	-	8,000
Equipment	7,000	3,894	3,106
Tape lending library expense	5,000	5,000	-
Legal and accounting	5,000	1,411	3,589
Insurance	4,025	1,808	2,217
Federal taxes	4,000	1,005	2,995
Pattern jury instruction	3,500	3,407	93
Audio - CLE program	3,000	1,237	1,763
Honorariums	3,000	-	3,000
Committee travel	1,000	387	613
Copies	600	599	1
Trial Academy	-	30,508	(30,508)
Depreciation	-	5,100	(5,100)
Interest expense	-	2,240	(2,240)
CLE speaker program fee	-	1,226	(1,226)
Capital acquisitions fund	-	1,027	(1,027)
Remote deposit/credit card fees	-	294	(294)
Miscellaneous	8,500	8,104	396
	<u>\$ 502,155</u>	<u>\$ 377,179</u>	<u>\$ 124,976</u>

**STATE BAR OF SOUTH DAKOTA, S.D. CONTINUING LEGAL EDUCATION, INC. AND  
ACCESS TO JUSTICE, INC.**

**SCHEDULE OF BUDGET VS. ACTUAL UNRESTRICTED FUND EXPENSES  
FOR ACCESS TO JUSTICE, INC.**

**YEAR ENDED JULY 31, 2018**

**See Auditor's Report on the Supplementary Information**

---

	2017 - 2018 Budget Allowance	Expenses Paid	Variance Under (Over)
Personnel and other expenses	\$ 100,300	\$ 99,281	\$ 1,019
Phone/Internet service	2,700	2,800	(100)
Office supplies	2,368	1,020	1,348
Program travel and expenses	2,000	541	1,459
Bill Day Pro Bono award expenses	1,000	1,000	-
Legal and accounting	750	746	4
Equipment and maintenance	500	-	500
Depreciation	-	3,416	(3,416)
Miscellaneous	1,300	865	435
	<u>\$ 110,918</u>	<u>\$ 109,669</u>	<u>\$ 1,249</u>

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JAN 11 2006

ACCESS TO JUSTICE INC  
222 E CAPITOL AVE  
PIERRE, SD 57501

Employer Identification Number:  
20-3203101  
DLN:  
17053343028035  
Contact Person:  
JOAN C KISER ID# 31217  
Contact Telephone Number:  
(877) 829-5500  
Accounting Period Ending:  
JULY 31  
Public Charity Status:  
170(b)(1)(A)(vi)  
Form 990 Required:  
YES  
Effective Date of Exemption:  
JULY 18, 2005  
Contribution Deductibility:  
YES  
Advance Ruling Ending Date:  
JULY 31, 2009

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c)(3) of the Code are further classified as either public charities or private foundations. During your advance ruling period, you will be treated as a public charity. Your advance ruling period begins with the effective date of your exemption and ends with advance ruling ending date shown in the heading of the letter.

Shortly before the end of your advance ruling period, we will send you Form 8734, Support Schedule for Advance Ruling Period. You will have 90 days after the end of your advance ruling period to return the completed form. We will then notify you, in writing, about your public charity status.

Please see enclosed Information for Exempt Organizations Under Section 501(c)(3) for some helpful information about your responsibilities as an exempt organization.

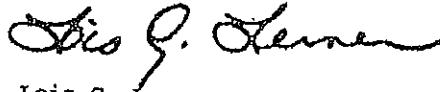
If you distribute funds to individuals, you should keep case histories showing the recipient's name and address; the purpose of the award; the manner of selection; and the relationship of the recipient to any of your officers, directors, trustees, members, or major contributors.

Letter 1045 (DQ/CG)

ACCESS TO JUSTICE INC

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lois G. Lerner".

Lois G. Lerner  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures: Information for Organizations Exempt Under Section 501(c)(3)  
Statute Extension



**ACCESS TO JUSTICE, INC.****Board Roster****(12/01/2018)**

Board Member	Address	Phone Number/Email
Fergel, Andrew L.	222 E. Capitol Avenue #3 Pierre, SD 57501	(605) 224-7554 <a href="mailto:Andrew.fergel@sdbar.net">Andrew.fergel@sdbar.net</a>
Westergaard, Terry G.	333 West Blvd., Suite 400 Rapid City, SD 57701	(605) 339-6800 <a href="mailto:twestergaard@bangsmccullen.com">twestergaard@bangsmccullen.com</a>
Huff, Steven K.	200 W. 3 <sup>rd</sup> St. Yankton, SD 57078	(605) 665-5009 <a href="mailto:steve@jmmwh.com">steve@jmmwh.com</a>
Tobin, Rodrick L.	P.O. Box 490 Aberdeen, SD 57402	(605) 225-5420 <a href="mailto:rtobin@sbslaw.net">rtobin@sbslaw.net</a>
Williams, Jennifer M.	P.O. Box 230 Rapid City, SD 57709	(605) 394-6945 <a href="mailto:jennifer.williams@ujs.state.sd.us">jennifer.williams@ujs.state.sd.us</a>
Ginsbach, Dusty	P.O. Box 365 Buffalo, SD 57720	(605) 375-3831 <a href="mailto:dusty.ginsbach@gmail.com">dusty.ginsbach@gmail.com</a>
Hruska III, Edward S.	P.O. Box 821 Pierre, SD 57501	(605) 521-6419 <a href="mailto:ehruska@pirlaw.com">ehruska@pirlaw.com</a>
Willert, Kellen B.	618 State St. Belle Fourche, SD 57717	(605) 892-2011 <a href="mailto:kellen@bellelaw.com">kellen@bellelaw.com</a>
Trefz, Marilyn	23 W. Main St., Suite 103 Vermillion, SD 57069	(605) 789-4960 <a href="mailto:marilyn@redwoodmediation.com">marilyn@redwoodmediation.com</a>
Pilcher, Aaron P.	P.O. Box 1376 Huron, SD 57350	(605) 554-1661 <a href="mailto:aaronpilcherlaw@gmail.com">aaronpilcherlaw@gmail.com</a>
Wurgler, Joshua	P.O. Box 970 Aberdeen, SD 57401	(605) 225-2232 <a href="mailto:jwurgler@bantzlaw.com">jwurgler@bantzlaw.com</a>
Zea, Colleen M.	221 S. Phillips Ave. Ste. 207 Sioux Falls, SD 57104	(605) 334-9131 <a href="mailto:colleen.zea@sdforensics.com">colleen.zea@sdforensics.com</a>
Christensen, Renee	P.O. Box 2315 Sioux Falls, SD 57101	(605) 335-1778 <a href="mailto:Renee@siouxfallslaw.com">Renee@siouxfallslaw.com</a>
Roby, Mathew	P.O. Box 213 Watertown, SD 57201	(605) 884-7113 <a href="mailto:matt@robylawoffice.com">matt@robylawoffice.com</a>
Kempema, Brent	1302 E. Highway 14, #1 Pierre, SD 57501	(605) 773-3215 <a href="mailto:brent.kempema@state.sd.us">brent.kempema@state.sd.us</a>
Aasen, Kirsten	910 5 <sup>th</sup> St., Suite 101 Rapid City, SD 57701	(605) 390-0999 <a href="mailto:kirsten@blackhillsdivorce.com">kirsten@blackhillsdivorce.com</a>

**Access to Justice**  
**Profit & Loss Budget vs. Actual**  
 January 1 through December 1, 2019

	Jan 1 - Dec 1, 19	Budget	% of Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
49010 · Interest on checking acct	9.12	0.00	100.0%
49020 · Donations	2,800.00	0.00	100.0%
49025 · Donations - coin mentor project	0.00	0.00	0.0%
49030 · Donations - Bill Day Award	1,000.00	0.00	100.0%
49035 · Rush Foundation - donation	0.00	0.00	0.0%
49040 · Pennington Co. Bar donation	0.00	0.00	0.0%
49050 · Equal Justice Works reimb.	0.00	0.00	0.0%
49055 · EJQ-Indian Est Planning grant	0.00	0.00	0.0%
49060 · SD Community Foundation grant	0.00	0.00	0.0%
49065 · Grant - Legal Assistance/Victim	0.00	0.00	0.0%
49066 · SD Network Against Family Violence	0.00	0.00	0.0%
49070 · SD Bar Foundation grant	40,000.00	72,000.00	55.6%
49071 · DPLS subgrant	0.00	0.00	0.0%
49072 · Dakota Plains LS - Reimb. A2J	0.00	0.00	0.0%
49075 · Grant- Comm on Equal Access to	20,000.00	20,000.00	100.0%
49076 · UJS Pro Se assistance project	0.00	0.00	0.0%
49080 · State Bar payments	50,000.00	50,000.00	100.0%
49090 · No on E donation	0.00	0.00	0.0%
49100 · Cy pres funds	0.00	0.00	0.0%
49110 · miscellaneous	0.00	0.00	0.0%
49120 · VOCA - Grant	138.45	0.00	100.0%
<b>Total Income</b>	<b>113,947.57</b>	<b>142,000.00</b>	<b>80.2%</b>
<b>Expense</b>			
49130 · Judicare	532.50	0.00	100.0%
50010 · Wages	86,124.96	87,397.78	98.5%
50020 · Payroll Taxes	6,588.56	7,000.00	94.1%
50030 · Dental/Health Insurance	2,241.60	2,000.00	112.1%
50035 · Supplemental benefits	0.00	0.00	0.0%
50040 · Travel			
50040-1 · Travel - Mileage	340.34	0.00	100.0%
50040-2 · Travel - Air fare	0.00	0.00	0.0%
50040-3 · Travel - Lodging	599.84	0.00	100.0%
50040-4 · Travel - Food/meals	82.72	0.00	100.0%
50040-5 · Travel - Registration fees	0.00	0.00	0.0%
50040-6 · Travel - taxi/shuttle	0.00	0.00	0.0%
50040 · Travel - Other	1,817.70	2,800.00	64.9%
<b>Total 50040 · Travel</b>	<b>2,840.60</b>	<b>2,800.00</b>	<b>101.5%</b>
50050 · Accounting services			
50050.1 · preparation of exempt org. ret	0.00	0.00	0.0%
50050.2 · Bookkeeping services	761.48	0.00	100.0%
50050 · Accounting services - Other	0.00	800.00	0.0%
<b>Total 50050 · Accounting services</b>	<b>761.48</b>	<b>800.00</b>	<b>95.2%</b>
50060 · Office Supplies	483.98	1,000.00	48.4%
50061 · Software	102.00	3,600.00	2.8%
50065 · Copies	0.00	0.00	0.0%
50070 · Phone/Internet	2,561.21	2,700.00	94.9%
50075 · Postage	0.00	0.00	0.0%
50080 · Equipment	0.00	0.00	0.0%
50085 · Equipment maintenance	472.36	1,000.00	47.2%
50090 · Rent	0.00	0.00	0.0%
50095 · Training	508.62	0.00	100.0%
50096 · William F. Day Pro Bono Award	1,000.00	0.00	100.0%
50097 · Pennington Co. Bar fundraiser	0.00	0.00	0.0%
50098 · VOCA - Grant Payment	138.45	0.00	100.0%
50100 · Utilities	0.00	0.00	0.0%
50110 · EJW Evaluation	0.00	0.00	0.0%
50115 · EJW Indian Est. Planning -grant	0.00	0.00	0.0%
50120 · Retirement	5,167.51	5,500.00	94.0%
50125 · Pro se clinics	0.00	0.00	0.0%

2:41 PM

12/05/19

Cash Basis

**Access to Justice**  
**Profit & Loss Budget vs. Actual**  
 January 1 through December 1, 2019

	Jan 1 - Dec 1, 19	Budget	% of Budget
50130 · Miscellaneous Expense	1,753.82	1,300.00	134.9%
50135 · Statewide Intake	6,903.60	7,000.00	98.6%
55060 · Depreciation expense	0.00	0.00	0.0%
<b>Total Expense</b>	<b>118,181.25</b>	<b>122,097.78</b>	<b>96.8%</b>
<b>Net Ordinary Income</b>	<b>-4,233.68</b>	<b>19,902.22</b>	<b>-21.3%</b>
<b>Other Income/Expense</b>			
Other Expense			
25000 · Due to State Bar of SD - ATJ	0.00	0.00	0.0%
<b>Total Other Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
<b>Net Other Income</b>	<b>0.00</b>	<b>0.00</b>	<b>0.0%</b>
<b>Net Income</b>	<b>-4,233.68</b>	<b>19,902.22</b>	<b>-21.3%</b>

Accession 15163701F2030030

Salaries	\$ 85,562.50
with insurance gross up*	\$ 87,397.78
Payroll Taxes	\$ 7,000.00
Retirement	\$ 5,500.00
Insurance	\$ 2,000.00
Rent	\$ -
Office Supplies	\$ 1,000.00
Travel/Training	\$ 2,800.00
Audit	\$ 800.00
Software	\$ 3,600.00
Equipment Maint.	\$ 1,000.00
Phone/Internet	\$ 2,700.00
Utilities	\$ -
Judicare	\$ 20,000.00
Statewide Intake	\$ 7,000.00
Miscellaneous	\$ 1,300.00
	\$ 142,097.78

This budget is based on \$50,000 from the State Bar and \$72,000 from the Bar Foundation and \$20,000 from CEAC

***SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS***

**Grant Application**

**Applicant's Current Year Funding**

<b>Funding Source</b>	<b>Amount</b>	<b>Purpose</b>
State Bar of South Dakota	\$50,000	
South Dakota Bar Foundation	\$72,000	
CEAC grant funding award from fall of 2019	\$20,000	Judicare cases only

Total Current Year Revenue: \$ 142,000

# SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS

## Summary Sheet

Legal Name of Organization	Access to Justice, Inc.
Mailing Address	222 E. Capitol Ave., Suite 3, Pierre, South Dakota 57501
Telephone Number	(855) 287-3510
Website	www.statebarofsouthdakota.com/page/access-to-justice
Director	Denise C. Langley
Director's Email Address	access.to.justice@sdbar.net
Application Contact & Title	Denise C. Langley, Co-Coordinator
Application Contact's Email Address	access.to.justice@sdbar.net
Mission Statement	To promote equal access to justice for all citizens of the State of South Dakota
Geographic Area Served (Specific to this Proposal)	The State of South Dakota
Number of Full-Time Employees	One
Number of Part-Time Employees	One
Type of Grant Requested (General Operating Support; Program Support; Capital Request; or Other)	Other – Staff technology training expenses
Amount of Request	CEAC grant funds in the amount of \$2,500
For requests other than general operating support, summarize what the grant will be used for	Access to Justice will use grant funds to enable staff to attend out of state technology training.
Applicant's Current Budget for Fiscal Year Ending: 07/31/2020	
Income	\$142,000
Expenses	\$142,097.78
If other than a general operating request:                      Dates: From _____ To _____  Program or Capital Budget:                      Income \$ _____ Expenses \$ _____	

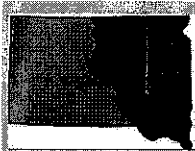
By signing below, I certify that the information contained in this application is true and correct to the best of my knowledge.

