

STATE OF SOUTH DAKOTA
COMMISSION ON EQUAL ACCESS TO OUR COURTS

MEETING AGENDA

December 7, 2020 @ 10:00 am – 12:00 P.M. (CST)

Room 132 State Capitol Building

Pierre, South Dakota

Dial-In Instructions

To join the conference dial: 605-224-1125

Enter this access code: 0942182#

CALL TO ORDER

Welcome and Introductions

OLD BUSINESS

- ☐ Review of Quarterly Financial Reports

NEW BUSINESS

- ☐ Update on Status of Funds
- ☐ Review of Grant Applications
- ☐ Distribution of Grant Awards
- ☐ Next Meeting Date

December 2, 2020

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 SDCL § 16-2-56.1 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. In terms of the \$65,000 currently available in CEAC funds, East River Legal Services and Dakota Plains Legal Services are requesting funding of \$20,000 each to support their individual programs. Access to Justice is seeking \$10,000 in funding. This will leave a balance of over \$20,000 remaining in CEAC funds (per the latest update on available CEAC funds). The three programs are all in agreement to reserve the remaining funds to assist with maintaining normal CEAC funding levels in the next grant cycle(s) due to the fact that all three programs expect filing fees to continue to be lower than normal over the next several months due to the impact of Covid-19 in our area. However, all three programs are open to alternative disbursement amounts if the CEAC determines that the entire amount of available funds should be disbursed at this time.

East River Legal Services intends to continue to utilize all CEAC funding awarded during this grant cycle to supplement existing unrestricted funds in support of assisting veterans, the 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.

Dakota Plains Legal Services intends to use additional CEAC funds in the manner as described in the attached joint CEAC grant application: 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 and 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.

Access to Justice intends to use all \$10,000 in CEAC funds awarded this cycle to supplement the A2J Judicare program.

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

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 seven offices in South Dakota located in Eagle Butte, Ft. Thompson, Mission, Pine Ridge, Sioux Falls, Sisseton and Rapid City. DPLS also has one office in Ft. Yates, North Dakota which serves the Standing Rock Reservation located in both North and South Dakota. DPLS' ten attorneys and ten 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 2,274 clients in South Dakota and North Dakota. Of the 2,274 served, 110 were Veterans, 166 were disabled, 143 were victims of domestic violence, and 414 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 13% 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 seven attorneys, two executive staff, and ten support staff. The program's service area encompasses the thirty-three eastern South Dakota counties.

In 2019, ERLS provided legal assistance to over 2,843 individuals in SD including assistance to over 144 older Americans; helping more than 198 families begin new lives free from abuse; assisting 179 families with housing issues including evictions, repairs, etc.; and advocating for 63 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 2019, 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 over \$217,000 worth of pro bono legal assistance to South Dakota residents. In 2019, A2J opened 83 new cases for individuals and closed a total of 93 cases. Of the 83 cases opened, 48 involved veterans, the elderly, and/or an individual with a disability, and 29 involved a victim of domestic violence, sexual assault or stalking. Of the 93 cases closed, 52 involved clients that were veterans, the elderly, and/or an individual with a disability, and 33 involved a victim of domestic violence, sexual assault or stalking. In addition, volunteer attorneys also provided answers to 248 legal questions through the South Dakota Free Legal Answers program in 2019.

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, the 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) 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 legal needs.

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 due to cost of living increases. 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%. As an example for 2020, a household of four must make less than \$32,750 to qualify for legal services at the 125% guideline, make less than \$39,300 for the maximum exception at DPLS (150%), and make less than \$52,400 for the maximum exception at ERLS (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.

ERLS also receives 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 that have been served include Rosebud Sioux Tribal Court, Oglala Sioux Tribal Court, Cheyenne

River Sioux Tribal Court, Lower Brule 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. A2J staff also manages the South Dakota Free Legal Answers program which provides income-qualifying residents of South Dakota with answers to civil legal questions through the assistance of South Dakota attorneys that volunteer through the program.

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, and 2) 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 \$10,000 of the anticipated \$65,000 in available CEAC funding and DPLS and ERLS will request \$20,000 each. The three programs request that the remaining CEAC funds be reserved at this time.

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 hours 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	Fundraising
Telephone	Depreciation Expense
Postage	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 2020, is \$0.575 per mile. Expenses for training on veteran's issues will also be charged at actual cost.

During the 2017-2020 grant years, Dakota Plains Legal Services used the CEAC grant allocation to fund legal services from all seven, (now eight) of its field offices. Both attorney and paralegal staff provided these services and DPLS plans to continue to do the same during the 2021 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 2020 grant year, as well as the 2021 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, the 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.

ERLS staff that provide services, or receive or provide training regarding qualifying grant issues, will be charged against the grant in increments of .10 hours 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	Office Expenses
Accounting Contract Services	Insurance Expense
Program Contract Services	Library Maintenance
Technology	Dues & Membership
Training	Advertising
Rent	Misc - Fees, Fines, Interest
Utilities	Fundraising

Telephone
Postage

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 2020 grant allocation, the three project partners agreed that \$10,000 would be allocated to Access to Justice to supplement their existing Judicare program.

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 the development of the website content and additional technology funding opportunities.

In 2019, both A2J and ERLS also implemented the 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 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. The partners are now looking into additional TIG grant and other funding opportunities for the future.

10. Criteria

The three organizations involved in this grant application utilized SDCL § 16-2-56.1 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 require continued funding to support their work with veterans along with other identified priority client groups.

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 SDCL § 16-2-56.1. Additional and current collaborative efforts by all three entities are discussed above in Section Eight– Planning.

A2J

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
DIN:
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.

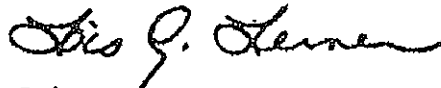
If you distribute funds to individuals, you should keep case histories showing the recipient's name and address; the purpose of the award; the manner of selection; and the relationship of the recipient to any of your officers, directors, trustees, members, or major contributors.

Letter 1045 (DO/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

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

COMBINED FINANCIAL REPORT

JULY 31, 2019

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, State Bar of South Dakota, S.D. Continuing Legal Education, Inc. and Access to Justice, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, as of and for the year ended July 31, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Palmer, Currier and Hoffert LLP

Pierre, South Dakota
February 27, 2020

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

**COMBINED STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018**

	2019		
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 2)	\$ 610,944	\$ 190,855	\$ 14,283
Accounts receivable (Note 5)	308	2,002	-
Prepaid expenses	13,403	3,846	-
Income taxes receivable	-	33	-
Due from S.D. Continuing Legal Education, Inc.	59,523 *	-	-
Due from Access to Justice, Inc.	2,877 *	-	-
Total current assets	687,055	196,736	14,283
PROPERTY AND EQUIPMENT			
Furniture and equipment	97,729	78,147	20,274
Less accumulated depreciation	61,631	52,380	19,001
	36,098	25,767	1,273
	\$ 723,153	\$ 222,503	\$ 15,556
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current maturities of capital lease obligations (Note 3)	\$ 1,693	\$ -	\$ -
Accounts payable	18,031	33,607	-
Accrued expenses	36,111	122	8,195
Income taxes payable	5,354	-	-
Deferred revenue	-	1,107	-
Due to State Bar of South Dakota	-	59,523 *	2,877 *
Total current liabilities	61,189	94,359	11,072
CAPITAL LEASE OBLIGATIONS, LESS CURRENT MATURITIES (NOTE 3)	4,855	-	-
NET ASSETS (DEFICIT) (NOTE 5)			
Without donor restrictions	657,109	128,144	4,484
	\$ 723,153	\$ 222,503	\$ 15,556

See Notes to Combined Financial Statements.

* Eliminated in the combined column.

2018				
Combined	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
\$ 816,082	\$ 460,481	\$ 135,595	\$ 11,777	\$ 607,853
2,310	19,308	2,560	-	21,868
17,249	12,946	2,530	-	15,476
33	1,533	2,131	-	3,664
-	140,783 *	-	-	-
-	2,877 *	-	-	-
<u>835,674</u>	<u>637,928</u>	<u>142,816</u>	<u>11,777</u>	<u>648,861</u>
196,150	123,466	93,888	20,274	237,628
<u>133,012</u>	<u>64,628</u>	<u>52,583</u>	<u>16,204</u>	<u>133,415</u>
<u>63,138</u>	<u>58,838</u>	<u>41,305</u>	<u>4,070</u>	<u>104,213</u>
<u>\$ 898,812</u>	<u>\$ 696,766</u>	<u>\$ 184,121</u>	<u>\$ 15,847</u>	<u>\$ 753,074</u>
\$ 1,693	\$ 4,636	\$ -	\$ -	\$ 4,636
51,638	13,577	42,315	-	55,892
44,428	74,342	49	8,081	82,472
5,354	-	-	-	-
1,107	-	1,436	-	1,436
-	-	140,783 *	2,877 *	-
<u>104,220</u>	<u>92,555</u>	<u>184,583</u>	<u>10,958</u>	<u>144,436</u>
<u>4,855</u>	<u>6,547</u>	<u>-</u>	<u>-</u>	<u>6,547</u>
789,737	597,664	(462)	4,889	602,091
<u>\$ 898,812</u>	<u>\$ 696,766</u>	<u>\$ 184,121</u>	<u>\$ 15,847</u>	<u>\$ 753,074</u>

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

**COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2019 AND 2018**

	2019		
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS			
Revenues collected:			
Dues	\$ 898,814	\$ 263,244	\$ -
Program services	27,485	196,074	70,074
Administration fees	9,021	-	-
Gain on disposal of equipment	5,755	5,755	-
Interest	9,053 *	683	12
Donations	2,760	-	52,000 *
Miscellaneous	90	2,670	-
Total revenues, gains and other support	952,978	468,426	122,086
Expenses paid:			
Supporting activities (Notes 4, 6 and 7)	501,028	132,071 *	10,256
Program services (Note 4)	392,505 *	207,749	112,235
Total expenses paid	893,533	339,820	122,491
Change in net assets without donor restrictions	59,445	128,606	(405)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	597,664	(462)	4,889
NET ASSETS (DEFICIT) AT END OF YEAR	\$ 657,109	\$ 128,144	\$ 4,484

See Notes to Combined Financial Statements

*Interorganizational interest of \$633 in 2019 and \$2,240 in 2018 and interorganizational contributions of \$50,000 in 2019 and \$50,000 in 2018 are eliminated in the combined column.

2018				
Combined	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
\$ 1,162,058	\$ 875,763	\$ 260,186	\$ -	\$ 1,135,949
293,633	27,841	196,790	61,000	285,631
9,021	7,347	-	-	7,347
11,510	1,883	1,883	-	3,766
9,115	2,927 *	349	6	1,042
4,760	2,498	-	52,850 *	5,348
2,760	240	285	-	525
<u>1,492,857</u>	<u>918,499</u>	<u>459,493</u>	<u>113,856</u>	<u>1,439,608</u>
642,722	598,209	135,823 *	8,847	740,639
<u>662,489</u>	<u>378,306 *</u>	<u>241,356</u>	<u>100,822</u>	<u>670,484</u>
<u>1,305,211</u>	<u>976,515</u>	<u>377,179</u>	<u>109,669</u>	<u>1,411,123</u>
187,646	(58,016)	82,314	4,187	28,485
<u>602,091</u>	<u>655,680</u>	<u>(82,776)</u>	<u>702</u>	<u>573,606</u>
<u>\$ 789,737</u>	<u>\$ 597,664</u>	<u>\$ (462)</u>	<u>\$ 4,889</u>	<u>\$ 602,091</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, 2019 AND 2018**

	2019			2018		
	Supporting Activities	Program Services	Total	Supporting Activities	Program Services	Total
Personnel and other expenses	\$ 341,384	\$ -	\$ 341,384	\$ 410,393	\$ -	\$ 410,393
Disciplinary board	-	117,237	117,237	-	108,119	108,119
Annual meeting	64,012	-	64,012	85,201	-	85,201
Legal services coordinator	-	50,000	50,000	-	50,000	50,000
President's office	-	32,741	32,741	-	38,592	38,592
Lobbyist	-	32,070	32,070	-	-	-
Socius	-	27,538	27,538	-	20,420	20,420
Bar commissioners	-	25,666	25,666	-	28,508	28,508
Young lawyers	-	24,681	24,681	-	23,970	23,970
Depreciation expense	22,928	-	22,928	11,028	-	11,028
Publications	22,842	-	22,842	43,868	-	43,868
Strategic planning committee	-	20,091	20,091	-	24,892	24,892
Legal and accounting	16,534	-	16,534	16,220	-	16,220
ABA and State Bar delegates	-	14,962	14,962	-	12,979	12,979
Rent	13,530	-	13,530	13,530	-	13,530
State and federal taxes	6,887	-	6,887	1,086	-	1,086
Public information	-	6,298	6,298	-	14,960	14,960
Pattern jury instructions-civil	-	6,000	6,000	-	6,047	6,047
Pattern jury instructions-criminal	-	5,134	5,134	-	2,256	2,256
Contribution expense	-	4,999	4,999	-	4,999	4,999
Lawyer referral	-	3,504	3,504	-	5,797	5,797
iStream fees	3,179	-	3,179	4,531	-	4,531
Project rural practice	-	2,541	2,541	-	1,354	1,354
Ethics	-	2,469	2,469	-	5,016	5,016
Professional liability insurance	-	2,263	2,263	-	2,263	2,263
Website committee	-	2,111	2,111	-	-	-
Office supplies	1,918	-	1,918	1,633	-	1,633
Phone/internet service	1,889	-	1,889	1,727	-	1,727
Travel	1,813	-	1,813	2,213	-	2,213
Law school committee	-	1,767	1,767	-	1,066	1,066
Stress/depression treatment	-	1,735	1,735	-	1,427	1,427
Law school - moot court	-	1,500	1,500	-	1,500	1,500
Interest expense	1,303	-	1,303	2,884	-	2,884
Postage	1,243	-	1,243	957	-	957
Veterans committee	-	1,054	1,054	-	1,653	1,653
Women in law	-	1,036	1,036	-	1,000	1,000
Lawyers concerned for lawyers	-	988	988	-	1,638	1,638
Lawyer assistance committee	-	881	881	-	1,237	1,237
Diversity and inclusion	-	828	828	-	920	920
Family law	-	795	795	-	1,055	1,055
Business law	-	517	517	-	268	268
Sole practitioner and small office	-	483	483	-	691	691
Real property, probate and trust	-	461	461	-	714	714
Dues	380	-	380	-	-	-
Legal services	-	253	253	-	259	259
Copies	169	-	169	299	-	299
Administrative law	-	154	154	-	150	150
Agricultural law	-	123	123	-	213	213
Debtor-creditor	-	123	123	-	92	92
Judicial-Bar liaison	-	113	113	-	392	392
Labor and employment law	-	55	55	-	49	49
Immigration	-	33	33	-	16	16
Equipment expense	-	-	-	2,349	-	2,349
Alternative dispute resolution	-	-	-	-	252	252
Law practice management	-	-	-	-	170	170
Education	-	-	-	-	140	140
In-house counsel	-	-	-	-	6	6
Transition committee	-	(711)	(711)	-	13,021	13,021
Miscellaneous	1,017	12	1,029	290	205	495
	<u>\$ 501,028</u>	<u>\$ 392,505</u>	<u>\$ 893,533</u>	<u>\$ 598,209</u>	<u>\$ 378,306</u>	<u>\$ 976,515</u>

