

**LEGAL SERVICES OF NORTH DAKOTA
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Legal Services of North Dakota
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Legal Services of North Dakota (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Legal Services of North Dakota, as of December 31, 2020, and the respective changes 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, Legal Services of North Dakota restated certain balances to record deferred revenue and to adjust net assets. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021 on our consideration of Legal Services of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Legal Services of North Dakota'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 Legal Services of North Dakota's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Legal Services of North Dakota's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

April 16, 2021

LEGAL SERVICES OF NORTH DAKOTA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	ASSETS	
	2020	(Memorandum Only) 2019 (Restated)
Current assets:		
Cash and cash equivalents	\$ 1,014,436	\$ 569,194
Client escrow funds	627	1,567
Grant receivable:		
AG - Human Trafficking	-	10,460
IRS - VITA	-	380
Bank of America (BOA) Bar Foundation	227,032	454,060
ND Bar Foundation	30,000	30,000
VOCA Formula Grant	6,534	8,789
NDDHS	55,168	27,528
ND Department of Health - S.T.O.P.	3,482	1,918
SCJD	4,500	4,500
United Way	-	2,245
Other	-	2,743
Prepaid expenses	30,638	30,441
Total current assets	<u>1,372,417</u>	<u>1,143,825</u>
Property and equipment:		
Equipment in progress	-	36,285
Furniture and equipment	170,448	148,540
Less accumulated depreciation	<u>(111,787)</u>	<u>(131,368)</u>
Net property and equipment	<u>58,661</u>	<u>53,457</u>
Total assets	<u>\$ 1,431,078</u>	<u>\$ 1,197,282</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,822	\$ 24,796
Accrued expenses	60,955	43,404
Accrued vacation payable	83,293	76,146
Current portion of notes payable	217,961	-
Deferred revenue	210,331	22,041
Client trust deposits	627	1,567
Total current liabilities	<u>575,989</u>	<u>167,954</u>
Long-term liabilities		
Notes payable	<u>73,139</u>	<u>-</u>
Total liabilities	<u>649,128</u>	<u>167,954</u>
Net assets:		
Without donor restrictions	368,565	483,719
With donor restrictions	<u>413,385</u>	<u>545,609</u>
Total net assets	<u>781,950</u>	<u>1,029,328</u>
Total liabilities and net assets	<u>\$ 1,431,078</u>	<u>\$ 1,197,282</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

LEGAL SERVICES OF NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total	(Memorandum Only) 2019 (Restated) Total
Support and revenue:				
Grants	\$ 424,568	\$ 1,335,254	\$ 1,759,822	\$ 1,693,981
Other income	654	4,323	4,977	7,371
Training income	-	3,000	3,000	4,917
Interest income	-	1,709	1,709	1,372
Loss on disposal of equipment	-	-	-	(813)
Donations	12,973	17,147	30,120	15,248
Net assets released from restrictions:				
Satisfaction of grant restrictions	<u>1,493,657</u>	<u>(1,493,657)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,931,852</u>	<u>(132,224)</u>	<u>1,799,628</u>	<u>1,722,076</u>
Expenses:				
Program services:				
Senior citizen	587,571	-	587,571	576,771
Indian law	331,483	-	331,483	340,410
General law	448,548	-	448,548	476,907
Domestic violence	123,664	-	123,664	32,911
Housing program	140,001	-	140,001	175,020
Private attorney involvement	66,029	-	66,029	74,457
Human trafficking	53,040	-	53,040	39,317
Medical legal partnership	134,216	-	134,216	143,042
Community education	-	-	-	1,720
Total program services	<u>1,884,552</u>	<u>-</u>	<u>1,884,552</u>	<u>1,860,555</u>
Supporting services:				
General administration	<u>162,454</u>	<u>-</u>	<u>162,454</u>	<u>167,797</u>
Total expenses	<u>2,047,006</u>	<u>-</u>	<u>2,047,006</u>	<u>2,028,352</u>
Change in net assets	<u>(115,154)</u>	<u>(132,224)</u>	<u>(247,378)</u>	<u>(306,276)</u>
Net assets, beginning of year	<u>483,719</u>	<u>545,609</u>	<u>1,029,328</u>	<u>1,335,604</u>
Net assets - end of year	<u>\$ 368,565</u>	<u>\$ 413,385</u>	<u>\$ 781,950</u>	<u>\$ 1,029,328</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

LEGAL SERVICES OF NORTH DAKOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services									Support Services	Total Expenses	(Memorandum Only) 2019
	Senior Citizens Program	Indian Law Program	General Law Program	Domestic Violence Program	Housing Program	Private Attorney Involvement	Human Trafficking Program	Medical Legal Partnership	Total	General Administration	2020	
Salaries and wages:												
Lawyers	\$ 153,865	\$ 99,071	\$ 174,953	\$ 50,977	\$ 76,541	\$ 19,544	\$ 40,349	\$ 80,509	\$ 695,809	\$ -	\$ 695,809	\$ 667,011
Nonlawyers	229,262	110,827	130,855	24,019	17,785	18,094	807	13,088	544,737	36,420	581,157	607,496
Employee benefits	94,019	54,992	69,334	17,360	12,122	10,048	10,503	23,024	291,402	20,001	311,403	341,386
Program travel	1,952	2,300	2,000	1,185	1,132	-	141	-	8,710	1,115	9,825	36,053
Conference travel	382	184	888	1,452	-	-	-	585	3,491	1,901	5,392	19,508
Space expense	60,885	30,467	10,985	1,953	22,200	-	-	7,404	133,894	19,876	153,770	118,578
Office expenses	18,398	18,064	19,745	3,031	5,485	-	650	3,983	69,356	22,072	91,428	91,421
Equipment rental & maintenance	3,696	2,623	3,026	-	1,611	-	-	260	11,216	3,431	14,647	15,781
Library maintenance	2,999	1,219	1,486	1,638	393	-	-	137	7,872	3,835	11,707	15,232
Litigation costs	228	25	54	-	20	-	-	170	497	-	497	789
Small equipment purchases	-	887	598	5,010	-	-	-	-	6,495	18,221	24,716	8,111
Subcontracted services	15,347	7,135	29,633	15,663	1,154	17,608	-	3,562	90,102	33,774	123,876	86,651
Total expenses before depreciation	581,033	327,794	443,557	122,288	138,443	65,294	52,450	132,722	1,863,581	160,646	2,024,227	2,008,017
Depreciation	6,538	3,689	4,991	1,376	1,558	735	590	1,494	20,971	1,808	22,779	20,335
Total expenses	\$ 587,571	\$ 331,483	\$ 448,548	\$ 123,664	\$ 140,001	\$ 66,029	\$ 53,040	\$ 134,216	\$ 1,884,552	\$ 162,454	\$ 2,047,006	\$ 2,028,352