Denise Langley  
Director

12/06/2019  
Date

# East River Legal Services

# Financial Snapshot



**ERLS**  
EAST RIVER LEGAL SERVICES

*Legal Aid uses the power of the law to ensure access to basic needs and lift people out of poverty. Thanks to thousands of supporters and community partners, Legal Aid provides services that improve clients' safety and health, promote education and economic stability, secure decent, affordable housing, and ensure that the justice system and government entities are accountable and accessible.*

The mission of East River Legal Services is to provide equal access to justice for our most vulnerable citizens by providing high quality legal services and working for systemic solutions.

## 2019 ACTUAL vs BUDGET as of April 30 / FY 2018 ACTUAL vs BUDGET / FY 2017 ACTUAL

REVENUE AND OTHER SUPPORT		January 1 - April 30, 2019			January 1 - December 31, 2018			2017 Actual
		Actual	Budget	Variance	Actual	Budget	Variance	
Legal Services Corporation Basic Field Grant	LSC	\$ 132,715	\$ 125,629	\$ 7,086	\$ 369,045	\$ 370,406	\$ (1,361)	\$ 325,470
Private Attorney Involvement	LSC	13,013	17,947	(4,934)	54,276	52,915	1,361	70,831
Technology Initiative Grant	LSC	-	-	-	20,000	30,000	(10,000)	32,000
Technology Services Contract - A2I & DPLS	State	9,205	8,755	450	-	-	-	111,202
Older Americans	DHS	9,365	9,365	-	58,575	50,202	8,373	50,202
Veterans (CEAC)		42,000	25,833	16,167	53,648	62,000	(8,352)	38,000
Victims of Crime (VOCA)	DSS	6,273	24,054	(17,781)	73,873	60,000	13,873	-
Minnehaha County (A&N Cases)	County	-	-	-	2,524	4,500	(1,976)	41,668
Corporate (Guardianship Cases)	Avera	-	-	-	-	-	-	25,000
Collaborative Legal Incubator Program (Pilot)	SD Bar	-	-	-	-	-	-	8,702
Law Student Clinic (RD Hurd Program)		-	-	-	595	906	(311)	2,715
Pro Bono	SD Bar	-	25,000	(25,000)	25,000	25,000	-	25,000
GOAC settlement	SD Bar	-	-	-	-	-	-	25,000
Contributions/Donations - SD Bar Foundation		-	-	-	30,000	-	30,000	-
Contributions/Donations - Corporate		5,000	14,500	(9,500)	41,333	59,100	(17,767)	-
Contributions/Donations - Private		300	2,457	(2,157)	5,990	18,375	(12,385)	-
Fundraising Events		-	-	-	654	10,000	(9,346)	8,510
Interest Income		-	4	(4)	5	50	(45)	84
<b>TOTAL REVENUE</b>		<b>\$ 217,871</b>	<b>\$ 253,544</b>	<b>\$ (35,673)</b>	<b>\$ 735,518</b>	<b>\$ 743,454</b>	<b>\$ (7,936)</b>	<b>\$ 764,384</b>
EXPENSES		January 1 - April 30, 2019			January 1 - December 31, 2018			2017 Actual
		Actual	Budget	Variance	Actual	Budget	Variance	
Program Services		\$ 235,445	\$ 222,964	\$ (12,482)	\$ 650,709	\$ 695,692	\$ 44,983	\$ 659,443
Fundraising and Development		6,257	-	(6,257)	16,029	-	(16,029)	-
Management and General Expenses		42,653	39,347	(3,307)	151,082	122,769	(28,313)	86,173
<b>TOTAL EXPENSES</b>		<b>284,355</b>	<b>262,311</b>	<b>(22,046)</b>	<b>817,820</b>	<b>818,461</b>	<b>641</b>	<b>745,616</b>
Excess (Deficit) of Revenue over Expenditures		(66,485)	(8,766)	(57,719)	(82,302)	(75,007)	(7,295)	18,768
Beginning Net Assets		47,574	54,869	(7,295)	129,876	129,876	-	111,108
<b>NET ASSETS, ENDING</b>		<b>\$ (18,911)</b>	<b>\$ 46,103</b>	<b>\$ (65,014)</b>	<b>\$ 47,574</b>	<b>\$ 54,869</b>	<b>\$ (7,295)</b>	<b>\$ 129,876</b>
Breakdown of Net Assets		January 1 - April 30, 2019			January 1 - December 31, 2018			2017 Actual
		Actual	Budget	Variance	Actual	Budget	Variance	
Net Assets Without Donor Restrictions		\$ (18,969)	\$ 11,526	\$ (30,495)	\$ (3,181)	\$ 13,717	\$ (16,899)	\$ 44,149
Net Assets With Donor Restrictions		\$ 58	\$ 34,578	\$ (34,520)	\$ 50,754	\$ 41,152	\$ 9,602	\$ 85,727
<b>NET ASSETS</b>		<b>\$ (18,911)</b>	<b>\$ 46,103</b>	<b>\$ (65,015)</b>	<b>\$ 47,572</b>	<b>\$ 54,869</b>	<b>\$ (7,297)</b>	<b>\$ 129,876</b>



2:54 PM

## East River Legal Services Corporation

12/06/19

## Profit &amp; Loss

Accrual Basis

January through October 2019

	Jan - Oct 19
<b>Ordinary Income/Expense</b>	
Income	
10-4000 · LSC Grant Awards	363,666.00
10-4001 · TIG Grant Award	10,000.00
10-4200 · Interest Income	11.95
30-4000 · Older Americans Grant Award	44,247.05
40-4050 · Unrestricted Contributions	50,576.04
55-4000 · Access to Courts (filing fees)	0.00
75-4000 · State of South Dakota	226,088.75
80-4000 · TIG State Funding	23,012.00
<b>Total Income</b>	<b>717,701.79</b>
<b>Gross Profit</b>	<b>717,701.79</b>
Expense	
10-5020 · Directors Salary	82,316.05
10-5050 · Lawyers Salaries	160,997.72
10-5070 · Paralegal Salaries	33,295.95
10-5080 · Tech Salaries	18,605.88
10-5090 · Clerical Salaries	119,812.03
10-5140 · Employee Benefits	12,005.56
10-5150 · Payroll Tax Expense	0.00
10-5155 · Payroll Expenses	33,313.89
10-5160 · Employee Group Insurance	30,282.93
10-5250 · Audit Contract services	18,745.00
10-5260 · Accounting Contract Services	9,216.19
10-5270 · Program Contract services	29,510.43
10-5300 · Program Travel	14,262.30
10-5310 · Program Lodging	6,925.18
10-5320 · Training	1,850.00
10-5350 · Rent	52,785.01
10-5360 · Rent / Lease Equipment	4,649.27
10-5380 · Utilities	670.07
10-5540 · Technology	30,354.57
10-5550 · Telephone	1,951.95
10-5560 · Internet	2,459.79
10-5570 · Postage	2,105.95
10-5600 · Office Expense	6,259.20
10-5620 · Meals	3,003.06
10-5650 · Insurance Expense	4,663.27
10-5750 · Library Maintenance	2,926.04
10-5780 · Repairs & Maintenance	1,261.79
10-5850 · Dues & Memberships	3,079.49
10-5855 · Fundraising Expenses	109.51
10-5990 · Advertising	2,180.91
10-5991 · Misc - Interest, Fees, Other	843.24
10-5995 · UBIT Expense - Parking	1,000.00
60-5700 · Depreciation Expense	20,967.10
<b>Total Expense</b>	<b>712,409.33</b>
<b>Net Ordinary Income</b>	<b>5,292.46</b>
<b>Net Income</b>	<b>5,292.46</b>

**SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS**  
**Grant Application**  
**Applicant's Current Year Funding**

<b>Funding Source</b>	<b>Amount</b>	<b>Purpose</b>
LSC Grant Award	\$380,513.00	General Field Grant
LSC Grant Award	\$55,363.00	Private Attorney Involvement - outsourced at a lesser charge
LSC Grant Award	\$35,899.00	Technology Initiative Grant
2 <sup>nd</sup> Judicial Bar Foundation	\$25,000.00	Unrestricted funding
Older Americans Grant	\$58,552.00	Older American cases
Unrestricted Contributions	\$65,000.00	Fundraising - utilize as funding match for specific grants
State of South Dakota	\$50,000.00	Veterans
US Dept. of Justice	\$537,332.00	VOCA Grant

**Total Current Year Revenue: \$731,771.82**



Financial Statements

December 31, 2018 with Comparative Totals for  
December 31, 2017

**East River Legal Services  
Corporation**

# East River Legal Services Corporation

## Table of Contents

December 31, 2018 with comparative totals for December 31, 2017

---

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7
Supplementary Information	
Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds.....	14
Schedule of Expenditures of Legal Services Corporation Federal Awards .....	16
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 <i>Government Auditing Standards</i> .....	17
Independent Auditor's Report on Compliance for the Legal Services Corporation Program; Report on Internal Control Over Compliance Required by the Legal Services Corporation Act and Appropriations Riders.....	19
Schedule of Findings and Questioned Costs .....	21



## **Independent Auditor's Report**

The Board of Directors  
East River Legal Services Corporation  
Sioux Falls, South Dakota

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

We have audited the accompanying financial statements of East River Legal Services Corporation (a non-profit corporation), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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 statement 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.

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 East River Legal Services Corporation as of December 31, 2018, and the change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### **Report on Summarized Comparative Information**

We have previously audited the East River Legal Services Corporation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of support, revenue and expenses, and changes in net assets for Legal Services Corporation funds are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of Legal Services Corporation federal awards is required by the Legal Services Corporation Act and Appropriations Riders.

The statements of support, revenue and expenses, and changes in net assets for Legal Services Corporation funds and the schedule of expenditures of Legal Service Corporation federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 a report dated April 29, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 East River Legal Services Corporation'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 East River Legal Services Corporation's internal control over financial reporting and compliance.