See Notes to Combined 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, 2019 AND 2018**

	2019			2018		
	Supporting Activities	Program Services	Total	Supporting Activities	Program Services	Total
Fastcase	\$ -	\$ 109,472	\$ 109,472	\$ -	\$ 117,914	\$ 117,914
Personnel and other expenses	48,427	25,031	73,458	55,624	25,186	80,810
Trial Academy	-	20,878	20,878	-	30,508	30,508
Depreciation	15,727	-	15,727	5,100	-	5,100
Rent	13,530	-	13,530	13,530	-	13,530
Books and printing	-	11,914	11,914	-	18,632	18,632
Coffee and pop	10,369	-	10,369	11,558	-	11,558
Staff travel	10,181	-	10,181	10,393	-	10,393
Program travel and expenses	-	9,911	9,911	-	5,621	5,621
Supreme court opinions	-	9,749	9,749	-	14,084	14,084
CLE Speaker	-	8,350	8,350	-	-	-
Phone/Internet service	8,230	-	8,230	6,270	-	6,270
Insurance	3,963	-	3,963	1,808	-	1,808
Pattern jury instruction	-	3,542	3,542	-	3,407	3,407
Rackspace	-	3,486	3,486	-	17,563	17,563
Postage	3,269	-	3,269	5,333	-	5,333
Office supplies	3,056	-	3,056	8,224	-	8,224
CLE speaker program fee	-	2,900	2,900	-	1,226	1,226
Equipment expense	2,300	-	2,300	3,894	-	3,894
Federal taxes	2,098	-	2,098	1,005	-	1,005
Audio - CLE program	-	1,888	1,888	-	1,237	1,237
Legal and accounting	1,438	-	1,438	1,411	-	1,411
Committee travel	850	-	850	387	-	387
Lease agreements	-	646	646	-	-	-
Interest expense	633	-	633	2,240	-	2,240
Remote deposit/cc fees	498	-	498	294	-	294
Copies	83	-	83	599	-	599
Tape lending library expense	-	-	-	-	5,000	5,000
Capital acquisitions fund	-	-	-	-	1,027	1,027
Miscellaneous	7,419	(18)	7,401	8,153	(49)	8,104
	<u>\$ 132,071</u>	<u>\$ 207,749</u>	<u>\$ 339,820</u>	<u>\$ 135,823</u>	<u>\$ 241,356</u>	<u>\$ 377,179</u>

See Notes to Combined 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, 2019 AND 2018**

	2019			2018		
	Supporting Activities	Program Services	Total	Supporting Activities	Program Services	Total
Personnel and other expenses	\$ -	\$ 99,361	\$ 99,361	\$ -	\$ 99,281	\$ 99,281
Statewide intake	-	6,904	6,904	-	-	-
Program travel and expenses	-	2,800	2,800	-	541	541
Depreciation	2,797	-	2,797	3,416	-	3,416
Phone/Internet service	2,714	-	2,714	2,800	-	2,800
VOCA grant	-	2,170	2,170	-	-	-
Bill Day Pro Bono award exp.	-	1,000	1,000	-	1,000	1,000
Office supplies	791	-	791	1,020	-	1,020
Legal and accounting	761	-	761	746	-	746
Software	612	-	612	-	-	-
Equipment maintenance	472	-	472	-	-	-
Training	454	-	454	-	-	-
Miscellaneous	1,655	-	1,655	865	-	865
	<u>\$ 10,256</u>	<u>\$ 112,235</u>	<u>\$ 122,491</u>	<u>\$ 8,847</u>	<u>\$ 100,822</u>	<u>\$ 109,669</u>

See Notes to Combined Financial Statements.

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

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2019 AND 2018

	2019		
	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 59,445	\$ 128,606	\$ (405)
Adjustment to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	22,928	15,727	2,797
Gain on disposal of equipment	(5,755)	(5,755)	-
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	19,000	558	-
(Increase) decrease in prepaid expenses	(457)	(1,316)	-
(Increase) decrease in income taxes receivable	1,533	2,098	-
Increase (decrease) in accounts payable	4,454	(8,708)	-
Increase (decrease) in accrued expenses	(38,231)	73	114
Increase (decrease) in income taxes payable	5,354	-	-
Increase (decrease) in deferred revenue	-	(329)	-
Change in intercompany receivables/payables	81,260	(81,260)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>149,531</u>	<u>49,694</u>	<u>2,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the disposal of equipment	9,000	9,000	-
Purchase of equipment	(3,433)	(3,434)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>5,567</u>	<u>5,566</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on capital lease obligations	(4,635)	-	-
NET CASH USED IN FINANCING ACTIVITIES	<u>(4,635)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,463	55,260	2,506
CASH AND CASH EQUIVALENTS			
Beginning	460,481	135,595	11,777
Ending	<u>\$ 610,944</u>	<u>\$ 190,855</u>	<u>\$ 14,283</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash payments for:			
Interest	\$ 1,303	\$ 694 *	\$ -
Income taxes	-	-	-
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Capital lease obligation incurred for purchase of equipment	\$ -	\$ -	\$ -
Vehicle acquired on account with vendor	-	-	-

See Notes to Combined Financial Statements.

* Eliminated interorganizational interest of \$694 in 2019 and \$2,214 in 2018 in the combined column.

2018				
Combined	State Bar of South Dakota	S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	Combined
\$ 187,646	\$ (58,016)	\$ 82,314	\$ 4,187	\$ 28,485
41,452	11,028	5,100	3,416	19,544
(11,510)	(1,883)	(1,883)	-	(3,766)
19,558	(14,180)	(1,643)	-	(15,823)
(1,773)	2,093	(550)	-	1,543
3,631	(1,533)	1,005	-	(528)
(4,254)	3,569	25,305	-	28,874
(38,044)	13,784	27	420	14,231
5,354	(881)	-	-	(881)
(329)	-	83	-	83
-	84,347	(82,715)	(1,632)	-
<u>201,731</u>	<u>38,328</u>	<u>27,043</u>	<u>6,391</u>	<u>71,762</u>
18,000	-	-	-	-
(6,867)	(41,534)	(34,634)	-	(76,168)
<u>11,133</u>	<u>(41,534)</u>	<u>(34,634)</u>	<u>-</u>	<u>(76,168)</u>
(4,635)	(5,045)	-	-	(5,045)
<u>(4,635)</u>	<u>(5,045)</u>	<u>-</u>	<u>-</u>	<u>(5,045)</u>
208,229	(8,251)	(7,591)	6,391	(9,451)
<u>607,853</u>	<u>468,732</u>	<u>143,186</u>	<u>5,386</u>	<u>617,304</u>
<u>\$ 816,082</u>	<u>\$ 460,481</u>	<u>\$ 135,595</u>	<u>\$ 11,777</u>	<u>\$ 607,853</u>
\$ 1,303	\$ 2,884	\$ 2,214 *	\$ -	\$ 2,884
-	3,500	-	-	3,500
\$ -	\$ 8,788	\$ -	\$ -	\$ 8,788
-	510	510	-	1,020

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

NOTES TO COMBINED 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 combined 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. Accordingly, net assets of the Bar and Corporations are classified into the following two classes:

- 1) Net assets without donor restrictions represent funds that are available for support of operations of the Bar and Corporations, and that are not subject to donor stipulation.
- 2) Net assets with donor restrictions consist of contributions that have been restricted by the donor for a specific purpose.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Method of accounting and basis of presentation (continued):

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled) are reported as reclassifications between the applicable classes of net assets.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose passed by the Board resolution. Changes to designation require a subsequent Board resolution. The President and other staff of the Bar and Corporations may not change the purpose of any Board-designated funds without the consent of the Board.

As of July 31, 2019 and 2018, and for the years then ended, the Bar and Corporations held no net assets with donor restrictions.

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, 2019 and 2018 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$278,000 and \$173,000, 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, 2019 and 2018. 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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, 2019 and 2018.

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, 2019 and 2018.

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, 2019 and 2018.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Adoption of new accounting pronouncement:

The Bar and Corporations adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities during the year ended July 31, 2019. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); addressing 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. The changes required by the updated have been applied retrospectively to all periods presented. Amounts previously reported as unrestricted net asset are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted are now reported as assets with donor restrictions.

Subsequent events:

The Bar and Corporations have evaluated subsequent events through February 27, 2020, the date on which the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

The composition of cash and cash equivalents is as follows:

	2019			
	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	\$ 92,124	\$ -	\$ -	\$ 92,124
Checking account	23,981	-	-	23,981
	<u>116,105</u>	<u>-</u>	<u>-</u>	<u>116,105</u>
Undesignated:				
Money market and savings accounts	436,444	85,794	-	522,238
Checking account	58,395	105,061	14,283	177,739
	<u>494,839</u>	<u>190,855</u>	<u>14,283</u>	<u>699,977</u>
	<u>\$ 610,944</u>	<u>\$ 190,855</u>	<u>\$ 14,283</u>	<u>\$ 816,082</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents (Continued)

	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>

Note 3. Lease Commitments and Total Rental Expense

The capital lease obligations at July 31, 2019 and 2018 in the amount of \$6,548 and \$11,183, respectively, represents the present value of the lease for office equipment. Interest for the copier machine has been imputed at 5.81% to February 19, 2023. A lease for a postage machine expired during the current fiscal year end. 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 \$8,788 and \$18,783 at July 31, 2019 and 2018, respectively. Lease amortization is included with accumulated depreciation and was \$4,306 and \$10,737 at July 31, 2019 and 2018, respectively.

Maturities of capital lease obligations at July 31, 2019 are as follows:

Year Ending July 31:	Total Lease Payments	Amount Representing Interest	Principal
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>\$ 7,267</u>	<u>\$ 720</u>	<u>\$ 6,547</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3. Lease Commitments and Total Rental Expense (Continued)

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, 2019 under this lease is as follows:

Year ending July 31,	
2020	\$ 27,060
2021	27,060
2022	11,275
	<u>\$ 65,395</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, 2019 and 2018 in the combined statements of activities. The total rent expense of the entities included in the combined statements of activities for each of the years ended July 31, 2019 and 2018 was \$27,060. Subsequent to fiscal year ended July 31, 2019, the State Bar of South Dakota terminated the existing office space and entered into a new operating lease for a different office space effective January 1, 2020 and expiring on December 31, 2029.

Note 4: Employee Benefit Plan

State Bar of South Dakota and Access to Justice, Inc. participate 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 and Access to Justice'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 combined statements of activities for the year ended July 31, 2019 was \$47,063, of which, State Bar of South Dakota has reported \$38,435 in general operations and \$0 in program services, S.D. Continuing Legal Education, Inc. has reported \$2,322 in general operations and \$1,166 in program services and Access to Justice, Inc. has reported \$5,140 in program services and for the year ended July 31, 2018 was \$34,215, of which State Bar of South Dakota has reported \$25,205 in general operations and \$0 in program services, S.D. Continuing Legal Education, Inc. has reported \$2,818 in general operations and \$1,143 in program services and Access to Justice Inc. has reported \$5,049 in program services.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 5. Net Assets

The net assets without donor restrictions in the accompanying combined statements of financial position are either designated or undesignated. The undesignated net assets in the accompanying combined 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 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 designated net assets of \$116,105 and \$115,994 for the years ended July 31, 2019 and 2018, 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, 2019, State Bar of South Dakota does not anticipate any losses due to claims against the Client Assistance Program. During July 31, 2019, the Client Assistance Program received \$18,801 for reimbursement of payments made.

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 \$6,887 and \$1,086 related to this activity have been recognized in the combined financial statements for 2019 and 2018, 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 \$2,098 and \$1,005 for S.D. Continuing Legal Education, Inc. related to this income have been included in the combined financial statements for 2019 and 2018, 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, 2015.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7. Related Party Transactions

For each of the years ended July 31, 2019 and 2018, 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 \$66,904 and \$60,000 to Access to Justice, Inc. for the years ended July 31, 2019 and 2018, respectively.

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 combined 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. In March 2019, the FASB issued ASU 2019-01, Leases (Topic 842) Codification Improvements, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which a company adopts the new leases standard.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 8. Recently Issued Accounting Pronouncements (Continued)

A modified retrospective transition approach is required. 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 Bar and Corporations expect to adopt the guidance retrospectively at the beginning of the period of adoption, August 1, 2021, 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.