SEE NOTES TO THE FINANCIAL STATEMENTS

LEGAL SERVICES OF NORTH DAKOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	(Memorandum Only) 2019 (Restated)
Cash flows from operating activities:		
Change in net assets	\$ (247,378)	\$ (306,276)
Adjustments to reconcile change in net assets to cash from operating activities:		
Depreciation	22,779	20,335
Loss on disposal of equipment	-	813
Effects on operating cash flows due to changes in:		
Accounts / pledges receivable	215,907	267,078
Prepaid expenses	(197)	(6,864)
Accounts payable	(21,974)	16,755
Accrued expenses / Accrued vacation payable	23,758	9,333
Deferred revenue	188,290	22,041
Net cash provided (used) by operating activities	181,185	23,215
Cash flows used by investing activities:		
Additions to property and equipment	(27,983)	(36,286)
Net cash provided (used) by investing activities	(27,983)	(36,286)
Cash flows used by financing activities:		
Proceeds from long-term debt	291,100	-
Net cash provided (used) by financing activities	291,100	-
Net change in cash and cash equivalents	444,302	(13,071)
Cash and cash equivalents balances:		
Beginning of year	570,761	583,832
End of year	\$ 1,015,063	\$ 570,761
Cash and cash equivalents consists of:		
Cash and cash equivalents	\$ 1,014,436	\$ 569,194
Client escrow funds	627	1,567
	\$ 1,015,063	\$ 570,761

SEE NOTES TO THE FINANCIAL STATEMENTS

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Legal Services of North Dakota is a nonprofit organization, primarily providing civil legal services to low income and elderly residents of North Dakota. Prior to January 1, 2004, the Organization operated under the name of Legal Assistance of North Dakota, Inc. On January 1, 2004, the Organization merged its services with North Dakota Legal Services, Inc. The Organization operates under the name of Legal Services of North Dakota. The Organization is providing the same services to the entire State of North Dakota and its main funding source is Legal Services Corporation, Inc. Approximately 36% of the support and revenue is received from the Legal Services Corporation (LSC). They have sub-grant agreements with private law firms to assist in the deliveries of these legal services.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board.

Financial statement presentation follows the recommendation of the Accounting Standards Codification Topic 958, Accounting for Not-for-Profit Entities. The codification requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions represent the expendable resources that are available for operations at management's discretion. Net assets with donor restrictions represent resources restricted by donors as to purpose or by the passage of time as well as resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions, depending on the existence and nature of restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without grantor restrictions and reported in the statement of activities as net assets released from restrictions. If the restriction is

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

satisfied in the same period the contribution is received, the contribution is reported as net assets without donor restrictions.

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/ or 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. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Grants Receivable

Grants receivable are carried at original invoice amount less an estimate made for doubtful receivables based on review of all outstanding amounts on a monthly basis. Grants receivable are written off when deemed uncollectible. Recoveries of grants receivables previously written off are recorded when received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Property and Equipment

The Organization capitalizes furniture and equipment with a cost of more than \$5,000 and an estimated useful life longer than two years, at cost and depreciates it primarily on a straight-line basis over five to ten years. Deposits for the purchase of equipment are reported as equipment in progress until the equipment is placed into service at which time it is reclassified as furniture and equipment and the calculation of depreciation is started.

Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Furniture and equipment acquired with grant funds is considered to be owned by the Organization while used in the program or in future authorized programs. However, some of the granting sources have a reversionary interest in the property as well as the right to determine the use of any proceeds from the sale of assets purchased with their respective funds.

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Donated Services

Donated services are legal services and related office expenses rendered at no charge to the Organization. The value of donated services is based upon estimated fees normally charged by the professional rendering the service. Donated services are recognized both as support and expenses and, therefore, do not affect fund balances. There were no donated services provided in the year ended December 31, 2020.

Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one grant. Such expenses are allocated among the grants as agreed by the granting sources, time cards and management's estimate.

Income Taxes

The Organization is a nonprofit organization not subject to income tax under IRS Code Sec. 501(c)(3), and has been determined by the Internal Revenue Service not to be a private foundation.

The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

Accrued Vacation

All full-time employees earn and accrue annual leave from the first day of employment. Accrual occurs at rates based on length of employment. Any accrued vacation up to 240 hours can be carried to the following year.

Deferred Revenue

Deferred revenue primarily consists of grant revenue received in excess of expenditures.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers checking, savings and money market accounts to be cash and cash equivalents.

Use of Estimates

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

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Memorandum Only – Total Columns

The 2019 total columns on the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 PROPERTY AND EQUIPMENT

The following schedule provides detail for property and equipment as of December 31, 2020.