Sioux Falls, South Dakota  
April 29, 2019

East River Legal Services Corporation  
Statements of Financial Position  
December 31, 2018 with Comparative Totals as of December 31, 2017

	2018	2017
Assets		
Current Assets		
Cash	\$ 1,678	\$ 75,015
Client escrow funds	740	835
Accounts receivable	3,364	2,791
Grants receivable	28,152	8,367
Prepaid expenses	21,251	9,439
Total current assets	55,185	96,447
Property and Equipment		
Office and computer equipment	99,028	86,430
Furniture and fixtures	7,467	7,467
Law library	7,361	7,361
	113,856	101,258
Less accumulated depreciation	(60,100)	(36,083)
Total property and equipment	53,756	65,175
Total Assets	\$ 108,941	\$ 161,622
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 17,280	\$ 7,700
Judicare payable	1,575	6,270
Client trust deposits	740	835
Accrued vacation and payroll taxes	41,772	16,941
Total current liabilities	61,367	31,746
Net Assets		
Without donor restrictions		
Undesignated	(44,225)	(9,576)
Invested in property and equipment	44,720	53,725
Total net assets without donor restrictions	495	44,149
With donor restrictions		
Legal Services Corporation, basic field grant	-	15,825
Legal Services Corporation, property and equipment	9,036	11,450
Funds other than Legal Services Corporation - purpose-restricted	38,043	58,452
Total net assets with donor restrictions	47,079	85,727
Total net assets	47,574	129,876
Total Liabilities and Net Assets	\$ 108,941	\$ 161,622

East River Legal Services Corporation  
Statements of Activities  
Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions				2017 Total
		Legal Services Corporation	Funds other than Legal Services Corporation	Total	2018 Total	
Revenues, Gains, and Other Support						
Grants and contracts	\$ 108,649	\$ 443,321	\$ 134,972	\$ 578,293	\$ 686,942	\$ 744,873
Interest income	5	-	-	-	5	84
Other income	48,571	-	-	-	48,571	19,427
Net assets released from restrictions - satisfaction of program restrictions	616,941	(461,560)	(155,381)	(616,941)	-	-
Total revenues, gains, and other support	774,166	(18,239)	(20,409)	(38,648)	735,518	764,384
Expenses						
Program services	650,709	-	-	-	650,709	659,443
Management and general	151,082	-	-	-	151,082	86,173
Fundraising and development	16,029	-	-	-	16,029	-
Total expenses	817,820	-	-	-	817,820	745,616
Changes in Net Assets	(43,654)	(18,239)	(20,409)	(38,648)	(82,302)	18,768
Net Assets, Beginning	44,149	27,275	58,452	85,727	129,876	111,108
Net Assets, Ending	\$ 495	\$ 9,036	\$ 38,043	\$ 47,079	\$ 47,574	\$ 129,876

See Notes to Financial Statements



**East River Legal Services Corporation**  
**Statements of Functional Expenses**  
**Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017**

	Program Services	Management and General	Fundraising and Development	2018	2017
<b>Personnel Expenses</b>					
Salaries - lawyers	\$ 238,530	\$ 13,442	\$ 10,151	\$ 262,123	\$ 190,698
Salaries - paralegals	39,225	9,410	253	48,888	84,308
Salaries - other	83,227	50,288	2,136	135,651	84,949
Employee benefits	96,471	16,313	3,258	116,042	115,229
<b>Total personnel expenses</b>	<b>457,453</b>	<b>89,453</b>	<b>15,798</b>	<b>562,704</b>	<b>475,184</b>
<b>Other Expenses</b>					
Space and occupancy	59,709	14,171	-	73,880	62,634
Office supplies	8,598	2,049	231	10,878	28,632
Travel	13,845	-	-	13,845	12,979
Telephone	1,390	-	-	1,390	6,002
Audit	-	22,300	-	22,300	15,601
Library	508	-	-	508	912
Insurance	6,536	-	-	6,536	6,230
Advertising	2,761	-	-	2,761	9,075
Depreciation	19,409	4,607	-	24,016	5,611
Contract services to program	44,086	-	-	44,086	72,702
Dues and fees	2,236	-	-	2,236	6,220
Accounting contract services	-	18,502	-	18,502	25,327
Technology	30,925	-	-	30,925	12,384
Other	3,253	-	-	3,253	6,123
<b>Total other expenses</b>	<b>193,256</b>	<b>61,629</b>	<b>231</b>	<b>255,116</b>	<b>270,432</b>
<b>Total expenses</b>	<b>\$ 650,709</b>	<b>\$ 151,082</b>	<b>\$ 16,029</b>	<b>\$ 817,820</b>	<b>\$ 745,616</b>

See Notes to Financial Statements

# East River Legal Services Corporation

## Statements of Cash Flows

Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (82,302)	\$ 18,768
Adjustments to reconcile change in net assets to cash used by operating activities		
Depreciation	24,016	5,611
Loss on disposal of property	-	2,560
Change in assets and liabilities		
Client escrow funds	95	(846)
Accounts receivable	(573)	(2,791)
Grants receivable	(19,785)	21,298
Prepaid expenses	(11,812)	(2,513)
Accounts payable	9,580	(10,327)
Judicare payable	(4,695)	(5,003)
Client trust deposits	(95)	835
Accrued vacation and payroll taxes	24,831	(69,868)
Net Cash used by Operating Activities	(60,740)	(42,276)
Investing Activities		
Purchase of property and equipment	(12,597)	(58,593)
Net Change in Cash	(73,337)	(100,869)
Beginning Cash	75,015	175,884
Ending Cash	\$ 1,678	\$ 75,015

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies****Nature of Activities**

East River Legal Services Corporation (the Organization) is a nonprofit corporation organized for the purpose of providing free legal assistance in civil proceedings or matters to financially eligible low-income persons in eastern South Dakota. The Organization is funded primarily through grants from Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. A significant reduction in the level of LSC support, if this were to occur, would have a significant effect on the Organization's programs and activities.

**Comparative Financial Information**

The statements of activities and functional expenses include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**Grants Receivables**

Grants receivable consist primarily of noninterest-bearing amounts due from granting entities. Management determines the allowance for uncollectable grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. At December 31, 2018, the allowance was \$0.

**Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Property acquired with LSC funds is considered to be owned by the Organization while used in the program or in 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. Property acquired with LSC funds is classified as net assets with donor restrictions and reclassified as net asset without donor restriction in amounts equal to related depreciation. Property acquired with other funds is generally classified as unrestricted.

Depreciation of property is computed on a straight-line basis over the following estimated useful lives:

Office and computer equipment	3-5 years
Furniture and fixtures	5-10 years
Law library	5-20 years

**Private Attorney Involvement**

The Organization records a judicare liability and related expense for private attorney involvement contracts as time and costs are incurred by the private attorney (See Note 4).

### **Net Assets**

The Organization classifies its net assets, revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Organization 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.

### **Revenue and Support**

The Organization recognizes grant funds from LSC as support on a straight-line basis over the grant period, as an approximation as to when the unconditional promise to receive the grant has been received. Funds remaining unexpended at the end of an accounting period are recorded as LSC net assets with donor restrictions, subject to LSC net asset carryover limitations (See Note 4). In accordance with LSC regulations, the Organization may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant, as defined. LSC may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its LSC grant activities, all unexpended funds are to be returned to LSC.

The Organization recognizes revenue with donor restrictions from other grants received in the form of contributions when the unconditional promise to receive the grant is received. Revenue received from cost reimbursement contracts is recognized as services are provided in accordance with the terms of the contracts.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Financial Instruments and Credit Risk**

The Organization manages deposit concentration risk by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, as well as space and occupancy, office supplies, depreciation, and other. These expenses are allocated on the basis of estimates of time and effort.

### **Income Taxes**

The Organization is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization had no unrelated business income from the year ended December 31, 2018.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### **Change in Accounting Principle**

The Financial Accounting Standards Board issued ASU 2016-14 (the ASU) *Presentation of Financial Statements for Not-for-Profit Entities* during August 2016, which modifies the presentation and disclosure requirements of not-for-profit entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosures to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location. The ASU is effective for the Organization for the year ended December 31, 2018.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

### Subsequent Events

The Organization has evaluated subsequent events through April 29, 2019, the date which these financial statements were available to be issued.

### Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 1,678
Accounts receivable	3,364
Grants receivable	28,152
	<hr/>
	\$ 33,194
	<hr/>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization prepares an annual budget to manage liquidity and determine general expenditures over the next twelve months.

### Note 3 - Summary of Funding

#### Legal Services Corporation

The Organization has been awarded a basic field grant, number 542026, from LSC of \$423,321 for the year ending December 31, 2018. In accordance with the affiliation agreement between the Organization and LSC, an amount equal to at least 12.5% of the basic field grant is allocated to the Private Attorney Involvement (PAI) program (See Note 5).

The level of support from LSC has a significant effect on the Organization's programs and activities, as the nature of legal assistance provided and the number of cases accepted is based on the level of funding. LSC funds can only be used for purposes authorized under the Legal Services Corporation Act of 1974 and is included in revenue and support with donor restrictions.

#### South Dakota Department of Social Services

The South Dakota Department of Social Services, Office of Adult Services and Aging contracts with the Organization to provide legal services to South Dakotans over the age of fifty-nine years (Older Americans) who are economically or socially in need. The agreements provide for a monthly reimbursement of \$4,184 for the period of June 1, 2016 through May 31, 2018. Effective June 1, 2018 through May 31, 2019, the Organization is reimbursed on a fee for service hourly basis, not to exceed a total of \$51,206. The agreements provided revenue with donor restrictions of \$58,575 for the year ended December 31, 2018. The Organization has \$18,152 receivable at December 31, 2018.

#### **Equal Access to the Court Grant**

The Organization has been awarded a grant from the South Dakota Equal Access to Our Court Commission to be used for general expenses in providing legal services to the poor in South Dakota. Revenue without donor restrictions of \$53,648 was recognized for the year ended December 31, 2018, of which \$4,000 was received from the South Dakota Bar Foundation.

#### **Victim of Crime Act Grant (VOCA)**

The Organization has received a grant from South Dakota Department of Social Services to be used for providing services to victims of crime. Revenue with donor restrictions of \$73,873 was recognized for the year ended December 31, 2018.

#### **Pro Bono**

The Organization has received a grant from the Second Judicial Circuit Bar Association to be used for non-priority cases of financially eligible clients and for other administrative expense. Revenue without donor restrictions of \$25,000 was recognized for the year ended December 31, 2018.

#### **South Dakota Bar Foundation**

The Organization has received a grant from the South Dakota Bar Foundation. Revenue without donor restrictions of \$30,000 was recognized for the year ended December 31, 2018.

#### **Technical Improvements Grants**

The Organization was awarded a grant from the Legal Services Corporation to be expended for staffing on technological staffing costs. Revenue with donor restrictions of \$20,000 was recognized for the year ended December 31, 2018. The Organization has \$10,000 receivable at December 31, 2018.

#### **Note 4 - Carryover of Net Assets**

Under LSC regulations, the Organization is permitted to carryover LSC net assets, excluding property, equal to 10% of total LSC annualized support of \$368,449. With the approval of LSC, additional amounts up to 25% of direct payments to attorneys in the current year may be carried over as net assets.

Net assets as of December 31, 2018, consist of the following:

LSC basic field grant, less property and equipment of \$9,036 in 2018	\$ -
Net assets not subject to carryover limitations	
Funds other than LSC - purpose restricted	38,043
Undesignated	(44,225)
Invested in property and equipment	53,756
Total net assets not subject to carryover limitations	47,574
Total net assets	\$ 47,574

**Note 5 - Private Attorney Involvement**

The private attorney involvement (PAI) program provides for the Organization to expend funds for legal services on behalf of persons who qualify for legal assistance but do not have access to the Organization's attorneys. Such funds are distributed to the person's attorney as costs are incurred for each particular case. The accrued liability for claims incurred for private attorney involvement represents the costs incurred for the cases in process. Judicare payable was \$1,575 at December 31, 2018, which represents estimated incurred expenditures, due to private attorneys for legal service on cases.

PAI costs and allocated expenses at December 31, 2018 were paid with LSC funds and non-LSC funds as follows:

PAI costs and allocated expenses	
Paid with LSC funds	\$ 54,872
Paid with non-LSC funds	1,412
	<u>\$ 56,284</u>

PAI allocations by line item are as follows:

Personnel Expenses	
Salaries - other	\$ 12,083
Employee benefits	2,581
	<u>14,664</u>
Other Expenses	
Space and occupancy	1,630
Audit	738
Travel	1,170
Telephone	139
Office supplies	1,409
Advertising	49
Library	53
Insurance	139
Dues and fees	35
Accounting contract services	379
Technology	221
Other	30
Contract services for program	35,628
	<u>41,620</u>
Total other expenses	
Total PAI expenses	<u>\$ 56,284</u>



**Note 6 - Lease Commitment**

The Organization has entered into lease agreements for the rental of office space in Sioux Falls, South Dakota which expires in 2023. The lease for suite 300 contains a clause which allows the Organization to terminate the lease in the event they were to lose a substantial portion of its LSC funding. The termination clause can be exercised with ninety days minimum notice. Premature termination would result in a forfeiture of the Organization's security deposit of \$3,050. Lease expense for the year ending December 31, 2018 was \$69,061.

The future minimum lease payments under this lease are as follows:

<u>Years Ending December 31,</u>	
2019	\$ 69,820
2020	71,140
2021	72,460
2022	73,780
2023	<u>75,100</u>
	<u>\$ 362,300</u>

**Note 7 - Retirement Plan**

Effective January 1, 2018, the Organization maintains a 401(k) profit sharing plan on behalf of its employees through ABA Retirement Funds. Employees who are 21 years or older and have one month of service are eligible to participate. The Organization has a tiered matching contribution consisting of 100% of a participant's elective contribution not in excess of 3.00% and 50% of a participant's elective contributions over 3.00% but not in excess of 5.00%. Vesting occurs after two years of service. Employer contributions were \$12,419 and \$-0- for the years ended December 31, 2018 and 2017, respectively.