We are currently evaluating the impact of our pending adoption of the new standard on our combined 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 combined financial statements. We currently expect the adoption of this standard to result in a material increase to the assets and liabilities on the combined statements of financial position, but we do not expect a material impact on the combined statements of activities or combined statements of cash flows. Management will continue to evaluate the impact of this guidance on our combined 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' fiscal year ending July 31, 2020. 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 combined 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 combined financial statements. The adoption of ASU 2018-08 is not expected to have a material impact on the Bar and Corporations' combined 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, 2019 and 2018, 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 27, 2020

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

**COMBINED SCHEDULE OF REVENUES COLLECTED
YEAR ENDED JULY 31, 2019 WITH COMPARATIVE TOTALS FOR 2018
See Auditor's Report on the Supplementary Information**

	2019					2018
	State Bar of South Dakota			S.D. Continuing Legal Education, Inc.	Access to Justice, Inc.	
	General Operations	Client Security	Total			Combined
Dues:						
Bar dues	\$ 898,814	\$ -	\$ 898,814	\$ -	\$ -	\$ 898,814
CLE dues	-	-	-	263,244	-	263,244
	<u>898,814</u>	<u>-</u>	<u>898,814</u>	<u>263,244</u>	<u>-</u>	<u>1,162,058</u>
Program services:						
Dakota Disc	-	-	-	117,387	-	117,387
Program contributions	-	-	-	-	66,904	66,904
Trial Academy registration fees	-	-	-	26,000	-	26,000
Pattern jury instructions	-	-	-	22,134	-	22,134
Disciplinary board	15,342	-	15,342	-	-	15,342
Newsletter advertising	-	-	-	11,730	-	11,730
Pro hac vice	11,700	-	11,700	-	-	11,700
Supreme court opinions - paper	-	-	-	9,043	-	9,043
Lawyer referral	-	-	-	3,639	-	3,639
VOCA grant	-	-	-	-	2,170	2,170
Supreme court weekly opinions	-	-	-	2,100	-	2,100
Trial Academy scholarship	-	-	-	2,000	-	2,000
CLE registration fees	-	-	-	1,250	-	1,250
Bill Day Pro Bono award donations	-	-	-	-	1,000	1,000
Membership directories	-	-	-	646	-	646
LawPay royalty	443	-	443	-	-	443
Labels	-	-	-	145	-	145
Client Assistance Fund	-	-	-	-	-	-
Young lawyers ABA grant	-	-	-	-	-	-
	<u>27,485</u>	<u>-</u>	<u>27,485</u>	<u>196,074</u>	<u>70,074</u>	<u>293,633</u>
Administration fees:						
SD Bar Foundation	5,000	-	5,000	-	-	5,000
Credit card fees	3,100	-	3,100	-	-	3,100
Hagan benefits	921	-	921	-	-	921
	<u>9,021</u>	<u>-</u>	<u>9,021</u>	<u>-</u>	<u>-</u>	<u>9,021</u>
Gain on disposal of equipment	5,755	-	5,755	5,755	-	11,510
Interest	8,942	111	9,053	683	12	9,115 *
Donations	2,760	-	2,760	-	52,000	4,760 *
Miscellaneous	90	-	90	2,670	-	2,760
	<u>\$ 952,867</u>	<u>\$ 111</u>	<u>\$ 952,978</u>	<u>\$ 468,426</u>	<u>\$ 122,086</u>	<u>\$ 1,492,857</u>
						<u>\$ 1,439,608</u>

* Interorganizational interest of \$633 in 2019 and \$2,240 in 2018 and interorganizational contributions of \$50,000 in 2019 and \$50,000 in 2018 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, 2019**

See Auditor's Report on the Supplementary Information

	2018 - 2019 Budget Allowance	Expenses Paid	Variance Under (Over)
Administration	\$ 520,483	\$ 389,943	\$ 130,540
Disciplinary board	110,000	117,237	(7,237)
Annual meeting	80,000	64,012	15,988
Legal services coordinator	50,000	50,000	-
President's office	45,000	32,741	12,259
Lobbyist	40,000	32,070	7,930
Bar commissioners	30,000	25,666	4,334
Stress/Depression treatment	28,066	1,735	26,331
Socius	23,000	27,538	(4,538)
Young lawyers	23,000	24,681	(1,681)
Publications	20,000	22,842	(2,842)
Strategic planning committee	20,000	20,091	(91)
Public information	15,000	6,298	8,702
ABA and State Bar delegates	14,000	14,962	(962)
Transition committee	10,000	(711)	10,711
Pattern jury instructions-civil	6,000	6,000	-
Pattern jury instructions-criminal	5,000	5,134	(134)
Lawyer referral	5,000	3,504	1,496
Ethics	2,509	2,469	40
Website committee	2,500	2,111	389
Lawyers concerned for lawyers	2,500	988	1,512
Professional liability insurance	2,263	2,263	-
Project rural practice	2,000	2,541	(541)
Veterans committee	2,000	1,054	946
Business Law	2,000	517	1,483
Law school committee	1,767	1,767	-
Law school - moot court	1,500	1,500	-
Lawyer assistance committee	1,500	881	619
Women in law	1,000	1,036	(36)
Diversity and inclusion	1,000	828	172
Family law	1,000	795	205
Real property, probate and trust	1,000	461	539
Sole practitioner and small office	500	483	17
Legal services	500	253	247
Administrative law	200	154	46
Agricultural law	200	123	77
Debtor-Creditor	200	123	77
Judicial - Bar liaison	200	113	87
Labor and employment law	200	55	145
Immigration	200	33	167
Criminal law	200	12	188
Education	200	-	200
Alternative dispute resolution	200	-	200
Indian law	200	-	200
Elder law	200	-	200
Practice rules revision	200	-	200
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
In-House counsel	200	-	200
Law practice management	200	-	200
Consumer protection	100	-	100
Depreciation	-	22,928	(22,928)
Contribution expense	-	4,999	(4,999)
Interest expense	-	1,303	(1,303)
	<u>\$ 1,074,188</u>	<u>\$ 893,533</u>	<u>\$ 180,655</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, 2019

See Auditor's Report on the Supplementary Information

	2018 - 2019 Budget Allowance	Expenses Paid	Variance Under (Over)
Personnel and other expenses	\$ 200,000	\$ 73,458	\$ 126,542
Fastcase - contract	127,000	109,472	17,528
Staff travel	15,000	10,181	4,819
Supreme court opinions	15,000	9,749	5,251
Rent	13,530	13,530	-
Books and printing	12,000	11,914	86
Coffee and pop	10,000	10,369	(369)
Program travel and expenses	10,000	9,911	89
Office supplies	10,000	3,056	6,944
Capital acquisitions fund	10,000	-	10,000
Phone/Internet service	8,000	8,230	(230)
Lease agreements	8,000	646	7,354
Equipment	6,000	2,300	3,700
Rackspace	5,000	3,486	1,514
Federal taxes	4,000	2,098	1,902
CLE Speaker	3,500	8,350	(4,850)
Pattern jury instruction	3,500	3,542	(42)
Postage	3,500	3,269	231
Insurance	3,000	3,963	(963)
CLE speaker program fee	3,000	2,900	100
Audio - CLE program	2,000	1,888	112
Legal and accounting	1,500	1,438	62
Committee travel	1,000	850	150
Copies	750	83	667
Remote deposit/credit card fees	500	498	2
Trial Academy	-	20,878	(20,878)
Depreciation	-	15,727	(15,727)
Interest expense	-	633	(633)
Miscellaneous	8,500	7,401	1,099
	<u>\$ 484,280</u>	<u>\$ 339,820</u>	<u>\$ 144,460</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, 2019

See Auditor's Report on the Supplementary Information

	2018 - 2019 Budget Allowance	Expenses Paid	Variance Under (Over)
Personnel and other expenses	\$ 100,166	\$ 99,361	\$ 805
Program travel and expenses	2,800	2,800	-
Phone/Internet service	2,700	2,714	(14)
Office supplies	2,368	791	1,577
Legal and accounting	750	761	(11)
Equipment and maintenance	500	472	28
Statewide intake	-	6,904	(6,904)
Depreciation	-	2,797	(2,797)
VOCA Grant	-	2,170	(2,170)
Bill Day Pro Bono award expenses	-	1,000	(1,000)
Software	-	612	(612)
Training	-	454	(454)
Miscellaneous	1,300	1,655	(355)
	<u>\$ 110,584</u>	<u>\$ 122,491</u>	<u>\$ (11,907)</u>

ACCESS TO JUSTICE, INC.**Board Roster****(12/01/2020)**

Board Member	Address	Phone Number/Email
Fergel, Andrew L.	111 W. Capitol Avenue #1 Pierre, SD 57501	(605) 224-7554 andrew.fergel@sdbar.net
Westergaard, Terry G.	333 West Blvd., Suite 400 Rapid City, SD 57709	(605) 343-1040 twestergaard@bangsmcculen.com
Garry, William.	200 E. 10 th St. #200 Sioux Falls, SD 57104	(605) 336-0828 bgarry@cadlaw.com
Trefz, Marilyn	23 W. Main St. #102 Vermillion, SD 57069	(605) 789-4960 marilyn@redwoodmediation.com
Christensen, Renee	P.O. Box 2315 Sioux Falls, SD 57101	(605) 335-1778 renee@siouxfallslaw.com
Ginsbach, Dusty	P.O. Box 515 Buffalo, SD 57720	(605) 375-3831 dusty.ginsbach@gmail.com
Hruska III, Edward S.	P.O. Box 821 Pierre, SD 57501	(605) 521-6419 ehruska@pirlaw.com
Roby, Matthew	23 2 nd St. N.E. Watertown, SD 57201	(605) 882-6200 mroby@watertownsd.us
Skjoldal, Drew	311 N. 27 th St. #4 Spearfish, SD 57783	(605) 722-9000 dskjoldal@lynnjackson.com
Pilcher, Aaron P.	P.O. Box 1376 Huron, SD 57350	(605) 554-1661 aaronpilcherlaw@gmail.com
Wurgler, Joshua	P.O. Box 970 Aberdeen, SD 57401	(605) 225-2232 jwurgler@bantzlzaw.com
Johnson, Stacy	P.O. Box 1030 Aberdeen, SD 57402	(605) 225-6310 sjohnson@rwwsh.com
Kempema, Brent	1302 E. Hwy 14 #1 Pierre, SD 57501	(605) 773-3215 brent.kempema@state.sd.us
Aasen, Kirsten	910 5 th St. #101 Rapid City, SD 57701	(605) 390-0999 kirsten@blackhillsdivorce.com
Pickar, Eric	333 West Blvd. #400 Rapid City, SD 57709	(605) 343-1040 epickar@bangsmccullen.com
Dougherty, Tim	P.O. Box 2376 Sioux Falls, SD 57101	(605) 335-8586 tim@ptdlawfirm.com

Access to Justice 2020-21 Approved Budget

2020-21 Budget	
Salaries	\$ 90,696.25
with insurance gross up*	\$ 92,531.53
Payroll Taxes	\$ 7,000.00
Retirement	\$ 5,500.00
Insurance	\$ 2,000.00
Office Supplies	\$ 1,000.00
Training	\$ 1,682.30
Travel	\$ 1,500.00
Audit	\$ 800.00
Software	\$ 3,900.00
Equipment Maint.	\$ 1,000.00
Phone	\$ 1,000.00
Statewide Intake	\$ 7,300.00
Judicare	\$ 46,460.30
Owed to BAR, carryover	\$ 2,877.00
Miscellaneous	\$ 1,200.00
	\$ 175,751.13

Access to Justice 2020-21 Funding

Projected Income 2020-2021	
Bar Foundation	\$ 72,000.00
BAR	\$ 53,500.00
	\$ 125,500.00

CEAC Income to Date	
Carryover	\$ 29,126.98
Operating CEAC 9/2020	\$ 10,000.00
Judicare 9/2020	\$ 17,333.32
	\$ 56,460.30



SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS

Summary Sheet

Legal Name of Organization	Access to Justice, Inc.		
Mailing Address	111 W. Capitol Ave., Suite 1, 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)	Judicare program funding		
Amount of Request	CEAC grant funds in the amount of \$10,000		
For requests other than general operating support, summarize what the grant will be used for	Access to Justice will use grant funds to supplement the A2J Judicare program.		
Applicant's Current Budget for Fiscal Year Ending: 07/31/2021			
Income	\$181,960.30		
Expenses	\$175,751.13		
If other than a general operating request:			
		Dates: From: 01/01/21 – 12/31/21	
Program or Capital Budget:		Income \$N/A	Expenses \$N/A

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

12/03/2020
Date

3:53 PM

12/02/20

Cash Basis

**Access to Justice
Profit & Loss
January 1 through December 2, 2020**

	Jan 1 - Dec 2, 20	Jan 1 - Dec 2, 19
Ordinary Income/Expense		
Income		
49010 · Interest on checking acct	5.51	10.68
49020 · Donations	1,750.00	2,800.00
49030 · Donations - Bill Day Award	1,000.00	1,000.00
49070 · SD Bar Foundation grant	65,000.00	40,000.00
49075 · Grant- Comm on Equal Access to		
49075-1 · CEAC Training Grant	3,500.00	0.00
49075 · Grant- Comm on Equal Access to - Other	47,333.32	20,000.00
Total 49075 · Grant- Comm on Equal Access to	50,833.32	20,000.00
49080 · State Bar payments	55,000.00	50,000.00
49120 · VOCA - Grant	0.00	138.45
Total Income	173,588.83	113,949.13
Expense		
49130 · Judicare	14,112.12	532.50
50010 · Wages	89,187.71	86,124.96
50020 · Payroll Taxes	6,832.48	6,588.56
50030 · Dental/Health Insurance	2,798.40	2,241.60
50035 · Supplemental benefits	0.00	0.00
50040 · Travel		
50040-1 · Travel - Mileage	0.00	340.34
50040-2 · Travel - Air fare	299.00	0.00
50040-3 · Travel - Lodging	164.64	599.84
50040-4 · Travel - Food/meals	0.00	82.72
50040-5 · Travel - Registration fees	0.00	55.00
50040 · Travel - Other	0.00	1,817.70
Total 50040 · Travel	463.64	2,895.60
50050 · Accounting services		
50050.1 · preparation of exempt org. ret	761.48	0.00
50050.2 · Bookkeeping services	0.00	761.48
Total 50050 · Accounting services	761.48	761.48
50060 · Office Supplies	796.81	566.52
50061 · Software	4,636.01	102.00
50070 · Phone/internet	1,488.43	2,561.21
50085 · Equipment maintenance	0.00	472.36
50095 · Training	0.00	453.62
50096 · William F. Day Pro Bono Award	1,000.00	1,000.00
50098 · VOCA - Grant Payment	0.00	138.45
50120 · Retirement	5,351.25	5,167.51
50130 · Miscellaneous Expense	456.40	1,671.28
50135 · Statewide Intake	7,099.79	6,903.60
50140 · Owed to State Bar of South Dako	2,877.00	0.00
Total Expense	137,861.52	118,181.25
Net Ordinary Income	35,727.31	-4,232.12
Net Income	35,727.31	-4,232.12

ERLS

East River Legal Services
FY20 Budget
AFC Approved 12/16/19 / Board Approved 12/19/19

	Equal Access to Courts	LSC	Older Americans	PAI	Property	TIG	TIG State	Unrestricted	VOCA	TOTAL	% of Revenue / Expense
Anticipated Beg Fund Bal FY20	26,000	0	10,000	0	120,000	0	10,000	(38,000)	0	128,000	
Income											
10-4000 - LSC Grant Awards	0	379,203	0	56,673	0	0	0	0	0	435,876	36.62%
10-4000 - LSC TIG	0	0	0	0	0	7,500	0	0	0	7,500	0.63%
10-4200 - Interest Income	0	0	0	0	0	0	0	0	0	0	0.00%
30-4000 - Older Americans Grant	0	0	58,552	0	0	0	0	0	0	58,552	4.92%
40-4000 - Unrestricted Contribut	0	0	0	0	0	0	0	40,000	0	40,000	3.36%
75-4000 - Equal Access to Our C	22,788	0	0	0	0	0	0	27,212	0	50,000	4.20%
75-4000 - VOCA	0	0	0	0	0	0	0	0	569,471	569,471	47.84%
80-4000 - TIG State Funding	0	0	0	0	0	0	28,995	0	0	28,995	2.44%