December 31, 2020	<u>Non-LSC</u>	<u>LSC</u>	<u>Total</u>
Furniture and equipment	\$ 134,503	\$ 35,945	\$ 170,448
Accumulated depreciation	<u>(81,119)</u>	<u>(30,668)</u>	<u>(111,787)</u>
Net carrying amount	<u>\$ 53,384</u>	<u>\$ 5,277</u>	<u>\$ 58,661</u>

NOTE 3 LEASE COMMITMENTS

Operating Lease

The Organization has various leases on its office spaces until 2023. The Organization is committed to pay rentals over the next five years. Total rent expense for the year ended December 31, 2020 was \$145,573.

Lease Commitments

The operating lease commitments as of December 31 are as follows:

2021	\$ 89,712
2022	92,269
2023	90,050
2024	24,000
2025	6,000

NOTE 4 PRIVATE ATTORNEY INVOLVEMENT (PAI)

Legal Services Corporation requires attorneys in private practice be involved in the delivery of services by Legal Services of North Dakota. The involvement must equal, at a minimum, 12.5% of the annualized basic field grant. For the year ended December 31, 2020 it amounted to 12.79%. This is based on \$65,294 of total PAI expenditures from the LSC base grant, Native American grant, Title III, and other funding sources. There were errors noted in the allocation of the PAI expenditures resulting in the Organization having only 11.02% of the annualized basic field grant related to private attorney involvement.

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 5 LIMITATION OF FEDERAL CARRYOVER FUNDS

Legal Services Corporation limits the federal LSC fund balance carryover to 10% of the annualized grant award. Any excess carryover must be returned to Legal Services Corporation. This percentage may be increased to 25% if a waiver of the restriction is submitted and approved. Due to the circumstances related to the COVID-19 crisis, the Organization plans on submitting a waiver request for any carryover amount which can be for any excess LSC fund balance for the fiscal year ended December 31, 2020. The Organization has 22.38% carryover for the year ended December 31, 2020.

NOTE 6 RELATED PARTIES

The Organization did not have any material transactions with related parties and as such, no disclosure is deemed necessary.

NOTE 7 PENSION PLAN

The Organization has a pension plan covering substantially all of its employees. The Organization's cost for the year ended December 31, 2020 was \$24,253. The Organization contributes an amount equal to 1% of the qualifying participant's salary and also matches up to 50% of the first 6% of the voluntary salary reduction amount for each qualifying employee. The Organization's policy is to fund all pension costs accrued.

NOTE 8 PAI COMMITMENT

As of December 31, 2020, the Organization had commitments to pay private attorneys up to \$12,953 for subcontracted services. This amount will be paid in the next fiscal year when the services are provided.

NOTE 9 CONCENTRATION OF CREDIT RISK

The Organization maintains cash on deposit accounts which, at times, may exceed federal insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains their cash deposits in large, well-capitalized financial institutions. The Organization has not experienced any losses in such accounts nor does the Organization believe it is exposed to any significant credit risk on cash accounts.

Most of the Organization's operating revenues are derived from grants and reimbursement from third party payers. As a result, the application of reimbursement programs and changes therein could significantly affect the revenues of the Organization.

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 10 SUBCONTRACT PAYMENTS

The Organization had the following subcontract payments for the year ended December 31, 2020:

	LSC Eligible Subcontracts														Total
	Base Grant	Native American	VOCA	Title III	Otto Bremer Foundation	Surcharge	Bush Foundation Prize	Bank of America	SBAND	Bankruptcy Foundation Grant	IOLTA	DONATIONS	LSC TELEWORK COVID-19	LSC COVID-19	
Subgrantees:															
Private Attorney Contracts	\$ 421	\$ 273	\$ 6,638	\$ 998	\$ 2,407	\$ 1,700	\$ -	\$ 829	\$ 6,750	\$ 2,282	\$ 1,243	\$ 19,710	\$ 70	\$ 5,992	\$ 49,313
Miscellaneous Contracts	12,345	7,134	15,250	10,700	-	26,685	1,295	1,154	-	-	-	-	-	-	74,563
Total subcontracted services	\$ 12,766	\$ 7,407	\$ 21,888	\$ 11,698	\$ 2,407	\$ 28,385	\$ 1,295	\$ 1,983	\$ 6,750	\$ 2,282	\$ 1,243	\$ 19,710	\$ 70	\$ 5,992	\$ 123,876

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 11 NOTES PAYABLE

Note payable consisted of the following as of December 31, 2020:

Payeee	Collateral	Rate	Maturity Date	2020
Bremer Bank*	None	1.00%	4/10/2022	\$ 291,100
Total notes payable				291,100
Less: current portion				(217,961)
Long-term notes payable				<u>\$ 73,139</u>

* On March, 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the “Program”). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Organization applied for and received a loan under this Program from Bremer Bank in the amount of \$291,100 on April 10, 2020. The loan is forgivable if the Organization meets criteria as established under the Program. The Organization will seek partial loan forgiveness in fiscal year 2021. Any portion not forgiven will be due April 10, 2022 and will accrue interest at 1%. The loan does not require personal guarantees or any other collateral from the Organization.

Future principal payments due for the above note payable are as follows:

2021	\$ 217,961
2022	<u>73,179</u>
Total	<u>\$ 291,140</u>

NOTE 12 NET ASSETS

With Donor Restrictions

Net assets with donor restrictions as of December 31, 2020, consist of purpose restrictions established by the donor.

The Organization received a grant from the North Dakota Bar Foundation of interest on lawyer's trust accounts (IOLTA) and Bank of America Settlement funds (BOA). IOLTA is to be used for the legal services of individuals in the state of North Dakota. BOA is to be used for foreclosure prevention legal assistance and community redevelopment legal assistance. The Organization also received various other grants for projects and expenses encompassing the providing of legal services to low-income individuals throughout the state of North Dakota.