Supplementary Information  
December 31, 2018 with Comparative Totals for  
December 31, 2017

## East River Legal Services Corporation

**East River Legal Services Corporation**  
**Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds**  
**Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017**

	2018					2017	
	Basic Field Grant	Private Attorney Involvement	Technology Initiative Grant	Total	Property	Grand Total	Total
Support and Revenue							
Grants and contracts	\$ 368,449	\$ 54,872	\$ 20,000	\$ 443,321	\$ -	\$ 443,321	\$ 428,301
Other gain (loss)	-	-	-	-	-	-	(21)
Total support and revenue	368,449	54,872	20,000	443,321	-	443,321	428,280
Personnel Expenses							
Salaries - lawyers	157,735	2,565	-	160,300	-	160,300	97,951
Salaries - paralegals	26,784	153	-	26,937	-	26,937	53,967
Salaries - other	74,641	9,365	15,800	99,806	-	99,806	44,056
Employee benefits	63,593	2,581	4,200	70,374	-	70,374	61,652
Total personnel expenses	322,753	14,664	20,000	357,417	-	357,417	257,626

**East River Legal Services Corporation**  
**Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds**  
**Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017**

	2018				2017	
	Basic Field Grant	Private Attorney Involvement	Technology Initiative Grant	Total	Property	Grand Total
Other Expenses						
Space and occupancy	\$ 49,328	\$ 1,630	\$ -	\$ 50,958	\$ -	\$ 50,958
Audit	14,314	738	-	15,052	-	15,052
Travel	9,621	1,170	-	10,791	-	10,791
Insurance	4,409	139	-	4,548	-	4,548
Telephone	975	22	-	997	-	997
Advertising	1,930	49	-	1,979	-	1,979
Office supplies	6,861	223	-	7,084	-	7,084
Depreciation	-	-	-	-	2,414	2,414
Other	2,592	30	-	2,622	-	2,622
Accounting contract services	12,775	379	-	13,154	-	13,154
Technology	9,899	221	-	10,120	-	10,120
Library	340	6	-	346	-	346
Dues and fees	921	35	-	956	-	956
Contract services to program	172	35,566	-	35,738	-	35,738
Reallocation for excess expenditures to net assets without restrictions	(52,616)	-	-	(52,616)	-	(52,616)
Total other expenses	61,521	40,208	-	101,729	2,414	104,143
Total expenses	384,274	54,872	20,000	459,146	2,414	461,560
Support and Revenue						
Over (under) Expenses	(15,825)	-	-	(15,825)	(2,414)	(18,239)
Net Assets, Beginning	15,825	-	-	15,825	11,450	27,275
Net Assets, Ending	\$ -	\$ -	\$ -	\$ -	\$ 9,036	\$ 9,036
						\$ 27,275

East River Legal Services Corporation  
Schedule of Expenditures of Legal Services Corporation Federal Awards  
Year Ended December 31, 2018

Federal Grantor/Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
Legal Services Corporation	09.542026	\$ 439,146
Legal Services Corporation	Technology Initiative Grant	20,000
		<u>\$ 459,146</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of Legal Services Corporation federal awards includes the federal grant activity of East River Legal Services Corporation from the Legal Service Corporation grants. The information in this schedule is presented as required by the Legal Services Corporation Act and Appropriations Riders. Total federal expenditures for the Organization are under \$750,000. As a result, an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Subpart F, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is not required. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**Note 2 - Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Title 45, U.S. Code of Federal Regulations, Part 1630.3, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.



**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  
East River Legal Services Corporation  
Sioux Falls, South Dakota

We have audited, 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, the financial statements of East River Legal Services Corporation (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

**East River Legal Services Corporation's Response to Finding**

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

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
April 29, 2019



**Independent Auditor's Report on Compliance for the Legal Services Corporation Program;  
Report on Internal Control Over Compliance Required by the Legal Services Corporation Act  
and Appropriations Riders**

To the Board of Directors  
East River Legal Services Corporation  
Sioux Falls, South Dakota

**Report on Compliance for the Legal Services Corporation Program**

We have audited East River Legal Services Corporation's (the Organization's) compliance with the types of compliance requirements described in the *Compliance Supplement for Audits of LSC Recipients* that could have a direct and material effect on the Legal Services Corporation's federal program for the year ended December 31, 2018.

**Management 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 the Organization's Legal Services Corporation 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 the Legal Services Corporation Act and Appropriations Riders (LSC Act). Those standards and the LSC Act 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 the Legal Services Corporation federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 Legal Services Corporation federal program. However, our audit does not provide a legal determination on the Organization's compliance.

**Opinion on the Legal Services Corporation Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Legal Services Corporation federal program for the year ended December 31, 2018.



### **Report on Internal Control over Compliance**

Management of the Organization 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 consider the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the Legal Services Corporation federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its federal program and to test and report on internal control over compliance in accordance with the LSC Act, 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 the Organization'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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2018-002 that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 LSC Act. Accordingly, this report is not suitable for any other purpose.



Sioux Falls, South Dakota  
April 29, 2019

---

**Financial Statement Findings**

---

**Finding 2018-001      Preparation of Financial Statements, Schedule of Expenditures of Legal Services Corporation Federal Awards  
Significant Deficiency**

*Criteria:* Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements that are materially correct.

*Condition:* The Organization does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements. In addition, we proposed audit adjustments that would not have been identified as a result of the Organization's existing internal controls; and therefore, could have resulted in a misstatement within the financial statements.

*Cause:* The Organization does not have the resources necessary for the preparation of full disclosure financial statements.

*Effect:* Inadequate controls over financial reporting of the Organization result in the reasonable possibility that the Organization would not be able to draft the financial statements and accompanying notes to the financial statements that are correct without the assistance of the auditors.

*Recommendations:* Management and the Board should continually be aware of the financial reporting of the Organization and changes in reporting requirements and should ensure proper controls over financial reporting are implemented.

*Views of Responsible Officials:* We are in agreement.

---

**Legal Services Corporation Awards Findings and Questioned Costs**

---

**Finding 2018-002      Legal Services Corporation  
CFDA #09.524026 – Legal Services Corporation**

**Procurement  
Significant Deficiency in Internal Control over Compliance**

*Criteria:* The Compliance Supplement for Audits of LSC Recipients establishes the auditee must use its own documented procurement procedures which reflect the standards required by LSC's "*Fundamental Criteria of an Accounting and Financial Reporting System*". The Organization's documented procedures state that documentation related to procurements will be kept on file (including quotes, prices, invitations for bids, requests for proposals, bids competitive proposals, written evaluations, etc.) and maintained for a period of seven years. The procedures state that for procurements over \$10,000, either conventional purchase method (minimum of three prices or quotes should be obtained), sealed bid method, or competitive proposals method will be used.

*Condition:* In two of three contracts tested, the Organization did not retain documentation of the appropriate level of approval as required by their procedures. In three of three contracts tested, no evidence could be provided to support the rationale for the method of procurement or to support that the appropriate method was used. There is a long-term vendor that has experience auditing the Legal Service Corporation program.

*Cause:* There was a lapse in oversight of the internal control process to obtain or document required bids or quotes as required by documented procedures. Contracts in excess of \$10,000 were typically approved in executive session of the board meetings and executive session minutes were not kept to support the approval. A contracted accounting services contract was entered into when time was of essence due to turnover of finance personnel and accounting matters that needed to be addressed timely. The focus on purchasing and property management compliance increased with 45 CFR 1631 effective January 1, 2018 and two of the three contracts were entered into prior to January 1, 2018.

*Effect:* Lack of compliance with designed internal controls over procurement could result in the Organization making purchases at a higher cost when a lower cost could be available.

*Questioned Costs:* None reported. Costs relating to these contracts were found to be reasonable based on an understanding of the work performed and the space occupied.

*Context/Sampling:* There were three instances with Legal Service Corporation expenditures in which the contracted goods and services were over the \$10,000 threshold. All three contracts/agreements were reviewed.

*Repeat Finding from Prior Year(s):* No

*Recommendations:* We recommend the Organization review procurement policies and procedures with applicable employees to ensure compliance with documented procedures.

*Views of Responsible Officials:* We are in agreement.

Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
December 31, 2018

Prepared by Management of  
**EAST RIVER LEGAL SERVICES**



---

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

---

### ***Finding 2017-A***

*Initial Fiscal Year Finding Occurred: 2008*

*Finding Summary:* Eide Bailly LLP prepared our financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements. They also proposed material audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

*Status:* Partially corrected. Due to cost considerations and limited resources, we have had Eide Bailly LLP prepare our draft financial statements and accompanying notes to the financial statements in 2018. There were no material audit adjustments. Beginning in fiscal year 2019, ERLS will prepare draft financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements.

### ***Finding 2017-B***

*Initial Fiscal Year Finding Occurred: 2012*

*Finding Summary:* Eide Bailly LLP observed a lack of internal accounting controls in certain areas of the accounting function due to the limited number of office personnel.

*Status:* Corrected. ERLS has dramatically revised its Accounting and Finance Manual, which was approved in October of 2018. These revisions created mandatory protocols and procedures creating better oversight and safeguards against fraud or mistake. Improvement in segregation of duties has occurred since utilizing an external accounting service for various accounting functions effective in January 2018. In addition, enhanced changes with the ERLS Audit and Finance Committee and Board of Director functions has resulted in more effective oversight and transparency in financial matters.

### ***Finding 2017-C***

*Initial Fiscal Year Finding Occurred: 2016*

*Finding Summary:* In some cases, time allocations were not recorded consistently or accurately by the staff. Time incurred on grants and contracts were not tracked by funding sources throughout the year as required in the accounting manual. However, evidence of legal cases handled was provided that indicated that work was performed.

*Status:* Corrected. Allocations were completed timely and in advance of the audit.



---

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)**

---

***Finding 2017-001***

*Initial Fiscal Year Finding Occurred: 2017*

*Finding Summary:* ERLS management was not able to provide documentation for one expenditure to the grant totaling \$125.00.

*Status:* Corrected. Management reviewed, updated, and implemented policies regarding documentation and procedures based on each grantors' fiscal requirements and industry best practices for disbursements.

***Finding 2017-002***

*Initial Fiscal Year Finding Occurred: 2017*

*Finding Summary:* Management could not provide complete documentation for personnel time charged to the grant that met the requirements within 45 CFR §1635.3 requirements for personnel time and benefits coded to the grant. Total payroll and indirect costs allocated to the grant were based an estimated percentage of total hours worked on the grant for the year and was not supported in the time reporting system.

*Status:* Corrected. The program became aware of this issue in the fall of 2017. In order to correct the issue, we have amended our timekeeping and payroll policies. Staff no longer receive pay until all timekeeping for the pay period is entered. We also shifted to a delayed pay schedule, which allows timekeeping to be reviewed and verified prior to pay day. These changes resulted in no issues regarding personnel time in 2018.

ERLS also upgraded its Case Management System (CMS) from KEMPS to LegalServer. This new CMS enables program management to better monitor staff and grant hours thus resulting in a reduction in errors and discrepancies while increasing reporting accuracy. The combination of this new system and new policies has enabled the program to greatly increase its oversight in this area.

***Finding 2017-003***

*Initial Fiscal Year Finding Occurred: 2017*

*Finding Summary:* ERLS did not provide copies of their written policies and procedures for all new personnel upon hiring. New personnel were aware of the federal requirements through verbal instruction.



## **CORRECTIVE ACTION PLAN**

---

*Status:* Corrected. ERLS has implemented a new Personnel Policy Manual, Operations Manual, Intake Manual, and Accounting Manual. Staff are required to review the appropriate manuals and execute an acknowledgment indicating such and also affirming that they understand and agree to abide by ERLS and our various grantees' regulations and policies.

### ***Finding 2018-001***

*Finding Summary:* Eide Bailly LLP prepared our financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements. They also proposed audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a misstatement of our financial statements.

*Responsible Individuals:* Brent Thompson, Executive Director

*Corrective Action Plan:* ERLS retained a new Director of Finance and Administration in March of 2018. In addition, ERLS revised the duties of this position in its new Accounting Manual. Moving forward, the Director of Finance and Administration will prepare the draft financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements

*Anticipated Completion Date:* Complete

### ***Finding 2018-002***

*Finding Summary:* Eide Bailly LLP observed a lapse in oversight of the internal control process to obtain or document required bids or quotes as required by documented procedures. Contracts in excess of \$10,000 were typically approved in executive session of the board meetings and executive session minutes were not kept to support the approval.

*Responsible Individuals:* Brent Thompson, Executive Director

*Corrective Action Plan:* Program policies and procedures were greatly revised in 2018 and there has been a positive shift in the ERLS culture regarding financial controls. With such significant change comes increased potential for error during the implementation process. This was true for ERLS in that we failed to apply our new rules and standards to some of our oldest contracts and vendors (i.e. our independent auditors and landlord). As we continue to operate under our new policies these practices will become more and more routine and such mistakes will be eliminated.

*Anticipated Completion Date:* Completed

1 640 9th Ave., S.W., Aberdeen, S. Dak. 57401  
2 17 N. Dearborn St., Chicago, Ill. 60602  
3 210 Walnut St., Des Moines, Iowa 50309  
4 653 Second Ave. N., Fargo, N. Dak. 58102

5 517 E. Wisconsin Ave.,  
Milwaukee, Wis. 53202  
6 15th and Dodge Sts., Omaha, Nebr. 68102  
7 1114 Market St., St. Louis, Mo. 63101

8 Federal Building and U. S. Courthouse  
316 Robert St., St. Paul, Minn. 55101  
9 325 W. Adams St., Springfield, Ill. 62704

Address any reply to DISTRICT DIRECTOR at office No. 8



## Department of the Treasury

### District Director Internal Revenue Service

Date: August 11, 1977 In reply refer to: 612-725-7344  
EO:1902:EDW:jk

East River Legal Services, Corporation  
326 South Phillips Avenue  
Sioux Falls, South Dakota 57102

Date of Exemption: March 2, 1971  
Internal Revenue Code Section: 501(c)(3)

Gentlemen:

Thank you for submitting the information shown below. We have made it a part of your file.

The changes indicated do not adversely affect your exempt status and the exemption letter issued to you continues in effect.