Total Income	22,788	379,203	58,552	56,673	0	7,500	28,995	67,212	569,471	1,190,394	100.00%
PAI % of LSC Basic Field Grant				13.00%							
PAI % from Salaries, Benefits, Indirect Costs				12.73%							
PAI % from Contract Services				0.27%							

Expense																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													</
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Funding Over/(Under) Expenditures	(25,000)	24,159	10,364	0	(27,600)	(50)	(15,148)	42,986	0	8,711	
Ending Fund Balance	0	24,159	20,364	0	92,400	(50)	(5,148)	4,386	0	136,711	
Assets with Donor Restriction	Unrestricted	Restricted	Restricted	Restricted	Restricted	Restricted	Unrestricted	Restricted			
Assets without Donor Restrictions		5.54%									
Property	39,325										
Total Net Assets	4,986										
	92,400										
	136,711										
	0										

**East River Legal Services
FY20 Budget
AFC Approved 12/16/19 / Board Approved 12/19/19**

	Equal Access to Courts	LSC	Older Americans	PAI	Property	TIG	TIG State	Unrestricted	VOCA	TOTAL	% of Revenue / Expense
Fund Expense											
Salaries	69.45%	65.33%	70.32%	66.54%	0.00%	70.32%	70.32%	60.35%	65.33%	64.35%	
Benefits	19.37%	12.56%	13.54%	12.81%	0.00%	13.54%	13.54%	11.62%	12.59%	12.39%	
OH	17.18%	22.09%	16.15%	20.65%	100.00%	16.15%	16.15%	28.03%	22.09%	23.28%	
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Program Expense as a % of											
Total ERLS Expenses											
Salaries	4.46%	30.50%	4.46%	4.96%	0.00%	0.70%	4.08%	1.92%	48.92%	100.00%	
Benefits	4.46%	30.50%	4.46%	4.96%	0.00%	0.70%	4.08%	1.92%	48.92%	100.00%	
OH	3.05%	28.54%	2.83%	4.28%	10.04%	0.44%	2.59%	2.47%	45.76%	100.00%	
Total	3.99%	29.85%	3.91%	4.73%	3.35%	0.61%	3.59%	2.11%	47.87%	100.00%	
LSC & PAI Total		34.57%									

SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS
Grant Application
Applicant's Current Year Funding - 2020

Funding Source	Amount	Purpose
LSC Grant Award	\$461,304.00	General Field Grant
LSC Telework Capacity Grant	\$16,100.00	Equipment, software, and supplies for remote working
LSC COVID-19 Grant	\$25,000.00	Casework and expenses related to COVID-19 pandemic
2 nd Judicial Bar Foundation	\$25,000.00	Unrestricted funding
Older Americans Grant	\$59,523.00	Older American cases
Unrestricted Contributions	\$71,500.00	Fundraising - utilize as funding match for specific grants
State of South Dakota	\$95,093.00	Veterans and supplement existing unrestricted funds
State of South Dakota	\$500,000.00	VOCA Grant
LSC Technology Grant	\$15,000.00	Investment in case management system and Tech salaries
Small Business Administration	131,600.00	Payroll, rent, utilities (PPP loan)

Total Current Year Revenue: \$1,400,120.00



SOUTH DAKOTA DEPARTMENT OF REVENUE

445 East Capitol Avenue • Pierre, SD 57501
(605) 773-3311 • dor.sd.gov

June 29, 2020

EAST RIVER LEGAL SERVICES CORPORATION

Attn: ^

335 N MAIN AVE STE 300

SIOUX FALLS SD 57104

RE: South Dakota Exempt Sales Tax Status

Dear EAST RIVER LEGAL SERVICES CORPORATION:

Based on the information supplied, and assuming your operation will be as stated in your application for exemption, we have determined your organization is exempt from sales tax under Section 10-45-10 of the South Dakota Codified Laws as a Relief Agency.

You have been assigned exemption number 1011-8303-RA exemption identification, which you may provide to vendors along with an exemption certificate. The enclosed certificates should be duplicated and provided to each vendor.

This exemption is limited to purchases billed to and paid for directly from agency funds. This exemption does not extend to sales or purchases of tangible personal property for the personal use of officials, members or employees of such agency; or sales or purchases used in the operation of a taxable retail business.

Should the nature of your organization change in any manner or if there are changes or alterations in your sources of funding or financing, you must immediately notify the Department of Revenue. Your exempt status may become immediately null and void and re-application for relief agency status will be necessary.

If you have any questions concerning this exempt status, please contact this office.

Sincerely,

Doug Schinkel
Director
Business Tax Division

Enclosure

EAST RIVER LEGAL SERVICES CORPORATION
EAST RIVER LEGAL SERVICES
335 N MAIN AVE STE 300
SIOUX FALLS, SD 57104

June 29, 2020

Below is your current South Dakota tax license.

Please review this card. Please contact our department if there are any changes in ownership, names, or addresses.

If you have a Streamlined sales tax license any changes must be made through the Streamlined Registration System.

Website: <http://dor.sd.gov>
SD EPath: <http://dor.sd.gov/EPath>

Taxpayer Assistance Number: 1.800.829.9188
Email: bustax@state.sd.us

Streamlined Sales Tax Website: www.streamlinedsalestax.org



Having made proper application therefore, and upon compliance with all applicable laws and regulations of the state of South Dakota, this license is hereby issued to the below named. This license remains the property of the state of South Dakota and while in possession of the person to whom issued, entitles the licensee to transact whatever business or activity is specified on this license, until this license expires or is cancelled.

<http://dor.sd.gov>

ISSUE DATE: 12/31/1990
EXPIRATION DATE: 05/26/2025
LICENSE NUMBER: 1011-8303-RA
LICENSE TYPE: Relief Agency

EAST RIVER LEGAL SERVICES
335 N MAIN AVE STE 300
SIOUX FALLS, SD 57104

ISSUED TO:
EAST RIVER LEGAL SERVICES CORPORATION
335 N MAIN AVE STE 300
SIOUX FALLS, SD 57104

NON-TRANSFERABLE

A handwritten signature in cursive script that reads "Jim Terwilliger".

Jim Terwilliger
Secretary of Revenue

East River Legal Services
Statement of Income and Expenses
For Ten Months Ending October 31, 2020
Does not include PPP Forgiveness

Ordinary Income/Expense	
Income	
10-4000 · LSC Grant Awards	425,520.92
10-4001 · TIG Grant Award	15,000.00
10-4200 · Interest Income	2.55
30-4000 · Older Americans Grant Award	22,855.40
40-4050 · Unrestricted Contributions	58,495.00
55-4000 · Equal Access to Courts (CEAC)	95,093.34
75-4000 · State of South Dakota	331,041.53
80-4000 · TIG State Funding	5,916.50
Total Income	953,925.24
Gross Profit	953,925.24
Expense	
10-5020 · Directors Salary	77,176.70
10-5050 · Lawyers Salaries	235,600.69
10-5070 · Paralegal Salaries	64,935.60
10-5080 · Tech Salaries	43,873.27
10-5090 · Clerical Salaries	234,314.18
10-5140 · Employee Benefits	8,779.41
10-5155 · Payroll Expenses	53,850.95
10-5160 · Employee Group Insurance	65,645.58
10-5250 · Audit Contract services	16,900.00
10-5260 · Accounting Contract Services	7,808.60
10-5270 · Program Contract services	39,549.18
10-5275 · Cleaning Contract Services	3,089.21
10-5280 · Consulting Services	2,508.75
10-5290 · Translation Services	770.00
10-5300 · Program Travel	8,945.81
10-5310 · Program Lodging	3,574.42
10-5320 · Training	3,870.00
10-5350 · Rent	62,866.00
10-5360 · Rent / Lease Equipment	3,871.72
10-5380 · Utilities	624.59
10-5540 · Technology	30,992.01
10-5550 · Telephone	3,839.64
10-5560 · Internet	970.00
10-5570 · Postage	2,315.75
10-5600 · Office Expense	6,387.82
10-5620 · Meals	1,758.73
10-5650 · Business Insurance Expense	6,010.15
10-5750 · Library Maintenance	3,746.36
10-5780 · Repairs & Maintenance	25.00
10-5790 · Construction	24,554.73
10-5850 · Dues & Memberships	4,217.40
10-5855 · Fundraising Expenses	527.00
10-5990 · Advertising	2,190.70
10-5991 · Misc - Interest, Fees, Other	4,065.19
60-5700 · Depreciation Expense	32,412.29
Total Expense	1,062,567.43
Net Ordinary Income	(108,642.19)
Other Income/Expense	
Other Expense	
60-5095 · CARES Expense	1,641.47
Total Other Expense	1,641.47
Net Other Income	(1,641.47)
Net Income	(110,283.66)

**SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR
COURTS Summary Sheet - 2021**

Legal Name of Organization	East River Legal Services
Mailing Address	335 N. Main Ave. Suite 200, Sioux Falls, SD 57104
Telephone Number	(605) 336 – 9230
Website	www.erlservices.org
Director	Brent Thompson
Director's Email Address	brent@erlservices.org
Application Contact & Title	Kim Poitra, Director of Finance and Administration
Application Contact's Email Address	brent@erlservices.org / kim@erlservices.org
Mission Statement	Advancing equal justice for our most vulnerable citizens in eastern South Dakota.
Geographic Area Served (Specific to this Proposal)	The 33 eastern South Dakota counties.
Number of Full-Time Employees	18
Number of Part-Time Employees	0
Type of Grant Requested (General Operating Support; Program Support; Capital Request; or Other)	Program support
Amount of Request	\$ 20,000
For requests other than general operating support, summarize what the grant will be used for	Veterans Legal Services
Applicant's Current Budget for Fiscal Year Ending:	
Income	See attached budget
Expenses	See attached budget
If other than a general operating request: Dates: From_____ To_____	
Program or Capital Budget: \$20,000_____	Income \$20,000 _____ Expenses

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

Brad Thompson

12/02/2020

Director

Date



Financial Statements

December 31, 2019 with Comparative Totals for
December 31, 2018

East River Legal Services Corporation

East River Legal Services Corporation

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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, 2019 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 June 24, 2020, 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
June 24, 2020

East River Legal Services Corporation

Statements of Financial Position

December 31, 2019 with Comparative Totals as of December 31, 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 4,667	\$ 1,678
Client escrow funds	1,200	740
Accounts receivable	-	3,364
Grants and contracts receivable	118,473	28,152
Prepaid expenses	20,336	21,251
Total current assets	144,676	55,185
Property and Equipment		
Office and computer equipment	135,676	99,028
Furniture and fixtures	43,358	7,467
Law library	7,361	7,361
	186,395	113,856
Less accumulated depreciation	(81,202)	(60,100)
Total property and equipment	105,193	53,756
Total Assets	\$ 249,869	\$ 108,941
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ 23,500	\$ -
Note payable - current portion	68,314	-
Accounts payable	28,495	17,280
Judicare payable	-	1,575
Client trust deposits	1,200	740
Accrued vacation and payroll taxes	31,636	41,772
Total current liabilities	153,145	61,367
Note Payable Less Current	57,306	-
Total Liabilities	210,451	61,367
Net Assets		
Without donor restrictions		
Undesignated	(87,466)	(44,225)
Invested in property and equipment	66,007	44,720
Total net assets without donor restrictions	(21,459)	495
With donor restrictions		
Legal Services Corporation, property and equipment	39,186	9,036
Funds other than Legal Services Corporation - purpose-restricted	21,691	38,043
Total net assets with donor restrictions	60,877	47,079
Total net assets	39,418	47,574
Total Liabilities and Net Assets	\$ 249,869	\$ 108,941

East River Legal Services Corporation
Statements of Activities
Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	Net Assets with Donor Restrictions					
	Net Assets Without Donor Restrictions	Legal Services Corporation	Funds other than Legal Services Corporation	Total	2019 Total	2018 Total
Revenues, Gains, and Other Support						
Grants and contracts	\$ 144,614	\$ 445,883	\$ 291,873	\$ 737,756	\$ 882,370	\$ 686,942
Interest income	12	-	-	-	12	5
Other income	35,446	-	-	-	35,446	48,571
Net assets released from restrictions - satisfaction of program restrictions	723,958	(415,733)	(308,225)	(723,958)	-	-
Total revenues, gains, and other support	904,030	30,150	(16,352)	13,798	917,828	735,518
Expenses						
Program services	737,038	-	-	-	737,038	650,709
Management and general	175,478	-	-	-	175,478	151,082
Fundraising and development	13,468	-	-	-	13,468	16,029
Total expenses	925,984	-	-	-	925,984	817,820
Changes in Net Assets	(21,954)	30,150	(16,352)	13,798	(8,156)	(82,302)
Net Assets, Beginning	495	9,036	38,043	47,079	47,574	129,876
Net Assets, Ending	\$ (21,459)	\$ 39,186	\$ 21,691	\$ 60,877	\$ 39,418	\$ 47,574

See Notes to Financial Statements

East River Legal Services Corporation
Statements of Functional Expenses
Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising and Development	2019	2018
Personnel Expenses					
Salaries - lawyers	\$ 258,872	\$ 34,871	\$ 8,531	\$ 302,274	\$ 262,123
Salaries - paralegals	45,715	281	224	46,220	48,888
Salaries - other	111,537	62,833	968	175,338	135,651
Employee benefits	81,913	17,135	1,873	100,921	116,042
Total personnel expenses	498,037	115,120	11,596	624,753	562,704
Other Expenses					
Space and occupancy	56,635	14,659	-	71,294	73,880
Office supplies	12,615	2,616	-	15,231	10,878
Travel	35,616	-	-	35,616	13,845
Telephone and internet	5,678	-	-	5,678	1,390
Audit	-	18,745	-	18,745	22,300
Library	4,281	-	-	4,281	508
Training	4,850	-	-	4,850	3,253
Insurance	6,225	-	-	6,225	6,536
Advertising	2,619	-	-	2,619	2,761
Depreciation	22,570	5,842	-	28,412	24,016
Contract services to program	43,337	-	1,556	44,893	44,086
Dues and fees	6,714	-	-	6,714	2,236
Accounting contract services	-	11,599	-	11,599	18,502
Technology	36,704	-	-	36,704	30,925
Consulting	-	3,325	-	3,325	-
Other	1,157	3,572	316	5,045	-
Total other expenses	239,001	60,358	1,872	301,231	255,116
Total expenses	\$ 737,038	\$ 175,478	\$ 13,468	\$ 925,984	\$ 817,820

See Notes to Financial Statements

East River Legal Services Corporation

Statements of Cash Flows

Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ (8,156)	\$ (82,302)
Adjustments to reconcile change in net assets to cash used by operating activities		
Depreciation	28,412	24,016
Change in assets and liabilities		
Client escrow funds	(460)	95
Accounts receivable	3,364	(573)
Grants and contracts receivable	(90,321)	(19,785)
Prepaid expenses	915	(11,812)
Accounts payable	(8,597)	9,580
Judicare payable	(1,575)	(4,695)
Client trust deposits	460	(95)
Accrued vacation and payroll taxes	(10,136)	24,831
Net Cash used by Operating Activities	<u>(86,094)</u>	<u>(60,740)</u>
Investing Activities		
Purchase of property and equipment	<u>(60,037)</u>	<u>(12,597)</u>
Financing Activities		
Net borrowings under line of credit	23,500	-
Proceeds from issuance of note payable	150,000	-
Principal payments on note payable	<u>(24,380)</u>	<u>-</u>
Net Cash from Financing Activities	<u>149,120</u>	<u>-</u>
Net Change in Cash	2,989	(73,337)
Beginning Cash	<u>1,678</u>	<u>75,015</u>
Ending Cash	<u>\$ 4,667</u>	<u>\$ 1,678</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	\$ 2,017	\$ -
Supplemental Disclosure of Non-cash Investing Activity		
Accounts payable for property and equipment	\$ 19,812	\$ -

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. The Organization also receives a substantial amount through grants from the South Dakota State Department of Social Services for victims of crime. A significant reduction in the level 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 nor expenses by function. 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, 2018, from which the summarized information was derived.