The net assets with donor restrictions consist of the following as of December 31, 2020:

Bank of America	\$ 361,928
Bankruptcy Foundation	20,565
SBAND	26,681
Other	4,211
Total	<u>\$ 413,385</u>

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

The net assets released from restrictions by expenditures of the funds for the purpose for which they were received based upon restrictions imposed by the donor was \$1,493,657.

NOTE 13 GRANTS

The Organization participates in federal grant programs, which are governed by various rules and regulations of the grantor agency. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2020, may be impaired. In the opinion of the management of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 14 INCOME TAXES

It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Organization are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE 15 LIQUIDITY AND AVAILABILITY

The following reflects Legal Services of North Dakota’s financial assets as of December 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of grantor restrictions. The following table reflects the Organization’s financial assets due within one year of the statement of financial position as of December 31, 2020 for general expenditures:

Client escrow funds	\$ 1,014,436
Client escrow funds	627
Grants receivable	326,716
Total financial assets	<u>1,341,779</u>
Less Grantor-imposed restrictions:	
Funds restricted by grantor for grants and other purposes	(413,385)
Funds restricted for client escrow	<u>(627)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 927,767</u>

The Organization structures its financial assets available as its general expenditures, liabilities and other obligations come due. The statement of cash flows identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations of \$181,185 for the fiscal year ended December 31, 2020.

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 16 RESTATEMENT OF 2019

The Organization recorded an adjustment to record deferred revenue as of December 31, 2019. The effect of this adjustment was to increase deferred revenue by \$22,041 and decrease net assets with donor restrictions by the same amount. The Organization also recorded an adjustment between net asset classifications to increase net assets without donor restriction and decrease net assets with donor restrictions for \$422,939.

NOTE 17 FUTURE PRONOUNCEMENTS

ASU 2016-02, Leases (Topic 842)

During 2016, the FASB issued guidance to change the accounting for leases. The main provision of ASU 2016-02 is that lessees will be required to recognize lease assets and lease liabilities for most long-term leases, including those classified as operating leases under GAAP. The ASU is effective for the Organization for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*

This ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed nonfinancial assets and is effective for annual periods beginning after June 15, 2021, and interim periods within annual period beginning after June 15, 2022.

Management has not yet determined what effect these pronouncements will have on the Organization's financial statements.

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Organization's financial statements.

NOTE 18 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Organization's year end. Subsequent events have been evaluated through April 16, 2021, which is the date these financial statements were available to be issued.

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FUNCTIONAL ACTIVITIES OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	LSC Base Grant			LSC Native American			VOCA			Title III		
	PAI	Non-PAI	Total Base Grant	PAI	Non-PAI	Total Native American	PAI	Non-PAI	Total VOCA Grant	PAI	Non-PAI	Total Title III
Support and revenue:												
Grants and contracts	\$ 40,379	\$ 307,285	\$ 347,664	\$ 3,191	\$ 288,231	\$ 291,422	\$ 7,221	\$ 82,152	\$ 89,373	\$ 2,288	\$ 295,661	\$ 297,949
Other income	-	2,690	2,690	-	951	951	-	-	-	-	300	300
Training revenue	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	1,709	1,709	-	-	-	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-	170	170
Total support and revenue	40,379	311,684	352,063	3,191	289,182	292,373	7,221	82,152	89,373	2,288	296,131	298,419
Expenses:												
Salaries and wages:												
Lawyers	17,594	67,827	85,421	632	98,746	99,378	147	27,629	27,776	288	91,683	91,971
Nonlawyers	13,711	120,852	134,563	1,574	80,607	82,181	334	16,529	16,863	716	100,322	101,038
Employee benefits	8,653	49,397	58,050	712	48,620	49,332	102	10,444	10,546	286	52,784	53,070
Program travel	-	2,356	2,356	-	1,319	1,319	-	640	640	-	858	858
Conference travel	-	1,976	1,976	-	184	184	-	1,383	1,383	-	-	-
Space expense	-	23,654	23,654	-	30,286	30,286	-	1,953	1,953	-	28,703	28,703
Office expenses	-	21,822	21,822	-	17,532	17,532	-	1,850	1,850	-	8,443	8,443
Equipment rental & maintenance	-	4,548	4,548	-	2,623	2,623	-	-	-	-	838	838
Library maintenance	-	3,289	3,289	-	1,219	1,219	-	1,638	1,638	-	1,592	1,592
Litigation costs	-	16	16	-	25	25	-	-	-	-	208	208
Subcontracted services	421	12,345	12,766	273	7,134	7,407	6,638	15,250	21,888	998	10,700	11,698
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	3,602	3,602	-	887	887	-	8,465	8,465	-	-	-
Total expenses	40,379	311,684	352,063	3,191	289,182	292,373	7,221	85,781	93,002	2,288	296,131	298,419
Change in net assets	-	-	-	-	-	-	-	(3,629)	(3,629)	-	-	-
Net assets, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in net assets:												
Acquisitions of Property	-	-	-	-	-	-	-	-	-	-	-	-
Net assets - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,629)	\$ (3,629)	\$ -	\$ -	\$ -

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FUNCTIONAL ACTIVITIES OF NET ASSETS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