Please let us know about any future change in the character, purpose, method of operation, name or address of your organization. This is a requirement for retaining your exempt status.

Thank you for your cooperation.

Sincerely yours,

*C. D. Switzer*  
C. D. Switzer  
District Director

#### Item Changed

#### From

#### To

Name  
&  
Address

Minnehaha County Legal  
Aid Association  
355 Boyce Building

East River Legal  
Services, Corporation  
326 South Phillips Ave.



Address any reply to: Federal Building and U. S. Court House, 316 North Robert Street, St. Paul, Minnesota 55101

## Department of the Treasury

District Director

### Internal Revenue Service

Date:  
March 2, 1971

In reply refer to:  
StP:E<sup>0</sup>:71-448 MCB:a1



Minnehaha County Legal Aid Association  
355 Boyce Building  
Sioux Falls, South Dakota 57102

Gentlemen:

Purpose: Charitable

Accounting Period Ending: December 31

Based on information supplied and assuming your operations will be as stated in your exemption application, we have determined that you are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Any change in your purposes, character or method of operation must be reported to us so we may consider the effect of the change on your exempt status. You must also report any change in your name and address.

We have further determined that you are not a private foundation within the meaning of Section 509(a) of the Code because you are an organization described in Section 170(b)(1)(A)(vi)

You are required to file the annual return, Form 990, on or before the 15th day of the fifth month after the end of your annual accounting period. Failure to file the Form 990 by this date may subject you to a penalty of \$10 for each day during which such failure continues, up to a maximum of \$5,000.

You are not required to file Federal income tax returns (Forms 1041, 1065 or 1120) so long as you retain your exempt status unless you are subject to the tax on unrelated business income imposed by Section 511 of the Code, in which case you are required to file a Form 990-T. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in Section 513 of the Code.

FL RC MW 3-213 (12-70)

**SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS**  
**Summary Sheet**

<b>Legal Name of Organization</b>	East River Legal Services
<b>Mailing Address</b>	335 N. Main Ave. Suite 200, Sioux Falls, SD 57104
<b>Telephone Number</b>	(605) 336 – 9230
<b>Website</b>	<a href="http://www.erlservices.org">www.erlservices.org</a>
<b>Director</b>	Brent Thompson
<b>Director's Email Address</b>	<a href="mailto:brent@erlservices.org">brent@erlservices.org</a>
<b>Application Contact &amp; Title</b>	Mark Pederson, Director of Finance and Administration
<b>Application Contact's Email Address</b>	Mark@erlservices.org
<b>Mission Statement</b>	Advancing equal justice for our most vulnerable citizens in eastern South Dakota.
<b>Geographic Area Served (Specific to this Proposal)</b>	The 33 eastern South Dakota counties.
<b>Number of Full-Time Employees</b>	14
<b>Number of Part-Time Employees</b>	1
<b>Type of Grant Requested</b> (General Operating Support; Program Support; Capital Request; or Other)	Program support
<b>Amount of Request</b>	\$ 17,750
<b>For requests other than general operating support, summarize what the grant will be used for</b>	Veterans Legal Services
<b>Applicant's Current Budget for Fiscal Year Ending:</b>	
<b>Income</b>	See attached budget
<b>Expenses</b>	See attached budget
<b>If other than a general operating request:</b> <span style="float: right;"><b>Dates: From _____ To _____</b></span>	
<b>Program or Capital Budget:</b> <b>\$63,310 _____</b>	<b>Income \$17,750 _____</b> <span style="float: right;"><b>Expenses _____</b></span>

By signing below, I certify that the information contained in this application is true and correct to the best of my knowledge.

*Barth Thompson*

12/6/2019

---

Director

---

Date

ERLS BOARD MEMBER LIST					
1	Henderson	Ruth	Client Board Member		5005 E 26th St.
2	No Heart	LeeAnn	Client Board Member		9409 W Kanya Circle, #62
3	Vacant		Client Board Member		
4	Teunissen	Ken	Client Board Member		7908 W Alexandra St.
1	Dorsett	Kimberly	McCollum Attorney		P.O. Box 1030
2	Piksdal	Melissa	McCollum Attorney/Treasurer		114 W 4th St.
3	Fritz	Dan	McCollum Attorney		101 S Reed St #302
4	Hess	Wendy	McCollum Attorney		414 E. Clark St.
5	Shultz	Jeff	McCollum Attorney/President		300 S Phillips Ave, #300

Sioux Falls, SD			
Sioux Falls	57110	(605) 371-1293	
Sioux Falls	57106	(605) 271-2930	
Sioux Falls	57106	(605) 274-3320	
Aberdeen	57402	(605) 225-6310	
Crooks	57020	(605) 201-5850	
Sioux Falls	57103	(605) 978-5205	
Vermillion	57069	(605) 658-3515	
Sioux Falls	57104	(605) 336-3890	

# Dakota Plains Legal Services

**DAKOTA PLAINS LEGAL SERVICES**  
**P.O. Box 727, Mission, SD 57555**  
**Phone: (605) 856-4444/1-800-658-2297**  
**Fax: (605) 856-2075**

**BOARD OF DIRECTORS – September 19, 2019**

<b>Attorney Members</b>	<b>Address</b>	<b>Phone/Fax</b>	<b>Representing</b>
ADAMSKI, Tara L. Exp. Date: 10-21-19	PO Box 866 Pierre, SD 57501 <a href="mailto:adamskilaw@mncomm.com">adamskilaw@mncomm.com</a>	(605) 945-0890 - P (605) 945-0327 - F	Sixth Circuit Bar Association
PAHLKE, Alvin R. Exp. Date: 03-03-21	PO Box 432 Winner, SD 57580 <a href="mailto:apahlke@gwtc.net">apahlke@gwtc.net</a>	(605) 842-1000 - P (605) 842-1002 - F	S.D. Bar Association Indian Law Committee
PECHOTA, Terry Exp. Date: 07-11-21	1617 Sheridan Lake Road Rapid City, SD 57702 <a href="mailto:tpechota@1868treaty.com">tpechota@1868treaty.com</a>	(605) 341-4400 - P (605) 430-7483 - C	S.D. Trial Lawyers Association
GREAVES, Leroy Exp. Date: 05-04-20	PO Box 115 Okreek, SD 57563 <a href="mailto:leroy.greaves@rstjustice.org">leroy.greaves@rstjustice.org</a>	(605) 856-8735 - W (605) 260-1312	Northern Plains Tribal Judges Association
WENDELL, Rose Ann Exp. Date: 09-06-23	2520 E Franklin Street #1 Pierre, SD 57501 <a href="mailto:office2wendelllawoffice.com">office2wendelllawoffice.com</a>	(605) 224-2500-W	S.D. Bar Association
WORK, Amanda Exp. Date: 05-29-23	142 E. 3 <sup>rd</sup> Street Winner, SD 57580 <a href="mailto:amanda@swierlaw.com">amanda@swierlaw.com</a>	(605) 842-3373 - P	Rosebud Area Bar Association
PULLMAN, Shane Exp. Date: 10-23-19	704 St. Joseph St. Rapid City, SD 57709 <a href="mailto:spullman@costelloporter.com">spullman@costelloporter.com</a>	(605) 343-2410 - P (605) 343-4262 - F	Sicangu Oyate Bar Association
EASTMAN, Shaun Exp. Date: 07-12-21	PO Box 509 Agency Village, SD 57262 <a href="mailto:shaune@swo-nsn.gov">shaune@swo-nsn.gov</a>	(605) 698-3911 - P (605) 698-7844 - F	Glacial Lakes Bar Association
HUTTON, Chris Exp. Date: 07-01-22	414 E. Clark Street Vermillion, SD 57069-2390 <a href="mailto:Christine.Hutton@usd.edu">Christine.Hutton@usd.edu</a>	(605) 677-5361 (605) 677-6348 (605) 677-5417 - F	USD Law School
NEVILLE, Melissa Exp. Date: 11-25-19	PO Box 970 Aberdeen, SD 57402 <a href="mailto:mneville@bantzlaw.com">mneville@bantzlaw.com</a>	(605) 225-2232 (605) 225-2497	Brown County Bar Association
JONES, B.J. Exp. Date: 05-04-20	PO Box 568 Agency Village, SD 57262 <a href="mailto:bj.jones@law.und.edu">bj.jones@law.und.edu</a>	(605) 698-7629 - P (701) 740-3654 - C (701) 777-2217 - F	Northern Plains Tribal Judges Association
VACANT			Brule County Bar Association
RHEAD, Brandy Exp. Date 12-08-20	4000 Clover Street Rapid City, SD 57702 <a href="mailto:brandyrhead@gmail.com">brandyrhead@gmail.com</a>	(605) 484-0495 - C (605) 348-2471 - W (605) 343-0247 - F	Pennington County Bar Association
PARR, Joseph Ashley Exp. Date: 04-05-20	PO Box 3991 Rapid City, SD 57709-3991 <a href="mailto:ashley@parrlaw.us">ashley@parrlaw.us</a>	(605) 388-2050 - P (605) 391-6857 - C	Pennington County Bar Association
BEESELEY, Chris Exp. Date: 09-11-21	428 Mt. Rushmore Rd. Custer, SD 57703 <a href="mailto:bees@gwtc.net">bees@gwtc.net</a>	(605) 673-4181 (605) 673-2624	Southern Hills Bar Association
HALE, Rachel Exp. Date: 12-14-20	PO Box 156 Sturgis, SD 57785 <a href="mailto:rachel@hilperthale.com">rachel@hilperthale.com</a>	(605) 720-4048 - W (605) 720-4049 - F	Fourth Circuit Bar Association
<b>Client Members</b>	<b>Address</b>	<b>Phone/Fax</b>	<b>Representing</b>
IRON EYES, Bernice Exp. Date: 01-28-20	PO Box 70 Fort Yates, ND 58538	(701) 455-0628 - H	Standing Rock
BRIGGS, Edson Exp. Date: 02-10-20	PO Box 102 Eagle Butte, SD 57625	(605) 407-3255 - C	Cheyenne River
LANGDEAU-MEDICINE BIRD, Marlys Exp. Date: 02-09-20	PO Box 39 Lower Brule, SD 57548-0039 <a href="mailto:Marlys.Langdeau@lowerbrule.net">Marlys.Langdeau@lowerbrule.net</a>	(605) 220-4309 - C (605) 473-2000 - W	Lower Brule

GOODLOW, Kathleen Exp.Date: 08-09-23	PO Box 221 Ft. Thompson, SD 57339	(605) 245-2945-H (605) 730-2203- C	Crow Creek
MORRISETTE, Joseph Sr. Exp. Date: 03-03-20	PO Box 26 Batesland, SD 57716 <a href="mailto:joemoe51@hotmail.com">joemoe51@hotmail.com</a>	(605) 867-2466 - W (605) 899-9384 - C	Pine Ridge
BORDEAUX, Shawn Exp. Date: 02-05-20	PO Box 283 Mission, SD 57555 <a href="mailto:Shawn.Bordeaux@sintegleska.edu">Shawn.Bordeaux@sintegleska.edu</a>	(605) 856-8100 - W (605) 319-8921 - C	Rosebud
FISCHER, Bear Hand Exp. Date: 03-22-20	PO Box 94 Lake Andes, SD 57356 <a href="mailto:bearhandfischer@yahoo.com">bearhandfischer@yahoo.com</a>	(605) 469-0434 - C	Yankton
BISSONETTE, Joleen Exp. Date: 09-06-17	612 3rd Avenue East Sisseton, SD 57262	(605) 924-1457 - C	Sisseton
WHITE BEAR CLAWS, Joseph Exp. 06-08-20	1146 Anamosa St Apt 233 Rapid City, SD 57701	(605) 407-0935 - C	Rapid City

#### COMMITTEES

<b>EXECUTIVE COMMITTEE</b>	Tara Adamski, Chairman; Marlys Langdeau Vice-Chairman, Brandy Rhead, BJ Jones, Joseph Morrisette, Sr., Members
<b>AUDIT/FINANCE COMMITTEE</b>	Joseph Ashley Parr, Chairman; Shawn Bordeaux, Bernice Iron Eyes, Amanda Work, Members
<b>CLIENT GRIEVANCE COMMITTEE</b>	Shane Pullman, Chairman; Tara Adamski, Melissa Neville, Bear Hand Fischer, Joseph White Bear Claws, Members
<b>STRATEGIC PLANNING COMMITTEE</b>	Brandy Rhead, Chairman; Joseph White Bear Claws, BJ Jones, Shawn Bordeaux, Shane Pullman, Members
<b>EXECUTIVE DIRECTOR EVALUATION COMMITTEE</b>	Tara Adamski, Chairman; Marlys Langdeau, Bernice Iron Eyes, Joseph Ashley Parr, Alvin Pahlke, Members

Board Meeting Participation by Teleconference: Call 1-866-640-4044. At the prompt enter 856-4444 followed by #.




# SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS

## Summary Sheet

<b>Legal Name of Organization</b>	Dakota Plains Legal Services
<b>Mailing Address</b>	PO Box 727, Mission, SD 57555
<b>Telephone Number</b>	(605) 856-4444
<b>Website</b>	<a href="http://www.dpls.org">www.dpls.org</a>
<b>Director</b>	Thomas S. Mortland
<b>Director's Email Address</b>	<a href="mailto:dpls@venturecomm.net">dpls@venturecomm.net</a>
<b>Application Contact &amp; Title</b>	Thomas S. Mortland, Executive Director
<b>Application Contact's Email Address</b>	<a href="mailto:dpls@venturecomm.net">dpls@venturecomm.net</a>
<b>Mission Statement</b>	To promote equal access to justice and improve the lives of our low-income and elderly clients through quality legal assistance.
<b>Geographic Area Served (Specific to this Proposal)</b>	This proposal concerns the entire State of South Dakota.
<b>Number of Full-time Employees</b>	29
<b>Number of Part-time Employees</b>	2
<b>Type of Grant Requested (General Operating Support; Program Support; Capital Request; or Other)</b>	Program support
<b>Amount of Request</b>	\$17,750.00
<b>For requests other than general operating support, summarize what the grant will be used for</b>	Veterans' Legal Services Program
<b>Applicant's Current Budget for Fiscal Year Ending: 2018</b>	
<b>Income</b>	\$1,953,318.00
<b>Expenses</b>	\$1,953,318.00
<b>If other than a general operating request:</b> <span style="float: right;">Dates: From <u>10/01/17</u> To <u>09/30/18</u></span>	
<b>Program or Capital Budget:</b> <span style="float: right;">Income \$ <u>17,750.00</u> Expenses \$ <u>17,750.00</u></span>	

By signing below, I certify that the information contained in this application is true and correct to the best of my knowledge.

  
 \_\_\_\_\_  
 Director

12-6 TS  
06/11/2019  
 Date

Address any reply to:

# Department of the Treasury

District Director

Internal Revenue Service

Date:

August 28, 1981

In reply refer to:

Adjustment Unit

Dakota Plains Legal Services  
Incorporated  
P. O. Box 727  
Mission, SD 57555

RECEIVED

AUG 31 1981

~~SLS/M~~

Date of Exemption: August 19, 1976  
Internal Revenue Code Section: 501(c)(3)

Gentlemen:

Thank you for submitting the information shown below. We have made it a part of your file.

The changes indicated do not adversely affect your exempt status and the exemption letter issued to you continues in effect.

Please let us know about any future change in the character, purpose, method of operation, name or address of your organization. This is a requirement for retaining your exempt status.

Thank you for your cooperation.

Sincerely yours,

*C. Shitzer*  
District Director

Item Changed

From

To

Name:

South Dakota Legal Services,  
Incorporated

Dakota Plains Legal  
Services, Incorporated

**Dakota Plains Legal Services**  
**Income & Expense Report**  
**For the Twelve Months Ending December 31, 2018**  
**Consolidated Departments**

	Current Month	Year to Date	Budget	Budget Remaining	% Used
<b>Income</b>					
LSC - Native American	\$ 1,025,591.00	\$ 1,025,591.00	\$ 1,025,591.00	0.00	(1.00)
LSC - Basic Field	374,422.09	374,422.09	374,422.00	(0.09)	(1.00)
LSC - Private Bar Involvement	53,488.91	53,488.91	53,489.00	0.09	(1.00)
LSC - Carryover	0.00	0.00	129,027.00	129,027.00	0.00
Interest - DPLS	139.07	139.07	0.00	(139.07)	0.00
Donations-Unrestricted	37.50	37.50	0.00	(37.50)	0.00
Miscellaneous - DPLS	10,316.59	10,316.59	0.00	(10,316.59)	0.00
Older American	84,138.46	84,138.46	96,620.00	12,481.54	(0.87)
Older American (Rapid City)	18,180.00	18,180.00	0.00	(18,180.00)	0.00
Mortgage Settlement Fund	4,044.19	4,044.19	15,000.00	10,955.81	(0.27)
Client Services	27,205.40	27,205.40	20,000.00	(7,205.40)	(1.36)
Pennington Co. Advocacy Proj.	261,000.00	261,000.00	261,000.00	0.00	(1.00)
United Way	15,000.00	15,000.00	15,000.00	0.00	(1.00)
North Dakota IOLTA	0.00	0.00	1,200.00	1,200.00	0.00
North Dakota Surcharge	10,096.86	10,096.86	10,000.00	(96.86)	(1.01)
Equal Acces to Our Courts	49,500.00	49,500.00	45,000.00	(4,500.00)	(1.10)
EATOC - Carryover	0.00	0.00	23,469.00	23,469.00	0.00
Department of Justice	61,875.66	61,875.66	45,000.00	(16,875.66)	(1.38)
StandingRock Sioux Tribe Cont	6,142.50	6,142.50	3,000.00	(3,142.50)	(2.05)
VOCA	5,654.93	5,654.93	70,000.00	64,345.07	(0.08)
<b>Total Income</b>	<b>2,006,833.16</b>	<b>2,006,833.16</b>	<b>2,187,818.00</b>	<b>180,984.84</b>	<b>(0.92)</b>
<b>Expenses</b>					
Attorneys	750,614.15	750,614.15	790,223.00	39,608.85	0.95
Paralegals	393,791.07	393,791.07	368,994.00	(24,797.07)	1.07
Others	219,263.15	219,263.15	211,223.00	(8,040.15)	1.04
Fringe Benefits	417,982.06	417,982.06	453,578.00	35,595.94	0.92
Space - Rent/Lease	41,511.86	41,511.86	45,000.00	3,488.14	0.92
Space - Other	31,438.61	31,438.61	22,300.00	(9,138.61)	1.41
Equipment Maintenance	26,400.73	26,400.73	4,100.00	(22,300.73)	6.44
Office Supplies & Exp	28,305.94	28,305.94	42,500.00	14,194.06	0.67
Telephone	34,763.59	34,763.59	37,400.00	2,636.41	0.93
Travel - Board Members	14,925.15	14,925.15	13,000.00	(1,925.15)	1.15
Travel - Staff & Others	31,965.59	31,965.59	30,000.00	(1,965.59)	1.07
Training - Board Members	0.00	0.00	0.00	0.00	0.00
Training Staff & Others	825.00	825.00	1,000.00	175.00	0.83
Library Maintenance	8,754.43	8,754.43	9,500.00	745.57	0.92
Insurance	6,081.40	6,081.40	30,000.00	23,918.60	0.20
Dues & Fees	13,754.99	13,754.99	7,000.00	(6,754.99)	1.96
Audit	30,225.68	30,225.68	30,000.00	(225.68)	1.01
Litigation	198.57	198.57	1,000.00	801.43	0.20
Property Acquisition	0.00	0.00	0.00	0.00	0.00
Contract Services To Client	28,034.61	28,034.61	45,000.00	16,965.39	0.62
Contract Services To DPLS	21,659.00	21,659.00	20,000.00	(1,659.00)	1.08
Donated Services	0.00	0.00	0.00	0.00	0.00
Other Expense	13,720.80	13,720.80	15,000.00	1,279.20	0.91
Depreciation	9,372.58	9,372.58	11,000.00	1,627.42	0.85
Loss (Gain) on Retirement	0.00	0.00	0.00	0.00	0.00
<b>Total Expenses</b>	<b>2,123,588.96</b>	<b>2,123,588.96</b>	<b>2,187,818.00</b>	<b>64,229.04</b>	<b>0.97</b>
<b>Current Balance</b>	<b>\$ (116,755.80)</b>	<b>\$ (116,755.80)</b>	<b>\$ 0.00</b>	<b>116,755.80</b>	<b>0.00</b>

For Management Purposes Only

***SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS***

**Grant Application**

**Applicant's Current Year Funding**

<b>Funding Source</b>	<b>Amount</b>	<b>Purpose</b>
<b>Legal Services Corporation</b>	<b>\$1,453,502</b>	To provide general civil legal services to low-income persons.
<b>State of South Dakota Adult Services &amp; Aging</b>	<b>\$102,318</b>	To provide civil legal assistance to elderly residents in the South Dakota service area, except where State of SD is the opposing party.
<b>North Dakota Surcharge</b>	<b>\$10,000</b>	To supplement the attorney position located in the Fort Yates, North Dakota, office for legal assistance to eligible North Dakota clients.
<b>Bureau of Justice Assistance</b>	<b>\$61,875</b>	To provide legal representation in Tribal Courts on Rosebud, Pine Ridge, Lower Brule, Sisseton-Wahpeton, Yankton and Cheyenne River Reservations.
<b>Pennington County Advocacy Project</b>	<b>\$261,000</b>	To provide legal representation in criminal, juvenile, and abuse and neglect cases to indigent persons in Pennington County.
<b>United Way</b>	<b>\$15,000</b>	To support direct civil legal assistance, including services for the homeless, the elderly, and Rapid City residents who meet income guidelines, as well as community education, and assistance to domestic abuse victims.
<b>Equal Access to Our Courts</b>	<b>\$49,500</b>	To expand civil legal representation to clients in outlying counties.
<b>State Court Appointments</b>	<b>\$33,348</b>	To provide legal representation in criminal, juvenile, and abuse and neglect cases to indigent persons in State Court.

**Total Current Year Revenue:    \$1,986,543**

# Dakota Plains Legal Services

## Budget For the Twelve Months Ending December 31, 2018

	Budget
<b>Income</b>	
LSC - Native American	\$ 1,025,591.00
LSC - Basic Field	374,422.00
LSC - Private Bar Involvement	53,489.00
LSC - Carryover	129,027.00
Interest - DPLS	0.00
Miscellaneous - DPLS	0.00
Miscellaneous - LSC	0.00
Older American	96,620.00
Mortgage Settlement Fund	15,000.00
Client Services	20,000.00
Pennington Co. Advocacy Proj.	261,000.00
United Way	15,000.00
North Dakota IOLTA	1,200.00
North Dakota Surcharge	10,000.00
Equal Acces to Our Courts	45,000.00
EATOC - Carryover	23,469.00
Department of Justice	45,000.00
Standing Rock Sioux Tribe	3,000.00
VOCA	70,000.00
	<hr/>
<b>Total Income</b>	<b>2,187,818.00</b>

<b>Expenses</b>	
Attorneys	790,223.00
Paralegals	368,994.00
Others	211,223.00
Fringe Benefits	453,578.00
Space - Rent/Lease	45,000.00
Space - Other	22,300.00
Equipment Maintenance	4,100.00
Office Supplies & Exp	42,500.00
Telephone	37,400.00
Travel - Board Members	13,000.00
Travel - Staff & Others	30,000.00
Training - Board Members	0.00
Training Staff & Others	1,000.00
Library Maintenance	9,500.00
Insurance	30,000.00
Dues & Fees	7,000.00
Audit	30,000.00
Litigation	1,000.00
Property Acquisition	0.00
Contract Services To Client	45,000.00
Contract Services To DPLS	20,000.00
Donated Services	0.00
Other Expense	15,000.00
Depreciation	11,000.00
	<hr/>
<b>Total Expenses</b>	<b>2,187,818.00</b>
	<hr/>
<b>Current Balance</b>	<b>\$ 0.00</b>

For Management Purposes Only

Financial Statements  
December 31, 2018 and 2017  
**Dakota Plains Legal Services**

DRAFT

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	6
Statements of Cash Flows.....	8
Notes to Financial Statements .....	9
Supplementary Information	
Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds .....	18
Schedule of Expenditures of Federal Awards.....	19
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 <i>Government Auditing Standards</i> .....	20
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by Uniform Guidance.....	22
Schedule of Findings and Questioned Costs.....	24

## **Independent Auditor's Report**

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

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

We have audited the accompanying financial statements of Dakota Plains Legal Services, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities 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.

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 the Dakota Plains Legal Services as of December 31, 2018, 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.



### **Adjustments to Prior Period Financial Statements**

The financial statements of Dakota Plains Legal Services as of and for the year ended December 31, 2017, were audited by other auditors, whose report dated April 13, 2018, expressed an unmodified opinion on those statements. As discussed in Note 10 to the financial statements, Dakota Plains Legal Services identified errors in the 2017 financial statements resulting in an overstatement of current liabilities, an understatement of net assets and a reclassification of net assets between with donor restriction and without donor restrictions. Accordingly, amounts reported within the accompanying financial statements have been restated in 2017 financial statements now presented. The other auditors reported on the 2017 financial statements before the restatement.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of support, revenue and expenses, and changes in net assets for Legal Services Corporation Funds and the schedule of expenditures of federal awards as required by 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), 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 schedule of expenditures of federal awards 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 a report **REPORT DATE** on our consideration of the Dakota Plains Legal Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dakota Plains Legal Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Dakota Plains Legal Services' internal control over financial reporting and compliance.

Sioux Falls, South Dakota

**REPORT DATE**

DRAFT

(This page left blank intentionally.)