Grants and Contracts Receivables

Grants and contracts receivable consists primarily of amounts due from governmental and private entities.

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 net assets without donor restrictions.

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

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 Revenue Recognition

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. There were no contributions received as of December 31, 2019 that have not been recognized in the accompanying statement of activities.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Due to ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. 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. 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). 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. There were no refundable advances or cost-reimbursable grants that have not been recognized as of December 31, 2019.

Estimates

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

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 and contracts 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, 2019.

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.

New Accounting Pronouncements

FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on prior year net assets with the implementation of ASU 2018-08.

As of January 1, 2019, the Organization adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

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	\$ 4,667
Grants receivable	<u>118,473</u>
	<u>\$ 123,140</u>

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.

The Organization maintains a \$80,000 line of credit (Note 8). As of December 31, 2019, \$56,500 remained available.

Note 3 - Summary of Funding

Legal Services Corporation

The Organization has been awarded a basic field grant, number 542026, from LSC of \$435,883 for the year ending December 31, 2019. 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 6).

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. Revenue without donor restrictions of \$64,368 was recognized for the year ended December 31, 2019. The Organization has \$20,121 receivable at December 31, 2019.

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 \$92,000 was recognized for the year ended December 31, 2019.

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 \$230,028 was recognized for the year ended December 31, 2019. The Organization has \$88,352 receivable at December 31, 2019.

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, 2019.

East River Legal Services Corporation

Notes to Financial Statements

December 31, 2019

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 \$10,000 was recognized for the year ended December 31, 2019. The Organization has \$10,000 receivable at December 31, 2019.

Note 4 - Property and Equipment by Programs

Property and equipment are allocated to programs and management and general as follows:

	Cost	Accumulated Depreciation
LSC	\$ 60,600	\$ (21,414)
Other programs	98,555	(41,546)
Management and general	27,240	(18,242)
	<u>\$ 186,395</u>	<u>\$ (81,202)</u>

Depreciation expense is allocated to programs and management and general as follows:

LSC	\$ 4,263
Other programs	18,307
Management and general	5,842
	<u>\$ 28,412</u>

Note 5 - 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 \$375,950. 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, 2019, consist of the following:

LSC basic field grant, less property and equipment of \$39,186 in 2019	\$ -
Net assets not subject to carryover limitations	
Funds other than LSC - purpose restricted	21,691
Undesignated	(87,466)
Invested in property and equipment	105,193
Total net assets not subject to carryover limitations	<u>39,418</u>
Total net assets	<u>\$ 39,418</u>

Note 6 - 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 \$0 at December 31, 2019, as the Organization transitioned from a contract based low bono model to a pro bono model in 2020.

PAI costs and allocated expenses at December 31, 2019 were paid with LSC funds and non-LSC funds as follows:

PAI costs and allocated expenses	
Paid with LSC funds	\$ 59,933
Paid with non-LSC funds	<u>4,474</u>
	<u>\$ 64,407</u>

PAI allocations by line item are as follows:

Personnel Expenses	
Salaries - other	\$ 11,579
Employee benefits	<u>1,979</u>
Total personnel expenses	<u>13,558</u>
Other Expenses	
Space and occupancy	4,505
Audit	1,251
Travel	2,215
Telephone	988
Litigation	-
Office supplies	2,571
Advertising	149
Library	766
Insurance	398
Dues and fees	509
Accounting contract services	762
Technology	1,930
Other	396
Contract services for program	<u>28,606</u>
Total other expenses	<u>45,046</u>
Total PAI expenses	58,604
Purchase of property and equipment	<u>5,803</u>
Total PAI expenses and property and equipment purchases	<u>\$ 64,407</u>

Note 7 - Lease Commitment

The Organization has entered into a lease agreement for the rental of office space in Sioux Falls, South Dakota which expires in 2023. The lease 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, 2019 was \$70,380.

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

<u>Years Ending December 31,</u>	
2020	\$ 71,700
2021	73,020
2022	74,340
2023	<u>75,660</u>
	<u>\$ 294,720</u>

Note 8 - Line of Credit

The Organization has an \$80,000 revolving line of credit with a bank. Borrowings under the line bear interest at the prime rate plus 1.75% (6.50% at December 31, 2019). Interest payments are due monthly with the principal due at the maturity date of May 31, 2021. The collateral on the revolving line of credit includes all assets of the Organization.

Note 9 - Note Payable

Note payable consists of the following at December 31, 2019:

\$150,000 note payable with SD Bar Foundation, due in monthly installments of \$6,447, including interest at 3.00%, due 2021, unsecured	\$ 125,620
Less current portion	<u>(68,314)</u>
	<u>\$ 57,306</u>

Future maturities of the note payable are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 68,314
2021	<u>57,306</u>
	<u>\$ 125,620</u>

Note 10 - 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 \$14,768 for the year ended December 31, 2019.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through June 24, 2020, the date which these financial statements were available to be issued.

Subsequent to year-end, the effect of the world-wide coronavirus has necessitated the closure of the physical offices. Applications are still being taken over the internet and phone, but in-person meetings and all public outreach have stopped. This makes the delivery of services more difficult. The Organization is closely monitoring the situation and is also continuously monitoring its operations, liquidity, and capital resources. As of the date of issuance of these financial statements, the full impact to the Organization's financial positions is not known.

On April 16, 2020, the Organization was granted a \$131,600 loan under the Paycheck Protection Program administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are deferred until the date on which the amount of forgiveness determined under the CARES Act is remitted to the lender. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.

In June 2020, the Organization was awarded \$1,047,552, subject to the grant's terms and conditions, under the Victim of Crime Act (VOCA) grant to be used during the 2021 grant cycle.



Supplementary Information
December 31, 2019 with Comparative Totals for
December 31, 2018

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, 2019 with Comparative Totals for the Year Ended December 31, 2018

	2019					2018
	Basic Field Grant	Private Attorney Involvement	Technology Initiative Grant	Total	Property	Grand Total
Support and Revenue						
Grants and contracts	\$ 375,950	\$ 59,933	\$ 10,000	\$ 445,883	\$ -	\$ 445,883
						\$ 443,321
Personnel Expenses						
Salaries - lawyers	139,061	2,017	-	141,078	-	141,078
Salaries - paralegals	16,898	37	-	16,935	-	16,935
Salaries - other	102,821	9,525	8,300	120,646	-	120,646
Employee benefits	47,001	1,979	1,700	50,680	-	50,680
						160,300
						26,937
						99,806
						70,374
Total personnel expenses	305,781	13,558	10,000	329,339	-	329,339
						357,417

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, 2019 with Comparative Totals for the Year Ended December 31, 2018

	2019				2018	
	Basic Field Grant	Private Attorney Involvement	Technology Initiative Grant	Total	Property	Grand Total
Other Expenses						
Space and occupancy	\$ 34,070	\$ 4,505	\$ -	\$ 38,575	\$ -	\$ 38,575
Audit	11,219	1,251	-	12,470	-	12,470
Travel	13,829	2,215	-	16,044	-	16,044
Insurance	2,968	398	-	3,366	-	3,366
Telephone	2,572	395	-	2,967	-	2,967
Advertising	1,233	149	-	1,382	-	1,382
Office supplies	7,806	797	-	8,603	-	8,603
Depreciation	-	-	-	-	4,263	4,263
Other	4,635	396	-	5,031	-	5,031
Accounting contract services	5,356	762	-	6,118	-	6,118
Technology	15,686	1,930	-	17,616	-	17,616
Library	1,859	289	-	2,148	-	2,148
Dues and fees	2,768	509	-	3,277	-	3,277
Contract services to program	8,698	26,976	-	35,674	-	35,674
Reallocation for excess expenditures to net assets without restrictions	(71,140)	-	-	(71,140)	-	(71,140)
Total other expenses	41,559	40,572	-	82,131	4,263	86,394
Total expenses	347,340	54,130	10,000	411,470	4,263	415,733
Support and Revenue						
Over (Under) Expenses	28,610	5,803	-	34,413	(4,263)	30,150
Transfer for Property	(28,610)	(5,803)	-	(34,413)	34,413	-
Net Assets, Beginning	-	-	-	-	9,036	9,036
Net Assets, Ending	\$ -	\$ -	\$ -	\$ -	\$ 39,186	\$ 39,186
						\$ 9,036

East River Legal Services Corporation
Schedule of Expenditures of Legal Services Corporation Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Expenditures
Legal Services Corporation	09.542026	\$ 401,470
Legal Services Corporation	Technology Initiative Grant	10,000
		<u>\$ 411,470</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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No LSC federal financial assistance has been provided to a subrecipient.



CPAs & BUSINESS ADVISORS

**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, 2019, 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 June 24, 2020.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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, described in the accompanying schedule of findings and questioned costs as finding 2019-001, 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 the response.

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 "Eden Bailey LLP".

Sioux Falls, South Dakota
June 24, 2020



**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, 2019.

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, 2019.

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 considered 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 an 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Sioux Falls, South Dakota
June 24, 2020

East River Legal Services Corporation
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

LEGAL SERVICES CORPORATION PROGRAM

Internal control over Legal Services Corporation Program:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for Legal Services Corporation Program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Compliance Supplement for Audits of LSC Recipients:	No
Auditee qualified as low-risk auditee?	No

Financial Statement Findings

**2019-001 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.

Cause: The Organization did not have the resources necessary for the preparation of full disclosure financial statements during the audit.

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.



Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2019

Prepared by Management of
EAST RIVER LEGAL SERVICES



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2018-001

Initial 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 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 revised the duties of the Director of Finance and Administration position in its Accounting Manual. Moving forward, this position will prepare draft financial statements, the schedule of expenditures of Legal Services Corporation federal awards, and accompanying notes to the financial statements.

Status: Assigning these duties to the Director of Finance and Administration in the accounting manual has been completed. Duties will be completed each year starting with December 31, 2020 audit.

Finding 2018-002

Initial Year Finding Occurred: 2012

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.



ERLS
EAST RIVER LEGAL SERVICES

335 North Main Avenue, Suite 200, Sioux Falls, S.D. 57104 | Tel:
(605) 336 – 9230 | Fax: (605) 336 –6919

Status: Completed

CORRECTIVE ACTION PLAN

Finding 2019-001

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.

Responsible Individuals: Brent Thompson, Executive Director and Kim Poitra, Director of Finance and Administration

Corrective Action Plan: ERLS revised the duties of the Director of Finance and Administration position in its Accounting Manual. Moving forward, this position 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: Assigning these duties to the Director of Finance and Administration in the accounting manual has been completed. Duties will be completed each year starting with December 31, 2020 audit.

ERLS BOARD MEMBER LIST

Rank	Last Name	First Name	Position	Committee	Organization	Address	City	Zip	Phone	Email	Term Expires
1	Kindvall	Sara	Client Board Member			7605 Boulder Creek Place #14	Sioux Falls	57106	(605) 370-2442	skindvall@gmail.com	Mar-23
2	Niedert	Jessica	Client Board Member		Christensen Law Office	613 S Thompson Ave	Sioux Falls	57103	(605) 351-7500	jessley@yahoo.com	Mar-23
3	Grove	Tamera	Client Board Member		Transformation Consulting Agency	PO Box 886	Sioux Falls	57101	(605) 321-3812	doctamara@transformationagency.com	Mar-23
4	Teunissen	Ken	Client Board Member			7908 W Alexandra St.	Sioux Falls	57106	(605) 274-3320	purpleheartone@outlook.com	Mar-22
1	Dorsett	Kimberly	McCollum Attorney		Richardson, Wyly, Wise, Sauck & Hieb	P.O. Box 1030	Aberdeen	57402	(605) 225-6310	kdorsett@rwvsh.com	Mar-21
2	Fiksdal	Melissa	McCollum Attorney/Treasurer		Jeff Larson Law	114 W 4th St.	Crooks	57020	(605) 201-5850	melissa@jefflarsonlaw.net	Mar-20
3	Fritz	Dan	McCollum Attorney		Ballard Spahr LLP	101 S Reed St. #302	Sioux Falls	57103	(605) 978-5205	fritzd@ballardspahr.com	Mar-21
4	Kelli	Collinsworth	McCollum Attorney		University of South Dakota	414 E. Clark St.	Vermillion	57069	(605) 658-3538	Kelli.Collinsworth@usd.edu	Mar-23
5	Shultz	Jeff	McCollum Attorney/President		Woods Fuller Shultz & Smith	300 S Phillips Ave, #300	Sioux Falls	57104	(605) 336-3890	Jeff.Shultz@woodsfuller.com	Mar-23
6	Cummings	Timothy	McCollum Attorney		Green Roby Oviatt LLP	816 S Broadway, P.O. Box 1600	Watertown	57201	(605) 886-3812	tim@rrolawfirm.com	Mar-21
7	Taylor	James	McCollum Attorney		James D. Taylor, P.C.	520 North Lawler, Suite 100 / Post Office Box 6	Mitchell	57301	(605) 996-3882	taylor@jmlawsd.com	Mar-22
8	Teesdale	Anthony	McCollum Attorney		RIBSTEIN & HOGAN Law Firm	621 Sixth Street	Brookings	57006	(605) 692-1818	anthonyteesdale@sdakotalaw.com	Mar-22

DPLS



Financial Statements

December 31, 2019 and 2018

Dakota Plains Legal Services

Dakota Plains Legal Services

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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 the Dakota Plains Legal Services, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 dated April 30, 2020 on our consideration of 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 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 Dakota Plains Legal Services' internal control over financial reporting and compliance.