	SCJD											
	IRS-VITA	MLSA CIVIL	MLSA CRIMINAL	SBAND-PAI	Bankruptcy Foundation Grant	IOLTA	NDCAWS	PAI	Non-PAI	Total SCJD	LSC TELEWORK - COVID-19	LSC COVID-19
Support and revenue:												
Grants and contracts	\$ 7,710	\$ 560	\$ 4,355	\$ -	\$ 10,000	\$ 30,000	\$ 21,304	\$ -	\$ 54,000	\$ 54,000	\$ 19,652	\$ 92,886
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Training revenue	-	-	-	-	-	-	3,000	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	16,977	-	-	-	-	-	-	-	-
Total support and revenue	7,710	560	4,355	16,977	10,000	30,000	24,304	-	54,000	54,000	19,652	92,886
Expenses:												
Salaries and wages:												
Lawyers	-	164	-	776	-	19,186	15,490	-	45,009	45,009	-	37,369
Nonlawyers	3,082	291	3,561	1,581	-	-	145	-	7,430	7,430	-	28,928
Employee benefits	683	105	794	441	-	5,305	2,776	-	12,843	12,843	-	17,366
Program travel	942	-	-	-	-	-	545	-	329	329	-	118
Conference travel	-	-	-	-	-	-	-	-	-	-	-	324
Space expense	-	-	-	-	-	1,332	-	-	-	-	-	-
Office expenses	479	-	-	-	-	2,934	32	-	390	390	-	1,542
Equipment rental & maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Library maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Litigation costs	-	-	-	-	-	-	-	-	38	38	-	-
Subcontracted services	-	-	-	6,750	2,282	1,243	-	-	-	-	70	5,992
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	13,719	1,247
Total expenses	5,186	560	4,355	9,548	2,282	30,000	18,988	-	66,039	66,039	13,789	92,886
Change in net assets	2,524	-	-	7,429	7,718	-	5,316	-	(12,039)	(12,039)	5,863	-
Net assets, beginning of year	-	-	-	19,252	12,847	-	-	-	12,039	12,039	-	-
Other changes in net assets:												
Acquisitions of property	-	-	-	-	-	-	-	-	-	-	(5,863)	-
Net assets, end of year	\$ 2,524	\$ -	\$ -	\$ 26,681	\$ 20,565	\$ -	\$ 5,316	\$ -	\$ -	\$ -	\$ -	\$ -

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FUNCTIONAL ACTIVITIES OF NET ASSETS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

	NDDOH - S.T.O.P			Teen Drug Court			Bank of America				Total Restricted
	PAI	Non-PAI	Total NDDOH - S.T.O.P	PAI	Non-PAI	Total Teen Drug Court	BCI / JAG	PAI	Non-PAI	Total Bank of America	
Support and revenue:											
Grants and contracts	\$ 231	\$ 9,555	\$ 9,786	\$ 16	\$ 7,784	\$ 7,800	\$ 50,793	\$ -	\$ -	\$ -	\$ 1,335,254
Other income	-	-	-	-	-	-	-	903	(521)	382	4,323
Training revenue	-	-	-	-	-	-	-	-	-	-	3,000
Interest income	-	-	-	-	-	-	-	-	-	-	1,709
Donations	-	-	-	-	-	-	-	-	-	-	17,147
Total support and revenue	231	9,555	9,786	16	7,784	7,800	50,793	903	(521)	382	1,361,433
Expenses:											
Salaries and wages:											
Lawyers	35	6,046	6,081	-	5,563	5,563	40,277	68	76,542	76,610	551,071
Nonlawyers	161	1,578	1,739	13	979	992	169	-	18,101	18,101	400,664
Employee benefits	35	1,931	1,966	3	1,234	1,237	10,347	6	12,122	12,128	236,989
Program travel	-	-	-	-	8	8	-	-	1,132	1,132	8,247
Conference travel	-	-	-	-	-	-	-	-	-	-	3,867
Space expense	-	-	-	-	-	-	-	-	22,200	22,200	108,128
Office expenses	-	-	-	-	-	-	-	-	5,747	5,747	60,771
Equipment rental & maintenance	-	-	-	-	-	-	-	-	1,611	1,611	9,620
Library maintenance	-	-	-	-	-	-	-	-	393	393	8,131
Litigation costs	-	-	-	-	-	-	-	-	20	20	307
Subcontracted services	-	-	-	-	-	-	-	829	1,154	1,983	72,079
Depreciation	-	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-	27,920
Total expenses	231	9,555	9,786	16	7,784	7,800	50,793	903	139,022	139,925	1,487,794
Change in net assets	-	-	-	-	-	-	-	-	(139,543)	(139,543)	(126,361)
Net assets, beginning of year	-	-	-	-	-	-	-	-	501,471	501,471	545,609
Other changes in net assets:											
Acquisitions of property	-	-	-	-	-	-	-	-	-	-	(5,863)
Net assets - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,928	\$ 361,928	\$ 413,385

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FUNCTIONAL ACTIVITIES OF NET ASSETS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