	2018	2017
Assets		
Current Assets		
Cash	\$ 338,634	\$ 468,341
Deposit for secured credit card	8,291	8,287
Net receivables	49,127	47,244
Prepaid expenses	33,044	19,241
Total current assets	429,096	543,113
Property and Equipment		
Property and equipment	424,473	419,298
Less accumulated depreciation	(366,355)	(357,922)
Total property and equipment	58,118	61,376
Other Assets		
Deposits	240	240
Capital credits receivable	102,508	98,880
Total other assets	102,748	99,120
Total Assets	\$ 589,962	\$ 703,609

See Notes to Financial Statements

# Dakota Plains Legal Services

## Statements of Financial Position

December 31, 2018 with Comparative Totals as of December 31, 2017

	<u>2018</u>	<u>2017</u> As Restated
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 10,473	\$ 12,829
Accrued wages and vacation	106,746	70,510
Client trust deposits	<u>47</u>	<u>72</u>
Total current liabilities	<u>117,266</u>	<u>83,411</u>
Net Assets		
Net assets without donor restrictions	109,712	220,012
Net assets without donor restrictions - property and equipment	<u>58,118</u>	<u>61,376</u>
Total net assets without donor restrictions	<u>167,830</u>	<u>281,388</u>
Net assets with donor restrictions		
Other	5,126	1,251
Legal Services Corporation	<u>299,740</u>	<u>337,559</u>
Total net assets without donor restrictions	<u>304,866</u>	<u>338,810</u>
Total net assets	<u>472,696</u>	<u>620,198</u>
Total Liabilities and Net Assets	<u>\$ 589,962</u>	<u>\$ 703,609</u>

DRAFT

Dakota Plains Legal Services  
Statements of Activities  
Year Ended December 31, 2018

	Without Restrictions	With Restrictions	Total
Revenues, Gains, and Other Support			
Grants and contracts	\$ 331,642	\$ 1,625,397	\$ 1,957,039
Client service income	27,205	-	27,205
Interest income	139	-	139
Contributions	38	-	38
Insurance proceeds	-	-	-
Miscellaneous income	10,317	-	10,317
Net assets released from restrictions - Satisfaction of program restrictions	1,659,341	(1,659,341)	-
Total revenues, gains, and other support	2,028,682	(33,944)	1,994,738
Expenses			
Program services	1,737,258	-	1,737,258
Management and general	404,982	-	404,982
Total expenses	2,142,240	-	2,142,240
Changes in Net Assets	(113,558)	(33,944)	(147,502)
Net Assets, Beginning	281,388	338,810	620,198
Net Assets, Ending	\$ 167,830	\$ 304,866	\$ 472,696

Dakota Plains Legal Services  
Statements of Activities  
Year Ended December 31, 2017

	Without Restrictions	With Restrictions	Total
Revenues, Gains, and Other Support			
Grants and contracts	\$ 298,067	\$ 1,557,674	\$ 1,855,741
Client service income	48,277	-	48,277
Interest income	139	-	139
Contributions	-	726	726
Insurance proceeds	53,967	-	53,967
Miscellaneous income	18,884	400	19,284
Net assets released from restrictions - Satisfaction of program restrictions	1,351,173	(1,351,173)	-
Total revenues, gains, and other support	1,770,507	207,627	1,978,134
Expenses			
Program services	1,620,129	-	1,620,129
Management and general	298,982	-	298,982
Total expenses	1,919,111	-	1,919,111
Changes in Net Assets	(148,604)	207,627	59,023
Net Assets, Beginning	429,992	131,183	561,175
Net Assets, Ending	<u>\$ 281,388</u>	<u>\$ 338,810</u>	<u>\$ 620,198</u>

Dakota Plains Legal Services  
Statements of Functional Expenses  
Year Ended December 31, 2018

	Program Services	Management and General	Total
Expenses			
Salaries and wages	\$ 1,083,702	\$ 280,632	\$ 1,364,334
Employee benefits	332,138	86,009	418,147
Space - rent	44,471	541	45,012
Space - other	30,915	524	31,439
Travel - staff	34,252	1,336	35,588
Telephone	35,594	607	36,201
Depreciation	9,197	176	9,373
Private bar involvement - contract services to client	28,035	-	28,035
Office supplies	32,831	345	33,176
Insurance	28,371	197	28,371
Audit	-	30,226	30,226
Library maintenance	8,633	121	8,754
Dues and fees	13,375	380	13,755
Travel and board meetings - board members	14,926	-	14,926
Other expenses	14,051	3,427	17,478
Equipment maintenance	25,940	461	26,401
Litigation costs	199	-	199
Training - staff	825	-	825
Total expenses	<u>\$ 1,737,258</u>	<u>\$ 404,982</u>	<u>\$ 2,142,240</u>

Dakota Plains Legal Services  
Statements of Functional Expenses  
Year Ended December 31, 2017

	Program Services	Management and General	Total
Expenses			
Salaries and wages	\$ 1,018,148	\$ 191,972	\$ 1,210,120
Employee benefits	311,580	58,748	370,328
Space - rent	35,292	1,551	36,843
Space - other	22,561	1,481	24,042
Travel - staff	25,693	2,714	28,407
Telephone	35,460	2,092	37,552
Depreciation	10,505	689	11,194
Private bar involvement - contract services to client	44,924	-	44,924
Office supplies	57,721	3,283	61,004
Insurance	30,130	1,977	32,107
Audit	-	17,044	17,044
Library maintenance	8,777	491	9,268
Dues and fees	2,541	4,309	6,850
Travel and board meetings - board members	-	11,526	11,526
Other expenses	9,465	674	10,139
Equipment maintenance	5,359	327	5,686
Litigation costs	830	29	859
Training - staff	1,143	75	1,218
Total expenses	<u>\$ 1,620,129</u>	<u>\$ 298,982</u>	<u>\$ 1,919,111</u>



Dakota Plains Legal Services  
Statements of Cash Flows  
Year Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u> As Restated
Operating Activities		
Change in net assets	\$ (147,502)	\$ 59,023
Adjustments to reconcile change in net assets to cash (used by) from operating activities		
Depreciation	9,373	11,194
Change in assets and liabilities		
Net receivables	(1,883)	(36,797)
Prepaid expenses	(13,803)	(3,868)
Deposit for secured credit card	(4)	46
Capital credits receivable	(3,628)	(4,088)
Accounts payable	(2,356)	(2,059)
Accrued personnel costs	36,236	(12,393)
Client trust deposits	(25)	72
Net Cash (used by) from Operating Activities	<u>(123,592)</u>	<u>11,130</u>
Investing Activities		
Purchase of property and equipment	<u>(6,115)</u>	<u>-</u>
Net Change in Cash	(129,707)	11,130
Beginning Cash	<u>468,341</u>	<u>457,211</u>
Ending Cash	<u>\$ 338,634</u>	<u>\$ 468,341</u>

**Note 1 - Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities**

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, 2018, 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

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 contributions with donor restriction. 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 from net assets with donor restrictions to net assets without donor restrictions at that time.

### **Contributions, Grants and Contracts**

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets are reclassified to net assets without donor restrictions.

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 net assets with donor restrictions.

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, 2018, DPLS had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

## **Net Assets**

DPLS is required to report Information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net asset with donor restrictions.

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of DPLS management and the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of DPLS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 73% of its budget from LSC. Therefore, its funding is vulnerable to changes in legislative priorities of the federal and state governments.

## **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

## **New Accounting Pronouncement**

On August 18, 2016, FASS issued ASU 2016-14, Not-For-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Dakota Plains Legal Services, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements 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.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries & wages	Direct hours and % of revenue
Employee benefits	% of salaries and wages
Space – rent	Direct and % of revenue
Space – other	Direct and % of revenue
Travel – staff	Direct and % of revenue
Telephone	Direct and % of revenue
Depreciation	Direct and % of revenue
Contract services to clients	Direct allocation
Office supplies	Direct and % of revenue
Insurance	Direct and % of revenue
Audit	Direct allocation
Library maintenance	Direct and % of revenue
Dues & fees	Direct and % of revenue
Travel & meetings – board	Direct allocation
Other expenses	Direct and % of revenue
Equipment maintenance	Direct and % of revenue
Litigation costs	Direct and % of revenue
Training – staff	Direct allocation

**Note 2 - Property and Equipment**

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

	<u>2018</u>	<u>2017</u>
Building and mobile homes	\$ 249,252	\$ 249,252
Furniture and equipment	157,180	152,005
Land	16,267	16,267
Law library	1,774	1,774
	<u>424,473</u>	<u>419,298</u>
Less: accumulated depreciation	<u>(366,355)</u>	<u>(357,922)</u>
Property and equipment, net	<u>\$ 58,118</u>	<u>\$ 61,376</u>

**Note 3 - Leases**

DPLS leases office space, land and photocopiers for certain program locations under various operating leases, many of which are month to month. Lease expense for all operating leases was \$53,183 and \$47,959 for the years ended December 31, 2018, respectively. The future minimum operating lease payments are as follows for each of the years ending December 31:

	<u>Amount</u>
2019	\$ 53,402
2020	38,711
2021	8,958
2022	4,936
2023	<u>1,072</u>
	<u>\$ 107,079</u>

**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 and received \$1,453,502 and \$1,360,726 in funding from LSC for the years ended December 31, 2018 and 2017, respectively. 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 not in compliance at December 31, 2018 and 2017 as the unexpended portion of \$299,740 and \$337,559, respectively, exceeds 10 percent of LSC support. LSC granted a waiver for 2017 and a waiver will be requested for 2018.

LSC requires the Organization to spend 12.5% of its Basic Field grant on private attorney involvement (PAI) activities pursuant to 45 CFR 1614.S(c). DPLS' PAI expenditure requirement for the years ended December 31, 2018 and 2017 was \$53,489 and \$50,074, respectively. For the years ended December 31, 2018 and 2017, DPLS had PAI expenditures of \$53,489 and \$65,841, respectively, and met this requirement.

**Note 5 - Net Assets with Donor Restrictions**

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 consisted of the following:

	Balance 12/31/17	Additions	Releases	Balance 12/31/18
Bureau of Justice Assistance	\$ -	\$ 61,876	\$ (61,876)	\$ -
Older Americans	-	94,267	(94,267)	-
North Dakota Indigent Civil Legal Services	-	10,097	(4,971)	5,126
VOCA	-	5,655	(5,655)	-
Other	1,251	-	(1,251)	-
Legal Services Corporation	337,559	1,361,126	(1,491,321)	299,740
Total net assets with donor restrictions	<u>\$ 338,810</u>	<u>\$ 1,623,397</u>	<u>\$ (1,659,341)</u>	<u>\$ 304,866</u>
(As Restated)				
	Balance 12/31/16	Additions	Releases	Balance 12/31/17
Bureau of Justice Assistance	\$ -	\$ 90,282	\$ (90,282)	\$ -
Older Americans	-	96,620	(96,620)	-
North Dakota Indigent Civil Legal Services	-	10,046	(10,046)	-
Other	1,251	726	(726)	1,251
Legal Services Corporation	29,932	1,361,126	(1,153,499)	337,559
Total net assets with donor restrictions	<u>\$ 131,183</u>	<u>\$ 1,558,800</u>	<u>\$ (1,351,173)</u>	<u>\$ 338,810</u>

**Note 6 - Funding Sources**

Funding for the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017 As Restated
Grants and contracts without donor restrictions		
Pennington County Advocacy contract	\$ 261,000	\$ 237,500
Tribal civil and criminal legal assistance grants	6,142	3,867
South Dakota Commission on Equal Access to Our Courts	49,500	36,000
North Dakota - IOLTA	-	1,200
United Way grant	15,000	19,500
Total grants and contracts without donor restrictions	<u>331,642</u>	<u>298,067</u>

Dakota Plains Legal Services  
Notes to Financial Statements  
December 31, 2018 and 2017

Grants and contracts with donor restrictions		
Bureau of Justice Assistance	61,876	90,282
Older Americans - State of South Dakota	94,267	96,620
North Dakota Indigent Civil Legal Defense Fund	10,097	10,046
VOCA - East River Legal Services	5,655	-
Legal Services Corporation	<u>1,453,502</u>	<u>1,360,726</u>
Total grants and contracts with donor restrictions	<u>1,625,397</u>	<u>1,557,674</u>
Total grants and contracts	<u><u>1,957,039</u></u>	<u><u>1,855,741</u></u>

**Note 7 - Pension Plan**

DPLS maintains a 403(b) defined contribution retirement plan on behalf of its employees through Modern Woodmen 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 8 - Date of Management Review**

Subsequent events have been evaluated through Report 7 as 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 9 - Availability and Liquidity**

The following represents Dakota Plains Legal Services, Inc. financial assets as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end		
Cash and cash equivalents	\$ 338,634	\$ 468,341
Net receivables	<u>49,127</u>	<u>47,244</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 387,761</u></u>	<u><u>\$ 515,585</u></u>

Dakota Plains Legal Services regularly monitors liquidity requirement to meet its operating needs and other contractual commitments. DPLS prepares annual budgets to manage liquidity and to determine general expenditures over the next twelve months.



**Note 10 - Restatement**

During 2018, DPLS identified an error in its 2017 financial statements resulting in an overstatement of current liabilities and an understatement of net assets without restrictions. Additionally, DPLS identified revenues from Equal Access to Our Courts that were recorded as net assets with restrictions instead of net assets without restrictions. Accordingly, amounts reported within the accompanying financial statements have been restated in the 2017 financial statements as presented.