Sioux Falls, South Dakota
April 30, 2020

Dakota Plains Legal Services
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 400,574	\$ 338,634
Deposit for secured credit card	8,348	8,291
Grants and contracts receivable	52,467	49,127
Prepaid expenses	10,002	33,044
Total current assets	471,391	429,096
Property and Equipment		
Property and equipment	452,848	424,473
Less accumulated depreciation	(378,081)	(366,355)
Total property and equipment	74,767	58,118
Other Assets		
Deposits	240	240
Capital credits receivable	108,098	102,508
Total other assets	108,338	102,748
Total Assets	\$ 654,496	\$ 589,962
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,353	\$ 10,473
Accrued wages and vacation	105,707	106,746
Client trust deposits	47	47
LSC refundable advance	185,094	-
Capital lease obligations - current portion	4,611	-
Total current liabilities	297,812	117,266
Capital Lease Obligations Less Current	21,677	-
Total liabilities	319,489	117,266
Net Assets		
Net assets without donor restrictions	101,359	109,712
Net assets without donor restrictions - property and equipment	74,767	58,118
Total net assets without donor restrictions	176,126	167,830
Net assets with donor restrictions		
Other	7,737	5,126
Legal Services Corporation	151,144	299,740
Total net assets without donor restrictions	158,881	304,866
Total net assets	335,007	472,696
Total Liabilities and Net Assets	\$ 654,496	\$ 589,962

Dakota Plains Legal Services
Statement of Activities
Year Ended December 31, 2019

	Without Restrictions	With Restrictions	Total
Revenues, Gains, and Other Support			
Grants and contracts	\$ 563,790	\$ 1,375,150	\$ 1,938,940
Client service income	66,482	-	66,482
Interest income	188	-	188
Contributions	90	-	90
Miscellaneous income	14,505	-	14,505
Net assets released from restrictions - satisfaction of program restrictions	<u>1,521,135</u>	<u>(1,521,135)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,166,190</u>	<u>(145,985)</u>	<u>2,020,205</u>
Expenses			
Program services	1,823,405	-	1,823,405
Management and general	<u>334,489</u>	<u>-</u>	<u>334,489</u>
Total expenses	<u>2,157,894</u>	<u>-</u>	<u>2,157,894</u>
Changes in Net Assets	8,296	(145,985)	(137,689)
Net Assets, Beginning	<u>167,830</u>	<u>304,866</u>	<u>472,696</u>
Net Assets, Ending	<u><u>\$ 176,126</u></u>	<u><u>\$ 158,881</u></u>	<u><u>\$ 335,007</u></u>

Dakota Plains Legal Services
Statement 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
Miscellaneous income	10,317	-	10,317
Net assets released from restrictions - satisfaction of program restrictions	<u>1,659,341</u>	<u>(1,659,341)</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,028,682</u>	<u>(33,944)</u>	<u>1,994,738</u>
Expenses			
Program services	1,737,258	-	1,737,258
Management and general	<u>404,982</u>	<u>-</u>	<u>404,982</u>
Total expenses	<u>2,142,240</u>	<u>-</u>	<u>2,142,240</u>
Changes in Net Assets	(113,558)	(33,944)	(147,502)
Net Assets, Beginning	<u>281,388</u>	<u>338,810</u>	<u>620,198</u>
Net Assets, Ending	<u><u>\$ 167,830</u></u>	<u><u>\$ 304,866</u></u>	<u><u>\$ 472,696</u></u>

Dakota Plains Legal Services
Statements of Functional Expenses
Year Ended December 31, 2019

	Program Services	Management and General	Total
Expenses			
Salaries and wages	\$ 1,121,211	\$ 229,564	\$ 1,350,775
Employee benefits	318,737	65,260	383,997
Space - rent	50,211	915	51,126
Space - other	32,006	1,374	33,380
Travel - staff	32,412	1,936	34,348
Telephone	35,602	1,160	36,762
Depreciation	11,294	432	11,726
Private bar involvement - contract services to client	38,835	-	38,835
Contract services	39,204	707	39,911
Office supplies	37,578	2,425	40,003
Insurance	36,715	1,326	38,041
Audit	-	26,050	26,050
Library maintenance	8,654	294	8,948
Dues and fees	13,809	352	14,161
Travel and board meetings - board members	17,128	-	17,128
Other expenses	10,201	2,541	12,742
Equipment maintenance	19,236	153	19,389
Litigation costs	572	-	572
Total expenses	<u>\$ 1,823,405</u>	<u>\$ 334,489</u>	<u>\$ 2,157,894</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	28,174	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
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,737,258</u>	<u>\$ 404,982</u>	<u>\$ 2,142,240</u>

Dakota Plains Legal Services
Statements of Cash Flows
Years Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ (137,689)	\$ (147,502)
Adjustments to reconcile change in net assets to cash from (used by) operating activities		
Depreciation	11,726	9,373
Change in assets and liabilities		
Grants and contracts receivable	(3,340)	(1,883)
Prepaid expenses	23,042	(13,803)
Deposit for secured credit card	(57)	(4)
Capital credits receivable	(5,590)	(3,628)
Accounts payable	(8,120)	(2,356)
Accrued wages and vacation	(1,039)	36,236
Client trust deposits	-	(25)
LSC refundable advance	185,094	-
Net Cash from (used by) Operating Activities	<u>64,027</u>	<u>(123,592)</u>
Investing Activities		
Purchase of property and equipment	<u>(1,000)</u>	<u>(6,115)</u>
Financing Activities		
Principal payments on capital lease obligations	<u>(1,087)</u>	<u>-</u>
Net Change in Cash	61,940	(129,707)
Beginning Cash	<u>338,634</u>	<u>468,341</u>
Ending Cash	<u><u>\$ 400,574</u></u>	<u><u>\$ 338,634</u></u>
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Equipment financed through capital lease arrangement	\$ 27,375	\$ -

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

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 since the funds do not belong to DPLS.

Grants and Contracts Receivables

Grants and contracts receivables consist primarily of amounts due from governmental and private entities.

Capital Credits Receivable

Capital credit receivable represent member dividend allocations based on expenditures from utility cooperatives in which DPLS received utility services that have been declared, but not yet distributed.

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. There are currently no fixed assets purchased with LSC funds and therefore depreciation is allocated to the LSC based on a percentage of total revenue. Costs of maintenance and repairs that are not improvements or extend the useful lives of the respective assets are expensed currently.

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	2 - 15 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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

Revenue and Revenue Recognition

A portion of DPLS's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when DPLS has incurred expenditures in compliance with specific contract or grant provisions. Due to ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. DPLS received LSC funding of \$185,094 in excess of 10% of its annualized support that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred and a waiver from LSC has not yet been received. Any allowable excess LSC 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.

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, 2019, 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 68% of its funding from LSC. Therefore, its funding is vulnerable to changes in legislative priorities of the federal and state governments.

New Accounting Pronouncement

FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard assists DPLS in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. DPLS has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on prior year net assets with the implementation of ASU 2018-08.

As of January 1, 2019, DPLS adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The adoption of this standard had no significant effect on the financial statements.

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
Private bar involvement - contact services to client	Direct allocation
Contract services	Direct and % of revenue
Office supplies	Direct and % of revenue
Insurance	Direct and % of revenue
Audit	Direct allocation
Library maintenance	Direct and % of revenue

<u>Expense</u>	<u>Method of Allocation</u>
Dues & fees	Direct and % of revenue
Travel & board meetings – board members	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>2019</u>	<u>2018</u>
Building and mobile homes	\$ 249,252	\$ 249,252
Furniture and equipment	185,555	157,180
Land	16,267	16,267
Law library	1,774	1,774
	<u>452,848</u>	<u>424,473</u>
Less accumulated depreciation	<u>(378,081)</u>	<u>(366,355)</u>
Property and equipment, net	<u>\$ 74,767</u>	<u>\$ 58,118</u>

None of the above fixed assets were purchased using LSC funding. Depreciation expense allocated to LSC for years ended December 31, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Building and mobile homes	\$ 3,950	\$ 2,470
Furniture and equipment	4,087	4,319
	<u>\$ 8,037</u>	<u>\$ 6,789</u>

Note 3 - Leases

DPLS leases office space, land and photocopiers for certain program locations under various operating leases and various capital leases. Most of the office space operating leases are month to month. Lease expense for all operating leases was \$59,368 and \$53,183 for the years ended December 31, 2019 and 2018, respectively. The future minimum lease payments are as follows for each of the years ending December 31:

	Capital Leases	Operating Leases
2020	\$ 6,876	\$ 57,713
2021	6,876	43,758
2022	6,876	28,136
2023	6,876	1,072
2024	5,159	-
	<hr/>	<hr/>
Total minimum lease payments	32,663	<u>\$ 130,679</u>
Less amount representing interest	<u>(6,375)</u>	
Capital lease obligation	<u>\$ 26,288</u>	

Leased property under capital leases at December 31, 2019 includes the following:

Furniture and equipment	\$ 27,375
Less accumulated depreciation	<u>(1,369)</u>
	<u>\$ 26,006</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 \$1,511,428 and \$1,453,502 in funding from LSC for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 as the unexpended portion of \$336,238 and \$299,740, respectively, exceeds 10 percent of LSC support. LSC granted a waiver for 2018 in the amount of \$154,390 and a waiver will be requested for the 2019 for the excess of 10 percent, which was \$185,094 and is recorded as a refundable advance on the statement of financial position.

LSC requires the Organization to spend 12.5% of its Basic Field grant on private attorney involvement (PAI) activities pursuant to 45 CFR 1614.5(c). DPLS' PAI expenditure requirement for the years ended December 31, 2019 and 2018 was \$54,262 and \$53,849, respectively. For the years ended December 31, 2019 and 2018, DPLS had PAI expenditures of \$54,262 and \$53,849, respectively, and met this requirement.

Note 5 - Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended December 31, 2019 consisted of the following:

	Balance 12/31/18	Additions	Releases	Balance 12/31/19
Bureau of Justice Assistance	\$ -	\$ 38,850	\$ (38,850)	\$ -
North Dakota Indigent Civil Legal Services	5,126	5,092	(2,481)	7,737
VOCA	-	4,874	(4,874)	-
Legal Services Corporation	299,740	1,326,334	(1,474,930)	151,144
Total net assets with donor restrictions	<u>\$ 304,866</u>	<u>\$ 1,375,150</u>	<u>\$ (1,521,135)</u>	<u>\$ 158,881</u>

Net assets with donor restrictions for the year ended December 31, 2018 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	1,453,502	(1,491,321)	299,740
Total net assets with donor restrictions	<u>\$ 338,810</u>	<u>\$ 1,625,397</u>	<u>\$ (1,659,341)</u>	<u>\$ 304,866</u>

Dakota Plains Legal Services

Notes to Financial Statements

December 31, 2019 and 2018

Note 6 - Funding Sources

Funding for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Grants and contracts without donor restrictions		
Pennington County Advocacy contract	\$ 345,000	\$ 261,000
Older Americans - State of South Dakota	102,203	-
Tribal civil and criminal legal assistance grants	-	6,142
South Dakota Commission on Equal Access to Our Courts	93,250	49,500
United Way grant	18,837	15,000
Santee Sioux Tribe	4,500	-
	<u>563,790</u>	<u>331,642</u>
Grants and contracts with donor restrictions		
Bureau of Justice Assistance	38,850	61,876
Older Americans - State of South Dakota	-	94,267
North Dakota Indigent Civil Legal Defense Fund	5,092	10,097
VOCA - East River Legal Services	4,874	5,655
Legal Services Corporation	1,326,334	1,453,502
	<u>1,375,150</u>	<u>1,625,397</u>
Total grants and contracts revenue	<u>\$ 1,938,940</u>	<u>\$ 1,957,039</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

DPLS has evaluated subsequent events through April 30, 2020, the date which the financial statements were available to be issued.

Subsequent to year-end, the effect of the world-wide coronavirus pandemic has negatively impacted the public's access to services that DPLS provides. DPLS is closely monitoring the situation and is also continuously monitoring its operations, liquidity, and capital resources. As of the date of issuance of these financial statements, the full impact to DPLS' financial position is not known.

Note 9 - Availability and Liquidity

The following represents Dakota Plains Legal Services, Inc.'s financial assets as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end		
Cash	\$ 400,574	\$ 338,634
Grants and contracts receivables	<u>52,467</u>	<u>49,127</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 453,041</u>	<u>\$ 387,761</u>

DPLS 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.



Supplementary Information
December 31, 2019 with Comparative Totals for December 31,
2018

Dakota Plains Legal Services

Dakota Plains Legal Services

Statements of Support, Revenue and Expenses, and Changes in Net Assets for Legal Services Corporation Funds Year Ended December 31, 2019 with Comparative Totals for the Year Ended December 31, 2018

	2019				2018
	Basic Field Grant	Native American Grant	Private Attorney Involvement	LSC Total	Total
Support and Revenue Grants/contracts	\$ 331,410	\$ 940,662	\$ 54,262	\$ 1,326,334	\$ 1,453,502
Expenses					
Salaries and wages	251,877	620,269	20,442	892,588	902,308
Employee benefits	71,636	176,777	5,911	254,324	276,542
Space - rent	6,846	19,416	697	26,959	24,971
Space - other	5,694	16,149	831	22,674	23,743
Travel - staff	7,082	20,087	143	27,312	31,695
Telephone	6,159	17,467	775	24,401	24,859
Depreciation	2,020	5,762	255	8,037	6,789
Private bar involvement					
contract services to clients	-	-	38,835	38,835	28,035
Contract services	8,706	24,692	473	33,871	-
Office supplies	6,568	18,627	577	25,772	23,759
Insurance	6,734	19,100	885	26,719	25,472
Audit	6,790	19,260	-	26,050	27,155
Library maintenance	1,445	4,099	196	5,740	6,011
Dues and fees	3,234	9,173	67	12,474	11,236
Travel and board meetings -					
board members	4,465	12,663	-	17,128	14,926
Other expenses	2,329	6,605	87	9,021	11,386
Equipment maintenance	3,300	9,334	498	13,132	18,933
Litigation costs	62	177	-	239	(107)
Training - staff	-	-	-	-	825
Reimbursement of expenses	-	26,064	(16,410)	9,654	32,783
Total expenses	394,947	1,025,721	54,262	1,474,930	1,491,321
Change in Net Assets	(63,537)	(85,059)	-	(148,596)	(37,819)
Net Assets - Beginning	149,855	149,885	-	299,740	337,559
Net Assets - Ending	\$ 86,318	\$ 64,826	\$ -	\$ 151,144	\$ 299,740

Dakota Plains Legal Services
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

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		\$ 449,209
Basic Field Grant - Native American	09-742018		<u>1,025,721</u>
Total Legal Service Corporation			<u>1,474,930</u>
U.S. Department of Justice			
Direct			
Tribal Civil and Criminal Legal Assistance Grant	16.815		38,850
Passed through East River Legal Services			
Crime Victim Assistance	16.575		<u>4,874</u>
Total U.S. Department of Justice			<u>43,724</u>
Total Federal Expenditures			<u>\$ 1,518,654</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of DPLS under programs of the federal government for the year ended December 31, 2019. 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, 2019, 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 30, 2020.