	Bush Foundation - MLP			Surcharge			Bush Foundation - Prize						Total without donor restriction	Totals
	PAI	Non-PAI	Total Bush Foundation - MLP	PAI	Non-PAI	Total Surcharge	General/ Donations	Non-PAI	Total Bush Foundation - Prize	Property	United Way	Otto Bremer Foundation		
Support and revenue:														
Grants and contracts	\$ -	\$ -	\$ -	\$ 1,707	\$ 305,110	\$ 306,817	\$ -	\$ -	\$ -	\$ -	\$ 2,751	\$ 115,000	\$ 424,568	\$ 1,759,822
Other income	-	-	-	-	654	654	-	-	-	-	-	-	654	4,977
Training revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	3,000
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	1,709
Donations	-	-	-	-	-	-	12,973	-	-	-	-	-	12,973	30,120
Total support and revenue	-	-	-	1,707	305,764	307,471	12,973	-	-	-	2,751	115,000	438,195	1,799,628
Expenses:														
Salaries and wages:														
Lawyers	-	3,155	3,155	3	65,245	65,248	-	10,272	10,272	-	-	66,063	144,738	695,809
Nonlawyers	-	875	875	4	167,017	167,021	-	760	760	-	-	11,837	180,493	581,157
Employee benefits	-	1,112	1,112	-	51,660	51,660	-	2,038	2,038	-	-	19,795	74,605	311,594
Program travel	(190)	-	(190)	-	1,257	1,257	-	-	-	-	320	-	1,387	9,634
Conference travel	-	190	190	-	892	892	-	443	443	-	-	-	1,525	5,392
Space expense	-	-	-	-	39,133	39,133	-	-	-	-	-	6,509	45,642	153,770
Office expenses	-	591	591	-	27,305	27,305	208	(159)	(159)	-	-	2,712	30,657	91,428
Equipment rental & maintenance	-	-	-	-	4,767	4,767	-	-	-	-	-	260	5,027	14,647
Library maintenance	-	-	-	-	3,440	3,440	-	-	-	-	-	136	3,576	11,707
Litigation costs	-	170	170	-	20	20	-	-	-	-	-	-	190	497
Subcontracted services	-	-	-	1,700	26,685	28,385	19,710	1,295	1,295	-	-	2,407	51,797	123,876
Depreciation	-	-	-	-	-	-	-	-	-	22,779	-	-	22,779	22,779
Equipment	-	-	-	-	1,774	1,774	(4,978)	-	-	-	-	-	(3,204)	24,716
Total expenses	(190)	6,093	5,903	1,707	389,195	390,902	14,940	14,649	14,649	22,779	320	109,719	559,212	2,047,006
Change in net assets	190	(6,093)	(5,903)	-	(83,431)	(83,431)	(1,967)	(14,649)	(14,649)	(22,779)	2,431	5,281	(121,017)	(247,378)
Net assets, beginning of year	-	6,093	6,093	-	130,387	130,387	99,136	106,813	106,813	53,457	264	87,569	483,719	1,029,328
Other changes in net assets:														
Acquisitions of property	-	-	-	-	-	-	(16,200)	(5,920)	(5,920)	27,983	-	-	5,863	-
Net assets, end of year	\$ 190	\$ -	\$ 190	\$ -	\$ 46,956	\$ 46,956	\$ 80,969	\$ 86,244	\$ 86,244	\$ 58,661	\$ 2,695	\$ 92,850	\$ 368,565	\$ 781,950

LEGAL SERVICES OF NORTH DAKOTA
SUMMARY OF FUNDING SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Grant Number</u>	<u>Period</u>	<u>Total Grant Amount</u>	<u>2020 Revenue Recognized Year Ended December 31, 2020</u>
Legal Services Corporation			
2015001	01-01-20 to 12-31-20	\$ 510,481	\$ 347,664
2015001	01-01-20 to 12-31-20	316,895	291,422
CV20068 - COVID-19 Response Grant	01-01-20 to 09-30-21	92,886	92,886
CVT20064 - 2020 Telework Capacity Building Grant	03-01-20 to 08-31-20	19,652	19,652
Subtotal-Legal Services Corporation		939,914	751,624
North Dakota Department of Human Services			
Title III - 190-11248	07-01-19 to 06-30-20	300,000	117,095
Title III - 190-11248 (Amendment)	07-01-19 to 06-30-20	22,568	22,568
Title III - 190-11689	07-01-20 to 06-30-21	250,000	158,286
Title III - 190-11689 (Amendment)	07-01-20 to 06-30-21	100,000	-
Subtotal - ND DHS		672,568	297,949
State of North Dakota:			
State Judiciary Juvenile Drug Court	07-01-19 to 06-30-21	7,800	7,800
Comm. On Legal Counsel for Indigents	07-01-19 to 06-30-21	54,000	54,000
Subtotal - ND Juvenile Grants		61,800	61,800
ND Attorney General's Office -Human Trafficking			
ND Attorney General/Mountrail - HT Grant - HT21007	07-01-19 to 06-30-21	166,034	50,793
ND AG/Mountrail - HT Grant - HT21007(Reduction)	07-01-19 to 06-30-21	(61,200)	-
Subtotal - ND Attorney General		104,834	50,793
Department of Justice Grants			
<u>Montana Legal Services Association (MLSA)</u>			
2018-AL-BK-0001 Criminal (Supplement 01)	10-01-18 to 9-30-21	16,112	4,355
2018-AL-BX-0002 Civil (Supplement 01)	10-01-18 to 9-30-21	13,568	560
Subtotal - DOJ-MLSA		29,680	4,915
<u>Office of Violence Against Women(OVW)</u>			
OVW-STOP Grant (G19.403)	10-01-19 to 09-30-20	16,000	6,304
OVW-STOP Grant (G19.403) (Reduction)	10-01-19 to 09-30-20	(7,778)	-
OVW-STOP Grant (G19.403)	10-01-20 to 09-30-21	11,072	3,482
Subtotal - DOJ-OVW		19,294	9,786
<u>Office of Victims of Crime(OVC)</u>			
2017-BA-GX-0039 - FY 2020 VOCA Grant	10-01-19 to 09-30-20	82,500	69,880
2017-BA-GX-0039 - FY 2020 VOCA Grant (Reduction)	10-01-19 to 09-30-20	(3,832)	-
2018-V2-GX-0008- (FY 2021 VOCA Grant)	10-01-20 to 09-30-21	150,000	19,494
Subtotal - DOJ-OVC		228,668	89,374
IRS-Volunteer Income Tax Assistance Grants (VITA)			
19VITA0140 (2nd year of award)	08-01-19 to 07-31-20	12,000	7,710
19VITA0140 (2nd year of award) (Reduction)	08-01-19 to 07-31-20	(2,524)	-
Subtotal - IRS		9,476	7,710
Other Grants and Contracts:			
Surcharge-New Contract	07-01-19 to 06-30-21	306,817	306,817
United Ways	01-01-20 to 12-31-20	2,751	2,751
Interest on Lawyers Trust Accounts(IOLTA)	01-01-20 to 12-31-20	30,000	30,000
Bush Prize Grant	12-05-14 to 12-31-19	397,383	-
Bank of America (BOA) Bar Foundation	04-20-17 to 04-20-21	908,131	-
Bush-Medical Legal Partnership (MLP)	08-01-17 to 08-31-20	208,000	-
Otto Bremer Foundation - MLP - Grant #19-51518	08-15-19 to 08-15-20	95,250	-
Otto Bremer Foundation - MLP - Grant #19-51518	11-01-20 to 10-31-21	115,000	115,000
American College of Bankruptcy Foundation	11-09-18 to 12-31-19	8,000	-
American College of Bankruptcy Foundation	11-12-19 to 12-31-20	10,000	-
American College of Bankruptcy Foundation	11-12-20 to 12-31-21	10,000	10,000
NDCAWS Contract CLR-0001	10-01-19 to 09-30-20	65,000	20,319
NDCAWS Contract CLR21-0001	10-01-20 to 09-30-21	15,000	984
Subtotal - other grants		2,171,332	485,871
		\$ 4,237,566	\$ 1,759,822