The effect on the DPLS's statement of financial position as of December 31, 2017:

	As Previously Reported	Adjustment	As Restated
Unearned revenue	\$ 69,513	\$ (69,513)	\$ -
Total current liabilities	152,924	(69,513)	83,411
Net assets without donor restrictions	126,442	93,570	220,012
Total net assets without donor restrictions	187,818	93,570	281,388
Net assets with donor restrictions			
Other	24,057	(24,057)	-
Total net assets with donor restrictions	362,867	(24,057)	338,810
Total net assets	550,685	69,513	620,198

Dakota Plains Legal Services  
Notes to Financial Statements  
December 31, 2018 and 2017

The effect on the DPLS's statement of activities as of December 31, 2017 is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Without Restrictions			
Support and Revenue			
Grant and contracts	\$ 459,015	\$ (160,948)	\$ 298,067
Satisfaction of program restrictions	1,218,645	132,528	1,351,173
Total revenues, gains, and other support	1,799,653	(29,146)	1,770,507
Change in Net Assets	(119,458)	(29,146)	(148,604)
Net Assets - Beginning	307,276	122,716	429,992
Net Assets - Ending	187,818	93,570	281,388
With Restrictions			
Support and Revenue			
Grant and contracts	1,400,899	156,775	1,557,674
Satisfaction of program restrictions	(1,218,645)	(132,528)	(1,351,173)
Total revenues, gains, and other support	182,654	24,973	207,627
Change in Net Assets	182,654	24,973	207,627
Net Assets - Beginning	180,213	(49,030)	131,183
Net Assets - Ending	362,867	(24,057)	338,810
Total			
Support and Revenue			
Grant and contracts	1,859,914	(4,173)	1,855,741
Total revenues, gains, and other support	1,982,307	(4,173)	1,978,134
Change in Net Assets	63,196	(4,173)	59,023
Net Assets - Beginning	487,489	73,686	561,175
Net Assets - Ending	550,685	69,513	620,198

The effect on the DPLS's cashflows as of December 31, 2017 is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Year ended December 31, 2017			
Operating Activities			
Change in net assets	\$ 63,196	\$ (4,173)	\$ 59,023
Unearned revenue	(4,173)	4,173	-

Supplementary Information  
December 31, 2018 with Comparative Totals for  
December 31, 2017

**Dakota Plains Legal Services**

DRAFT

# Dakota Plains Legal Services

Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds  
Year Ended December 31, 2018 with Comparative Totals for the Year Ended December 31, 2017

	2018				2017
	Basic Field Grant	Native American Grant	Private Attorney Involvement	LSC Total	Total
Support and Revenue					
Grants/contracts	\$ 374,422	\$ 1,025,591	\$ 53,489	\$ 1,453,502	\$ 1,360,726
Miscellaneous Income	-	-	-	-	400
Total support and revenue	374,422	1,025,591	53,489	1,453,502	1,361,126
Expenses					
Salaries and wages	237,396	642,717	22,195	902,308	647,755
Employee benefits	72,758	196,982	6,802	276,542	198,230
Space - rent	6,473	17,731	767	24,971	17,307
Space - other	6,151	10,848	744	23,743	16,521
Travel - staff	8,465	23,186	44	31,695	20,159
Telephone	6,418	17,579	862	24,859	23,346
Depreciation	1,749	1,790	250	6,789	7,693
Private bar involvement					
contract services to clients	-	-	28,035	28,035	44,924
Office supplies	6,221	17,041	497	23,759	36,635
Insurance	6,737	18,455	280	25,472	22,063
Audit	7,186	19,675	297	27,155	11,712
Library maintenance	1,552	4,278	171	6,011	5,476
Dues and fees	2,984	8,174	78	11,236	1,763
Travel and board meetings					
board members	3,992	10,934	-	14,926	7,919
Other expenses	2,971	8,139	276	11,386	6,931
Equipment maintenance	4,889	13,390	654	18,933	3,653
Litigation costs	(29)	(78)	-	(107)	325
Training - staff	221	604	-	825	838
Reimbursement of expenses	11,031	30,215	(8,463)	32,783	80,249
Total expenses	387,172	1,050,660	53,489	1,491,321	1,153,499
Change in Net Assets	(12,750)	(25,069)	-	(37,819)	207,627
Net Assets - Beginning	162,605	174,954	-	337,559	129,932
Net Assets, Ending	\$ 149,855	\$ 149,885	\$ -	\$ 299,740	\$ 337,559

Dakota Plains Legal Services  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Legal Services Corporation			
Direct			
Basic Field Grant - Basic	09-742018		\$ 440,661
Basic Field Grant - Native American	09-742018		1,050,660
Total Legal Service Corporation			1,491,321
U.S. Department of Health and Human Services			
Passed through the State of South Dakota			
Office of Adult Services and Aging, Native American	93.044	12032691	80,127
Total U.S. Department of Health and Human Services			80,127
U.S. Department of Justice			
Direct			
Tribal Civil and Criminal Legal Assistance Grant	16.815		61,876
Passed through East River Legal Services			
Crime Victim Assistance	16.575		5,655
Total U.S. Department of Justice			67,531
Total Federal Expenditures			\$ 1,638,979

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Dakota Plains Legal Services (DPLS) under programs of the federal government for the year ended December 31, 2018. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of DPLS it is not intended to and does not present the financial position, changes in net assets or cash flows of DPLS.

**Note 2 - Significant Accounting Policies**

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The Organization has not elected to use the 10% de minimis cost rate

**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  
Dakota Plains Legal Services  
Mission, South Dakota

We have audited, 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, the financial statements of Dakota Plains Legal Services (DPLS), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, statement of 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 Report Date.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-002 to be a significant deficiency.

**Compliance and Other Matters**

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

**Dakota Plains Legal Services' Responses to Findings**

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. DPLS' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**Purpose of this Report**

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

Sioux Falls, South Dakota

Report date

DRAFT

**Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by Uniform Guidance**

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

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

We have audited Dakota Plains Legal Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Dakota Plains Legal Services' (DPLS') major federal program for the year ended December 31, 2018. DPLS' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management 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' 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' 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' compliance.

**Opinion on the 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 Report date.



## 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 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 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' internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-003 and 2018-004 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-005 and 2018-006 to be significant deficiencies.

DPLS' responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. DPLS' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

Sioux Falls, South Dakota

Report date

---

Financial Statement Findings

---

**Finding 2018-001      Preparation of the Financial Statements, Schedule of Expenditures of Federal Awards and Restatement  
Material Weakness**

**Criteria:** A proper system of internal controls over financial reporting includes an adequate system for recording and processing entries to the financial statements, as well as the ability to prepare financial statements, the schedule of expenditures of federal awards and accompanying notes to the financial statements that are materially correct.

**Condition:** The financial statements and schedule of expenditures of federal awards were prepared by a 3<sup>rd</sup> party accountant. As auditors, we proposed prior period adjustments including adjustments to unearned revenue and the classification of net assets without restrictions and net assets with restrictions. Accordingly, an adjustment was made to restate the prior year financial statements. In addition, we made a material change to the statement of functional expense and revised the schedule of expenditures of federal awards.

**Cause:** The funding source relating to the prior period restatement was unknown or the net asset classification was improperly determined in some cases.

**Effect:** A prior period adjustment was made. There is a reasonable possibility that DPLS would not be able to draft the financial the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

**Recommendation:** Management and those charged with governance should continually be aware of the financial reporting for DPLS as well as the changes in reporting requirements.

**Views of Responsible Officials:** Management is in agreement.

**Finding 2018-002      Segregation of Duties  
Significant Deficiency**

**Criteria:** An effective system of internal control depends on an adequate segregation of duties with respect to the execution and recording of transactions, as well as the custody of an entity's assets. Accordingly, an effective system of internal control will be designed such that these functions are performed by different employees, so that no one individual handles a transaction from its inception to completion.

**Condition:** DPLS has a limited number of office personnel, which prevents an ideal segregation of duties for controls over financial reporting. Certain year end expense account allocations were performed by a 3<sup>rd</sup> party accountant and were not reviewed by DPLS' personnel. The processes relating to controls over cash receipts could also be improved.

**Cause:** DPLS has limited staff at some locations. In addition, there was turnover within the executive director position. Furthermore, weather related conditions prevented sufficient time for DPLS' personnel to review the expense account allocations prior to the start of the audit.

**Effect:** Inadequate segregation of duties could adversely affect DPLS' ability to detect and correct misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

**Recommendation:** We acknowledge that DPLS has proper segregation of duties in many areas. We suggest additional review and approval be implemented and documented in the areas of cash receipts and expense account allocations at year end. Management should periodically assess the allocation of duties to determinate if maximum segregation of duties is achieved with the current office staff. In addition, the secondary level of review should be formally documented on a consistent basis. Under this condition, the Board and management's close supervision and review of accounting information is the best means of preventing and detecting errors and irregularities.

**Views of Responsible Officials:** Management is in agreement.

---

### Section III – Federal Award Findings and Questioned Costs

---

**2018-003      Legal Services Corporation**  
**CFDA #09-742018 Legal Services Corporation – Basic Field – Native American**  
**CFDA #09-742018 Legal Services Corporation – Basic Field – General**

**Procurement**

**Material Weakness in Internal Control over Compliance**

**Criteria:** 2 CFR 200.318 and 45 CFR 163.11 establishes the auditee must use its own documented procurement procedures which reflect the standards identified in the regulations including 2 CFR 200.320. 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

**Condition:** DPLS has adopted a procurement policy in accordance with Uniform Guidance. Our testing detected five instances out of eight where the procurement was not in accordance with DPLS's documented policy, which includes obtaining multiple bids or performing a comparative analysis on purchases in excess of \$1,000.

**Cause:** There was a lapse in oversight of the internal control process to obtain or document required bids or quotes.

**Effect:** Lack of compliance with designed internal controls over procurement could result in DPLS making purchases at a higher cost when a lower cost could be available.

**Questioned Costs:** None Reported.

**Context/Sampling:** A nonstatistical sample of 60 disbursements. Out of the 60 disbursements, only 8 items were above the \$1,000 and therefore were tested.

**Repeat Finding from Prior Year:** No

**Recommendation:** We recommend DPLS review procurement policies and procedures with applicable employees to ensure compliance with documented procedures.

**Views of Responsible Officials:** Management is in agreement.

**2018-004      Legal Services Corporation**  
**CFDA #09-742018 Legal Services Corporation – Basic Field – Native American**  
**CFDA #09-742018 Legal Services Corporation – Basic Field – General**

**Allowable Costs - Payroll**  
**Material Weakness in Internal Control over Compliance**

**Criteria:** 2 CFR 200.303(a) and 45 CFR 1635 establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

**Condition:** There were multiple instances in which timesheets were either not approved or they were not approved in a timely manner in accordance with established procedures. However, total time worked was reported by each office to the assistant administrator prior to payroll being processed. Time allocations by funding are properly tracked based on the case number within the legal server software implemented in early 2018.

**Cause:** The procedures relating to timesheet approval was not being followed.

**Effect:** Without adequate support, demonstrating that the costs comply with laws, regulations and other compliance requirements is difficult.

**Questioned Costs:** None Reported.

**Context/Sampling:** A nonstatistical sample of 7 out of 31 employees who had time allocated to the legal service grant was reviewed for various pay periods.

**Repeat Finding from Prior Year:** No

**Recommendation:** We recommend DPLS review payroll policies and procedures with applicable employees to ensure compliance with documented procedures.

**Views of Responsible Officials:** Management is in agreement. Management had identified the timeliness of timesheet completion as a weakness prior to the audit and implemented corrective action upon discovery.

**2018-005      Legal Services Corporation  
CFDA #09-742018 Legal Services Corporation – Basic Field – Native American  
CFDA #09-742018 Legal Services Corporation – Basic Field - General**

**Allowable Costs**

**Significant Deficiency in Internal Control over Compliance**

**Criteria:** 2 CFR 200.303(a) and 45 CFR 1630 establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing federal award compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Condition:** Our testing of disbursements detected two instances where the invoice was not approved prior to disbursing funds and one instance of an expenditure reported in the wrong grant period.

**Cause:** There was a lapse in oversight of the internal control process ensuring disbursements of funds are reviewed timely, reported in the correct time period and supported by approved documentation.

**Effect:** Lack of compliance with designed internal controls over cash disbursements could result in DPLS using funds for an unallowable purpose.

**Questioned Costs:** None reported

**Context/Sampling:** A nonstatistical sample of 60 disbursements.

**Repeat Finding from Prior Year:** No

**Recommendation:** We recommend DPLS review policies and procedures with applicable employees and remind them of the importance of established review and monitoring processes.

**Views of Responsible Officials:** Management is in agreement.

**2018-006      Legal Services Corporation  
CFDA #09-742018 Legal Services Corporation – Basic Field – Native American  
CFDA #09-742018 Legal Services Corporation – Basic Field – General**

**Reporting**

**Significant Deficiency in Internal Control over Compliance**

**Criteria:** 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award.

**Condition:** DPLS did not have documented review of the Case Disclosure Report submitted to Legal Services Corporation. In addition, the documentation showing evidence the two Case Disclosure Reports and one of the two required Grant Activity reports relating to a change in auditors was not retained.

**Cause:** There was a lapse in oversight of the internal control process ensuring that there are two employees involved in the preparation and reviewing for all required reports. In addition, there was turnover within the executive director position.

**Effect:** Lack of compliance with designed internal controls over reporting could result in DPLS reporting incorrect or incomplete information.

**Questioned Costs:** None Reported.

**Context/Sampling:** Statistical sampling was not used. All reporting requirements were tested.

**Repeat Finding from Prior Year:** No

**Recommendation:** We recommend DPLS review policies and procedures with applicable employees and remind them of the importance of established review and monitoring processes.

**Views of Responsible Officials:** Management is in agreement.

DRAFT