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 2019-001 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 2019-002 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

DPLS' 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.

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

Sioux Falls, South Dakota

April 30, 2020



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance Required by the 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, 2019. 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 December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2019-005. Our opinion for the major federal program is not modified with respect to these matters.

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

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 the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 2019-003, 2019-004, and 2019-005 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2019-006 to be a significant deficiency.

DPLS' responses to the internal control over compliance findings identified in our audit are 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.

Eide Bailly LLP

Sioux Falls, South Dakota
April 30, 2020

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Basic Field Grant	09-742018
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2019-001 Preparation of the Financial Statements and Schedule of Expenditures of Federal Awards
Material Weakness and Material Audit Adjustment**

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 3rd party accountant. We revised the statement of activities and functional expenses to change a funding source from revenue with restrictions to revenue without restrictions, which also impacted the schedule of expenditures of federal awards. We also recorded a material audit entry for a refundable advance for LSC funds in excess of 10% of the total support, as well as reclassified expenses to a different expense category.

Cause: The State's contract language and method of reimbursement was changed from a grant to a fee for service contract. Expense items were recorded to a different expense category in the current year and was reclassified to be consistent with the prior year reporting. The material audit adjustment was as a result of clarifying guidance provided by ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

Effect: 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.

**2019-002 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 3rd party accountant and were not reviewed by DPLS' personnel. Grants and contracts receivable and accounts payable did not have a formal reconciliation prepared and accrued wages was not properly computed due to a clerical error.

Cause: DPLS has limited staff at some locations. A regular, timely, and thorough process for reconciling account balances and maintaining supporting documentation is not being regularly followed.

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 implementation of formal reconciliations for significant balance sheet accounts. 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

2019-003

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 (Uniform Guidance) and 45 CFR 1631 requires that a non-Federal entity must use its own documented procurement procedures which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal law and Uniform Guidance. Uniform Guidance also requires contracts contain the applicable provisions described in Appendix II to Part 200 for contracts under federal awards and the entity to have written standards of conduct covering conflicts governing the performance of employees engaged in the selection, award and administration of contracts.

2 CFR 200.213 (Uniform Guidance) requires that a non-Federal entity is subjected to the non-procurement debarment and suspension regulations. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

Condition: We noted DPLS has not updated its procurement policy to conform to certain Uniform Guidance requirements. Our testing detected three instances out of five where quotations from an adequate number of sources were not obtained for small purchases under DPLS policy as required. In addition, suspension and debarment verification procedures were not performed prior to entering into a contract.

Cause: DPLS did not update to its procurement policy to include all written requirements under Uniform Guidance. In addition, DPLS did not ensure contracts under federal awards contained all of the applicable contract provisions and did not ensure suspension and debarment verification procedures were performed prior to entering into all covered transactions.

Effect: DPLS could not demonstrate compliance with the federal requirements covering procurement. In addition, contractors may not be aware of required terms and conditions and payments could be made to contractors who were suspended and debarred.

Questioned Costs: None reported based on assessment of contract pricing.

Context/Sampling: A nonstatistical sample of 60 disbursements. Out of the 60 disbursements, only six items were above the threshold established in the procurement policy and therefore were tested.

Repeat Finding from Prior Year: Yes. 2018-003 reported a similar finding over procurement.

Recommendation: We recommend management review Uniform Guidance to ensure all procurement policies are complete, procedures are documented and retained and ensure contracts include the required contract provisions. We also recommend DPLS review procurement policies and procedures with applicable employees to ensure compliance with documented procedures.

Views of Responsible Officials: Management is in agreement.

2019-004

Legal Services Corporation

CFDA #09-742018 Legal Services Corporation – Basic Field – Native American

CFDA #09-742018 Legal Services Corporation – Basic Field – General

Activities Allowed and 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 9 reportable instances within testing of payroll which included three timesheets reviewed were not approved, five instances of timesheets not approved in a timely manner, and one instance where an employee was paid for 8 hours for administrative leave, in which the employee did not have 8 hours available in the annual leave bank. 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.

Cause: There was a lapse oversight of the internal control process ensuring timely and proper review of timesheets. This lapse in internal control also caused an employee to be overpaid.

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

Questioned Costs: \$88

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

Repeat Finding from Prior Year: Yes. 2018-004 reported a similar finding over payroll.

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.

2019-005

Legal Services Corporation

CFDA #09-742018 Legal Services Corporation – Basic Field – Native American

CFDA #09-742018 Legal Services Corporation – Basic Field – General

Eligibility

Material Weakness in Internal Control over Compliance and Compliance

Criteria: 2 CFR 200.303(a), 45 CFR 1613, 45 CFR 1633, and 45 CFR 1644 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 four reportable instances within case file review of which three instances have characteristics that would suggest potential compliance issues. There was one case file where a grant compliance checklist was not completed as required by DPLS' policy. There was an instance of a criminal case that was court appointed, but the file did not include a copy of the required documents that are provided by a 3rd party. There were two instances where the case file was not included on the semi-annual reporting form and neither case qualified under 45 CFR 1644.4 (a)(II) to be excluded.

Cause: There was a lapse in oversight of the internal control process ensuring case files include the required documentation to ensure cases are in compliance with the applicable federal standards.

Effect: Lack of compliance with designed internal controls over case files could result in DPLS using funds for cases that are not eligible for reimbursement.

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 63 case files.

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.

2019-006

Legal Services Corporation

CFDA #09-742018 Legal Services Corporation – Basic Field – Native American

CFDA #09-742018 Legal Services Corporation – Basic Field - General

Activities Allowed and 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 five instances of expenditures reported in the incorrect grant period.

Cause: There were four instances in which private attorney billings not being received by DPLS on a timely basis. There was one instance of a 2020 expenditure not being reported in the correct time period.

Effect: Expenditures are not being reported in the proper grant year.

Questioned Costs: None reported as DPLS has carryover funds from 2018 and has not fully expended 2019 LSC funds.

Context/Sampling: A nonstatistical sample of 60 disbursements.

Repeat Finding from Prior Year: Yes. 2018-005 reported a similar finding over disbursements.

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.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
12-31-2019

Prepared by Management of
DAKOTA PLAINS LEGAL SERVICES

Summary Schedule of Prior Audit Findings

FINANCIAL STATEMENT FINDINGS

Finding 2018-001

Preparation of the Financial Statements, Schedule of Expenditures of Federal Awards and Restatement

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: That management and those charged with governance need to be more aware of the financial reporting for DPLS as well as any changes in the reporting requirements.

Status: Ongoing. The program in October of 2019 hired a Deputy Director. One of the responsibilities of this position will be to complete a review of all audit findings to look for ways that the program can implement changes to improve our accounting and financial reporting. The program remains in the process of determining if a change in our 3rd party accountant needs to be made. Active efforts have been made to improve our review of our 3rd party accountant financial reporting but this process remains in need of improvement. See Finding 2019-001

Finding 2018-002

Segregation of Duties

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: The organization has a limited number of office personnel, which prevents an ideal segregation of duties and controls over financial reporting. Some 3rd party accountant financial reporting were not reviewed by DPLS' personnel.

Status: A new process relating to controls over cash receipts was implemented by July of 2019, which added a third staff member to the process of the review and supervision of cash receipts. The program has met with our 3rd party accountant in an attempt to have them provide us with financial records in a timely manner. This is an on-going issue that has not been resolved. The program is reviewing the hiring of a new 3rd party accountant if progress in this area is not made in the immediate future. See Finding 2019-002.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-003

Legal Services Corporation

CFDA # 09-742018 Legal Services Corporation – Basic Field- Native American

CFDA# 09-742018 Legal Services Corporation – Basic Field – General

Material Weakness in Internal Control over Compliance

Procurement

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: The program was not following the procedures in their procurement policy in that there were instances where the program failed to obtain multiple bids on purchases in excess of \$1,000.

Status: The program has updated the procurement policy so that only purchases in excess of \$4,000 need to have multiple bids. This will eliminate the need to do a bid or comparative analysis on a majority of the program purchases. See Finding 2019-003

Finding 2018-004

Legal Services Corporation

CFDA # 09-742018 Legal Services Corporation – Basic Field- Native American

CFDA# 09-742018 Legal Services Corporation – Basic Field – General

Material Weakness in Internal Control over Compliance

Activities Allowed and Allowable Costs – Payroll

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: The program was found to have failed to establish effective internal control over the processing of employee timesheets and payroll.

Status: The procedure for the processing of employee timesheets was changed in July of 2019. Instead of one employee processing timesheets and also doing payroll, we now have one employee process the timesheets and a separate employee doing the payroll. The whole process of the submission of timesheets has also been revised. Policy procedures have also been implemented to prevent late submission of timesheets, or the submission of timesheets that have not been reviewed and approved by the supervisor of the employee. See Finding 2019-004

Finding 2018-005

Legal Services Corporation

CFDA # 09-742018 Legal Services Corporation – Basic Field- Native American

CFDA# 09-742018 Legal Services Corporation – Basic Field – General

Significant Deficiency in Internal Control over Compliance

Activities Allowed and Allowable Costs

Initial Fiscal Year Occurred: 2018

Finding Summary: Two instances were found where the program disbursed funds without prior approval, and one instance of an expenditure reported in the wrong grant period.

Status: All purchases and or disbursements of funds must obtain the approval of the program Administrator and Executive Director before being made. This policy is being strictly enforced and has been since this finding was reported. See Finding 2019-006

Finding 2018-006

Legal Services Corporation

CFDA # 09-742018 Legal Services Corporation – Basic Field- Native American

CFDA# 09-742018 Legal Services Corporation – Basic Field – General

Significant Deficiency in Internal Control over Compliance

Reporting

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: There was a lack of review by DPLS management over some reports that were submitted to Legal Services Corporation.

Status: Resolved. Changes to correct this finding have been made. All reports submitted to Legal Services Corporation or any other entity are reviewed by the preparer, by Administration, and by the Executive Director and or Deputy Director prior to submission.

Corrective Action Plan

FINANCIAL STATEMENT FINDINGS

Finding 2019-001

Legal Services Corporation

CFDA # 09-742018 Legal Services Corporation – Basic Field- Native American

CFDA# 09-742018 Legal Services Corporation – Basic Field – General

*Preparation of the Financial Statements and Schedule of Expenditures of Federal Awards
Material Weakness and Material Audit Adjustment*

Initial Fiscal Year Finding Occurred: 2018

Finding Summary: That management and those charged with governance need to be more aware of the financial reporting for DPLS as well as any changes in the reporting requirements.

Responsible Individuals: Tom Mortland, Executive Director

Planned Corrective Action: The program has made efforts to correct this finding but we are still in need of improvement. The hiring of the new Deputy Director should enable us to make improvements in this area, and the program is going to make a determination in the near future if the program needs to make a change in our 3rd party accountant.

Anticipated Completion Date: Ongoing. The program in October of 2019 hired a Deputy Director. One of the responsibilities of this position will be to complete a review of all audit findings to look for ways that the program can implement changes to improve our accounting and financial reporting. The program remains in the process of determining if a change in our 3rd party accountant needs to be made. Active efforts have been made to improve our review of our 3rd party accountant financial reporting but this process remains in need of improvement

Finding 2019-002

Legal Services Corporation

CFDA # 09-742018 Legal Services Corporation – Basic Field- Native American

CFDA# 09-742018 Legal Services Corporation – Basic Field – General

Segregation of Duties

Significant Deficiency

Finding Summary: The organization has a limited number of office personnel, which prevents an ideal segregation of duties and controls over financial reporting. Some 3rd party accountant financial reporting were not reviewed by DPLS' personnel.

Responsible Individuals: Tom Mortland, Executive Director

Planned Corrective Action: Utilize the newly hired Deputy Director in a capacity to assist in the segregation of accounting duties. Correct the problems with our 3rd party accountant especially in the area of the timely submission of financial reports to DPLS for review or find a new 3rd party accountant.

Anticipated Completion Date: Ongoing. Corrective action on the problem of the processing of cash receipts has been completed. The program has met with our 3rd party accountant in an attempt to have them provide us with financial records in a timely manner. This is an on-going issue that has not been resolved. The program is reviewing the hiring of a new 3rd party accountant if progress in this area is not made in the immediate future. The program has also changed the accounting software that was being used. We believe this change implemented at the first of the year will not only simplify our accounting procedures, but also enhance the quality and accuracy of the information reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2019-003

Legal Services Corporation

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

Material Weakness in Internal Control over Compliance

Procurement

Finding Summary: That DPLS has not updated its procurement policy to conform to certain Uniform Guidance requirements. In addition, suspension and debarment verification procedures were not performed prior to entering into a contract.

Responsible Individuals: Tom Mortland, Executive Director

Planned Corrective Action: The program was not aware of the suspension and debarment verification procedures that needed to be performed. The auditor was able to explain the procedure to the program and the suspension and debarment verification is now being completed as needed. The program is also reviewing our policies to verify that the proper procedures are being followed prior to the program entering into a contract.

Anticipated Completion Date: December 31, 2020

Finding 2019-004

Legal Services Corporation

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

Material Weakness in Internal Control over Compliance

Activities Allowed and Allowable Costs – Payroll

Finding Summary: The program was found to have failed to establish effective control over the processing of employee timesheets and payroll.