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor	CFDA Number	Pass-through Grantor's Number	Federal Expenditures Recognized
Legal Services Corporation, Inc:			
Base Grant	9.535007		\$ 352,063
Native American	9.535007		292,373
COVID-19 Response Grant	9.535007		92,886
COVID-19 Telework Capacity Building Grant	9.535007		19,652
Total Legal Services Corporation			<u>756,974</u>
U.S. Department of Justice:			
Passed through Montana Legal Services Association			
Tribal Criminal Legal Assistance	16.815	2018-AL-BX-0001	4,355
Tribal Civil Legal Assistance	16.815	2018-AL-BX-0002	560
			<u>4,915</u>
Passed through N.D. Department of Health			
STOP Violence Against Women Grant	16.588	G19.403	6,304
STOP Violence Against Women Grant	16.588	G19.990	3,482
			<u>9,786</u>
Passed through ND Department of Corrections & Rehab			
VOCA Formula Grant- Victims of Crime Act	16.575	2017-BA-GX-0039	73,508
VOCA Formula Grant- Victims of Crime Act	16.675	2018-V2-GX-0009	19,494
			<u>93,002</u>
Total U.S. Department of Justice			<u>107,703</u>
U.S. Department of Treasury:			
Volunteer Income Tax Assistance Program(VITA)	21.009		5,186
Total U.S. Department of Treasury			<u>5,186</u>
Total Expenditures of Federal Awards			<u>\$ 869,863</u>

See Notes to the Schedule of Expenditures of Federal Awards

LEGAL SERVICES OF NORTH DAKOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are now allowable or limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Legal Services of North Dakota has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of Legal Services of North Dakota under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Legal Services of North Dakota, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

INDEPENDENT AUDITORS 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
Legal Services of North Dakota
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Legal Services of North Dakota (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, 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 16, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Legal Services of North Dakota's Response to Findings

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

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

April 16, 2021

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

To the Board of Directors
Legal Services of North Dakota
Bismarck, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Legal Services of North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *LSC Audit Guide and Compliance Supplement* that could have a direct and material effect on each of Legal Services of North Dakota's major federal programs for the year ended December 31, 2020. Legal Services of North Dakota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Legal Services of North Dakota's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *LSC Audit Guide and Compliance Supplement*. Those standards, the Uniform Guidance and *LSC Audit Guide and Compliance Supplement* 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 Legal Services of North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Legal Services of North Dakota's compliance.

Opinion on Each Major Federal Program

In our opinion, Legal Services of North Dakota 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, 2020.

Other Matters

The results our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2020-002, 2020-003, and 2020-004. Our opinion on the major federal program is not modified with respect to these matters.

Legal Services of North Dakota's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Legal Services of North Dakota's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Legal Services of North Dakota 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 Legal Services of North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *LSC Audit Guide and Compliance Supplement*, 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 Legal Services of North Dakota's internal control over compliance.

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

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 items 2020-002 and 2020-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-004 to be a significant deficiency.

Legal Services of North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Legal Services of North Dakota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 and *LSC Audit Guide and Compliance Supplement*. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

April 16, 2021

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> no
 Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> no

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> x </u> yes	<u> </u> no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
9.535007	Legal Services Corporation, Inc. Base and Native American Grant, COVID-19 Response Grant and COVID-19 Telework Capacity Building Grant

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> x </u> no

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Section II-Financial Statement Findings

2020-001 Material Adjustments – Material Weakness

Criteria

The Organization is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP), and to determine that financial statements are properly stated in compliance with GAAP.

Conditions

During our audit, material journal entries were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The Organization's internal controls have not been designed to record all necessary adjustments to financial information on a GAAP basis prior to the audit.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in accordance with GAAP.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit. We recommend that the Organization record all necessary journal entries to correctly state financial information on a GAAP basis prior to the audit.

Views of Responsible Officials

Legal Services of North Dakota accounting personnel will evaluate its internal controls to record all necessary adjustments to state financial information on a GAAP basis prior to the annual audit. On a monthly basis, the financial statements will be balanced and all correcting journal entries will be made in a timely manner.

Indication of Repeat Finding

This finding is new for fiscal year 2020.

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Section III-Federal Award Findings and Questioned Costs

2020-002 Monitoring 125% Guidelines for LSC – CFDA #9.535007 Legal Services Corp

Criteria

The Organization is required to monitor and ensure that LSC cases assisted that are over the 125% of Poverty Income Guidelines meet the requirements of an allowable service in accordance with 45 CFR 1611.3.

Condition

In our testing of 25 of the total 40 cases that exceeded 125% of the Poverty Income Guidelines, there were 7 cases where the documentation maintained by the Organization didn't support the over-income documented for the case. These cases were eligible under LSC guidelines, but included in the system as over-income cases.

Cause

The case documentation was not being properly recomputed and updated after receiving more information.

Questioned Cost

None

Effect

The Organization was not properly monitoring and documenting cases in excess of the 125% Poverty Income Guidelines.

Recommendation

We recommend that the Organization properly monitor and document to ensure cases in excess of the 125% of Poverty Income Guidelines meet the requirements.

Views of Responsible Officials

Legal Services of North Dakota IT/Compliance personnel has built a new reporting mechanism in their case management system to record income and asset information from the latest information input into the application for any given application or client file. This new mechanism differs from prior years as it no longer requires the case worker to push a button to recompute the new poverty percentage after changing income or asset eligibility due to new information obtained at any time. The old report relied on a stock report built into the case management system upon purchase.

Indication of Repeat Finding

This finding is new for fiscal year 2020.

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-003 Monitoring 125% Guidelines for LSC – CFDA #9.535007 Legal Services Corp

Criteria

The Organization is required to monitor and ensure that LSC cases assisted that are over the 125% of Poverty Income Guidelines meet the requirements of an allowable service in accordance with 45 CFR 1611.3.

Condition

In our testing of 25 of the total 40 cases that exceeded 125% of the Poverty Income Guidelines, 3 cases were not eligible under LSC guidelines. These case errors resulted because the case worker inadvertently used the LSC code in the software.

Cause

Selection of the incorrect grant code.

Questioned Cost

None

Effect

The Organization was not properly monitoring and documenting cases in excess of the 125% Poverty Income Guidelines.

Recommendation

We recommend that the Organization properly monitor to ensure that the correct grant is selected so the expenses get coded to properly meet the specific grant requirements.

Views of Responsible Officials

Legal Services of North Dakota IT/Compliance personnel has added to their error checking mechanisms, automatic error checking for those types of cases found non-compliant in this year's audit. In the past these were looked at by staff on a case by case basis. Human error contributed to the errors in this type of case. To eliminate change of human error, automatic checks by programming to the case management system was done and will check for these types of error each time a person logs into the system. It will then alert the user to their error and instruct them to review and fix the error if need be.

Indication of Repeat Finding

This finding is new for fiscal year 2020.

2020-004 Failure to devote 12.5% of LSC Base Field Award on Private Attorney Involvement and maintain applicable recordkeeping documentation – CFDA #9.535007 Legal Services Corp

Criteria

The Organization is required to devote 12.5% of their LSC base field award to private attorney involvement (PAI) in accordance with 45 CFR 1614.

Condition

The Organization failed to devote 12.5% of their LSC basic field award to private attorney involvement for the year ended December 31, 2020.

LEGAL SERVICES OF NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Cause

In reviewing the calculation for PAI involvement, it was noted that there were errors when charging PAI hours which resulted in an unsupported amount reported for PAI related expenses. Organization appears to have failed to properly devote 12.5% of their LSC base field award to private attorney involvement for the year ended December 31, 2020 as well as maintaining the required records to support the allocation.

Questioned Cost

None

Effect

The Organization violated 45 CFR 1614.

Recommendation

We recommend that the Organization implements procedures to ensure at least 12.5% of the LSC base field funding is devoted to private attorney involvement each year in accordance with 45 CFR 1614.

Views of Responsible Officials

Legal Services of North Dakota Human Resource personnel will be error checking the bi-weekly case management payroll reports and the accounting system distribution reports to avoid errors before posting payroll. We will also be running payroll reports from the case management system on a quarterly basis to compare with the bi-weekly reports to monitor any possible changes to case management system. By implementing these steps quarterly, we will be able to closer monitor any changes in data to avoid any errors of time being recorded to PAI that is unsupported by the case management system data.

Indication of Repeat Finding

This finding is new for fiscal year 2020.

LEGAL SERVICES OF NORTH DAKOTA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2020

There are no findings which are required to be reported under this section.



LEGAL SERVICES
of North Dakota

LEGAL SERVICES OF NORTH DAKOTA

Administrative Office
418 E Broadway #25
Bismarck, North Dakota 58501-4086
Telephone: 701-222-2110
Fax: 701-258-0043

CORRECTIVE ACTION PLAN

2020-001

Contact Person

Kim Kramer, Chief Financial Officer

Corrective Action Plan

Legal Services of North Dakota accounting personnel will evaluate its internal controls to record all necessary adjustments to state financial information on a GAAP basis prior to the annual audit. On a monthly basis, the financial statements will be balances and all correcting journal entries will be made in a timely manner.

Completion Date

Fiscal year end 2021

2020-002

Contact Person

Gale Coleman, Director of IT/Compliance

Corrective Action Plan

Legal Services of North Dakota IT/Compliance personnel has built a new reporting mechanism in their case management system to record income and asset information from the latest information input into application for any given application or client file. The new mechanism differs from prior years as it no longer requires the case worker to push a button to recompute the new poverty percentage after changing income or asset eligibility due to new information obtained at any time. The old report relied on a stock report built into the case management system upon purchase.

Completion Date

Finish prior to this plan

2020-003

Contact Person

Gale Coleman, Director of IT/Compliance

Corrective Action Plan

Legal Services of North Dakota IT/Compliance personnel has added to their error checking mechanisms, automatic error checking for those types of cases found non-compliant in this year's audit. In the past these were looked at by staff on a case by case basis. Human error contributed to the errors in this type of case. To eliminate change of human error, automatic checks by programming to the case management system was done and will check for these types of errors each time a person logs into the system. It will then alert the user to their error and instruct them to review and fix the error if need be.

Completion Date

Finish prior to this plan

2020-004

Contact Person

Kim Kramer, Chief Fiscal Officer

Corrective Action Plan

Legal Services of North Dakota Human Resources personnel will be error checking the bi-weekly case management payroll reports and the accounting system distribution reports to avoid errors before posting payroll. We will also be running payroll reports from the case management system on a quarterly basis to compare with the bi-weekly reports to monitor any possible changes to case management system. By implementing these steps quarterly, we will be able to closer monitor any changes in data to avoid any errors of time being recorded to PAI that is unsupported by the case management system data.

Completion Date

Fiscal year end 2021