Responsible Individuals: Tom Mortland, Executive Director

Corrective Action Plan: The procedure for the processing of employee timesheets was changed in early 2020. Instead of one employee processing timesheets and also doing payroll, we now have one employee process the timesheets and a separate employee doing the payroll. The whole process of the submission of timesheets has also been revised. Timesheets are now submitted directly to the program administrator who checks them for accuracy, and a check is done to make sure they have been reviewed by the supervisor of the employee. Finally, the hours recorded on the timesheet are then verified to those recorded in the legal server program. Only after these procedures have been completed do the timesheets then go to the administrative assistant for payroll processing. The program is very confident that this two-prong process of review will result in a further reduction in timesheet errors.

Anticipated Completion Date: April 30, 2020

Finding 2019-005

Legal Services Corporation

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

Material Weakness in Internal Control over Compliance and Compliance

Eligibility

Finding Summary: There were reported instances found where the program had instances with characteristics which would suggest potential compliance issues.

Responsible Individuals: Tom Mortland, Executive Director

Planned Corrective Action: In 2019, the program held a two-day training session for all support staff. This training done by the program compliance officer covered all aspects of the handling of client files from the initial opening of the file, to the closing of the file, to the compliance review of the file. In addition to the training, the compliance officer has been diligent in supplying all staff with ongoing information with regards to compliance policies and procedures. Last updated in 2010, the program's Intake Policy Manual is also being updated and that update should be completed by mid-year of 2020. Additional staff training on all compliance related issues will be scheduled if compliance problem issues continue to surface.

Anticipated Completion Date: December 31, 2020

Finding 2019-006

Legal Services Corporation

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

Activities Allowed and Allowable Costs

Significant Deficiency in Internal Control over Compliance

Finding Summary: A testing of disbursements indicated five instances of expenditures reported in the incorrect grant period.

Responsible Individuals: Tom Mortland, Executive Director

Corrective Action Plan: The program will be making changes to our accounting procedures in an effort to correct this finding. The program has also switched to a new accounting program that we believe will prove beneficial to our overall internal accounting procedures. Our PAI billing policy is also being modified so that PAI attorney payments are made in the correct grant period.

Anticipated Completion Date: December 31, 2020

DAKOTA PLAINS LEGAL SERVICES
P.O. Box 727, Mission, SD 57555
Phone: (605) 856-4444
Fax: (605) 856-2075

BOARD OF DIRECTORS – November 18, 2020

Attorney Members	Address	Phone/Fax	Representing
THOMPSON, Katie Exp. Date: 12-16-23	PO Box 66 Pierre SD 57501-0066 KThompson@Olingerlaw.net	(605) 224-8851 - P (605) 224-8269 - F (605) 347-1759 - C	Sixth Circuit Bar Association
PAHLKE, Alvin R. Exp. Date: 03-03-21	PO Box 432 Winner, SD 57580 apahlke@gwtc.net	(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 tpechota@1868treaty.com	(605) 341-4400 - P (605) 430-7483 - C	S.D. Trial Lawyers Association
GREAVES, Leroy Exp. Date: 08-13-24	PO Box 115 Okreek, SD 57563 leroy.greaves@rstjustice.org	(605) 856-8735 - W	Northern Plains Tribal Judges Association
WENDELL, Rose Ann Exp. Date: 09-06-23	2520 E Franklin Street #1 Pierre, SD 57501 office2wendelllawoffice.com	(605) 224-2500 - W	S.D. Bar Association
POCHOP, Gavin Exp. Date: 04-27-24	Johnson, Pochop, & Bartling Law Office PO Box 149 Gregory, SD 57533 gavin@rosebudlaw.com	(605) 835-8391 - P (605) 835-8742 - F	Rosebud Area Bar Association
PULLMAN, Shane Exp. Date: 10-23-23 Chair--	422 San Marco Blvd Rapid City, SD 57702 shanepullman@gmail.com	(650) 394-2442 - W (605) 670-3060 - C	Sicangu Oyate Bar Association
EASTMAN, Shaun Exp. Date: 07-12-21	44489 BIA HWY 3 Eden, SD 57232 shauneastman@gmail.com	(605) 268-2498 - P	Glacial Lakes Bar Association
VACANT			USD Law School
NEVILLE, Melissa Exp. Date: 09-24-23 Vice-Chair	PO Box 970 Aberdeen, SD 57402 mneville@bantzlzlaw.com	(605) 225-2232 (605) 225-2497	Brown County Bar Association
JONES, B.J. Exp. Date: 08-13-24	3210 37 th Ave. S Fargo ND 58104 bj.jones@law.und.edu	(701) 740-3654 - C	Northern Plains Tribal Judges Association
VACANT			Minnehaha Bar Association
RHEAD, Brandy Exp. Date 12-08-20	4000 Clover Street Rapid City, SD 57702 brandyrhead@gmail.com	(605) 484-0495 - C (605) 348-2471 - W (605) 343-0247 - F	Pennington County Bar Association
PARR, Joseph Ashley Exp. Date: 08-09-24	PO Box 3991 Rapid City, SD 57709-3991 ashley@parrlaw.us	(605) 388-2050 - P (605) 391-6857 - C	Pennington County Bar Association
BEESLEY, Chris Exp. Date: 09-11-21	428 Mt. Rushmore Rd. Custer, SD 57703 bees@gwtc.net	(605) 673-4181 (605) 673-2624	Southern Hills Bar Association
HALE, Rachel Exp. Date: 12-14-20	PO Box 156 Sturgis, SD 57785 rachel@hilperthale.com	(605) 720-4048 - W (605) 720-4049 - F	Fourth Circuit Bar Association
Client Members	Address	Phone/Fax	Representing
IRON EYES, Bernice Exp. Date: 01-28-20	General Delivery Fort Yates, ND 58538	(701) 854-2318 Message #	Standing Rock
Vacant			Cheyenne River
LANGDEAU-MEDICINE BIRD, Marlys Exp. Date: 09-02-24	PO Box 39 Lower Brule, SD 57548-0039 Marlys.Langdeau@lowerbrule.net	(605) 222-7418 - C (605) 473-5528 - 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
ROWLAND, Reginald Exp. Date: 03-31-24	PO Box 1591 Pine Ridge SD 57770 regrow1591@gmail.com	(605) 899-8319- C	Pine Ridge
VACANT			Rosebud
HAND, Bear Sr. Exp. Date: 03-22-20	PO Box 343 Lake Andes, SD 57356 bearhandfischersr1@gmail.com	(605) 481-8395 - C	Yankton
PALMIER, William Exp. Date: 10-24-24	332 18 th Street SW Watertown, SD 57201 palmier.willam85@gmail.com	(605) 237-8798 - C	Sisseton
WHITE BEAR CLAWS, Joseph Exp. 10-14-24	1146 Anamosa St Apt 233 Rapid City SD 57701 whitebearclawsioe@gmail.com	(605) 389-8079 - C	Rapid City

COMMITTEES

EXECUTIVE COMMITTEE	Shane Pullman, Chairman; Marlys Langdeau-Medicine Bird Vice-Chairman, Brandy Rhead, BJ Jones, Vacant, Members
AUDIT/FINANCE COMMITTEE	Joseph Ashley Parr, Chairman; Vacant, Bernice Iron Eyes, Vacant, Members
CLIENT GRIEVANCE COMMITTEE	Joseph White Bear Claws, Chairman; Shaun Eastman, Melissa Neville, Bear Hand Fischer, RoseAnn Wendell, Members
STRATEGIC PLANNING COMMITTEE	Brandy Rhead, Chairman; Joseph White Bear Claws, BJ Jones, Shaun Eastman, RoseAnn Wendell, Members
EXECUTIVE DIRECTOR EVALUATION COMMITTEE	Shane Pullman, Chairman; Marlys Langdeau-Medicine Bird, Bernice Iron Eyes, Joseph Ashley Parr, Rachel Hale, Members

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

Dakota Plains Legal Services

Budget For the Twelve Months Ending December 31, 2020

	Budget
Income	
LSC - Native American	\$ 1,098,419.00
LSC - Basic Field	438,542.00
LSC - Private Bar Involvement	62,649.00
LSC - Carryover	143,000.00
Miscellaneous - DPLS	43,335.00
Older American	91,206.00
Santee Sioux Tribe	30,000.00
Client Services	65,000.00
Pennington Co. Advocacy Proj.	345,000.00
United Way	17,707.00
North Dakota IOLTA	0.00
North Dakota Surcharge	8,000.00
Equal Acces to Our Courts	65,000.00
Department of Justice	<u>29,000.00</u>
Total Income	<u>2,436,858.00</u>
Expenses	
Attorneys	\$ 962,380.00
Paralegals	371,492.00
Others	199,256.00
Fringe Benefits	488,761.00
Space - Rent/Lease	44,000.00
Utilities	36,000.00
Equipment Maintenance	27,000.00
Office Supplies & Exp	28,000.00
Telephone/Internet	34,000.00
Travel - Board Members	14,000.00
Travel - Staff & Others	35,000.00
Training - Board Members	0.00
Training Staff & Others	10,000.00
Library Maintenance	10,000.00
Insurance	35,000.00
Dues & Fees	15,000.00
Audit	26,000.00
Litigation	200.00
Property Acquisition	0.00
Contract Services To Client	60,769.00
Contract Services To DPLS	20,000.00
Donated Services	0.00
Other Expense	10,000.00
Depreciation	<u>10,000.00</u>
Total Expenses	<u>2,436,858.00</u>
Current Balance	<u><u>\$ 0.00</u></u>

For Management Purposes Only

SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS

Grant Application

Applicant's Current Year Funding

Funding Source	Amount	Purpose
Legal Services Corporation	\$1,818,492	To provide general civil legal services to low-income persons.
State of South Dakota Adult Services & Aging	\$51,121	To provide civil legal assistance to elderly residents in the South Dakota service area, except where State of SD is the opposing party.
North Dakota Surcharge	\$1,632	To supplement the attorney position located in the Fort Yates, North Dakota office for legal assistance to eligible North Dakota clients.
Bureau of Justice Assistance	\$5,086	To provide legal representation in Tribal Courts on Rosebud, Pine Ridge, Lower Brule, Sisseton-Wahpeton, Yankton and Cheyenne River Reservations.
Pennington County Advocacy Project	\$316,250	To provide legal representation in criminal, juvenile, and abuse and neglect cases to indigent persons in Pennington County.
United Way	\$14,756	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.
Equal Access to Our Courts	\$95,093	To expand civil legal representation to clients in outlying counties.
State Court Appointments	\$45,783	To provide legal representation in criminal, juvenile, and abuse and neglect cases to indigent persons in State Court.
Tribal Contract	\$17,737	Contract with Tribal Courts for Civil/Criminal Cases

Total Current Year Revenue: \$2,365,950

3:53 PM

12/01/20

Accrual Basis

Dakota Plains Legal Services
Statement of Financial Income and Expense
January through November 2020

	Jan - Nov 20
Income	
31000 · LSC - Legal Services Corp	1,466,312.84
31001 · LSC Carry Over	185,094.00
31002 · LSC COVID-19 Telework Capacity	15,000.00
31003 · LSC COVID-19 Response Grant	152,086.00
32020 · Interest Income	54.14
33018 · Donations-Unrestricted	465.15
33020 · Miscellaneous	516.46
34000 · Older American	51,121.25
34003 · Santee Sioux Tribe	18,000.00
34030 · Court Appointments	45,783.25
34040 · Pennington Co. Advocacy Proj	316,250.00
34050 · United Way	14,755.80
35030 · North Dakota Surcharge	1,632.24
35035 · Equal Access to Our Courts	95,093.34
35060 · Department of Justice	5,086.02
36000 · Disposal of Assets	200.00
Total Income	<u>2,367,450.49</u>
Gross Profit	2,367,450.49
Expense	
40000 · Payroll Expenses/Taxes	
400 · Attorney Wages	762,220.32
401 · Paralegal Wages	262,459.69
402 · Support Staff Wages	219,416.06
410 · Fringe Benefits	351,963.21
40000 · Payroll Expenses/Taxes - Other	179,962.40
Total 40000 · Payroll Expenses/Taxes	<u>1,776,021.68</u>
420 · Rent/Lease	55,150.82
425 · Utilities & Services	30,920.10
430 · Equipment Costs	48,676.44
435 · Vehicle Expenses	3,415.49
440 · Office Supplies & Expenses	19,115.11
450 · Telephone/Internet	37,022.81
460 · Travel/Per Diem - Board & Other	1,765.01
465 · Travel/Per Diem - Staff	10,509.20
475 · Training - Staff	2,355.20
477 · Library Maintenance	7,518.06
480 · Insurance	33,312.54
481 · Dues/Subscriptions	18,002.99
482 · Auditing Fees	28,647.63
483 · Litigation	427.83
485 · Property Acquisition	36,407.85
487 · PAI Payments	34,531.47
489 · IT Contract Payments	10,120.00
499 · Other Expenses	2,875.60
66900 · Reconciliation Discrepancies	0.00
Total Expense	<u>2,156,795.83</u>
Net Income	<u><u>210,654.66</u></u>

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

~~SO/S/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

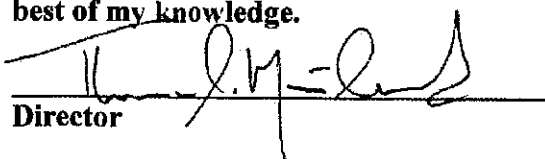
Dakota Plains Legal
Services, Incorporated

SOUTH DAKOTA COMMISSION ON EQUAL ACCESS TO OUR COURTS

Summary Sheet

Legal Name of Organization	Dakota Plains Legal Services
Mailing Address	PO Box 727, Mission, SD 57555
Telephone Number	(605) 856-4444
Website	www.dpls.org
Director	Thomas S. Mortland
Director's Email Address	tmortland@dpls.org
Application Contact & Title	Thomas S. Mortland, Executive Director
Application Contact's Email Address	tmortland@dpls.org
Mission Statement	To promote equal access to justice and improve the lives of our low-income and elderly clients through quality legal assistance.
Geographic Area Served (Specific to this Proposal)	This proposal concerns the entire State of South Dakota.
Number of Full-time Employees	27
Number of Part-time Employees	3
Type of Grant Requested (General Operating Support; Program Support; Capital Request; or Other)	Program support
Amount of Request	\$20,000.00
For requests other than general operating support, summarize what the grant will be used for	Veterans' Legal Services Program
Applicant's Current Budget for Fiscal Year Ending: 2020	
Income	\$2,436,858.00
Expenses	\$2,436,858.00
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.


 Director

11/30/2020
 Date