

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

Audited Financial Statements

For the Year Ended December 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

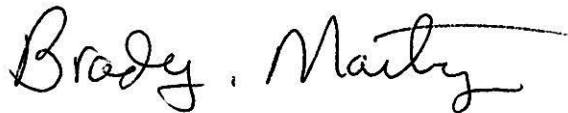
We have audited the accompanying statement of financial position of Legal Services of North Dakota as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Legal Services of North Dakota 2009 financial statements and, in our report dated April 7, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "*Government Auditing Standards*," we have also issued a report dated April 14, 2011 on our consideration of Legal Services of North Dakota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "*Government Auditing Standards*" and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional activities of temporarily restricted net assets and the summary of funding schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Brady, Martz". The signature is written in black ink and is positioned above the printed name of the firm.

BRADY, MARTZ & ASSOCIATES, P.C.

April 14, 2011

LEGAL SERVICES OF NORTH DAKOTA

Statement of Financial Position

December 31, 2010

	ASSETS	
	2010	(Memorandum Only) 2009
Current assets:		
Cash and cash equivalents	\$ 440,776	\$ 341,720
Client escrow funds	499	389
Receivables:		
LSC Base	647,904	601,856
LSC NA	310,361	287,855
IRS - LITC	9,824	8,250
IRS - VITA	15,000	15,000
NDDHS	240,000	-
NARF	83,943	-
Bremer Foundation	-	50,000
Other	-	1,052
Aging Services:		
Title III B	-	36,669
AOA - Senior Hotline	-	12,551
Prepaid expenses	23,092	23,769
Total current assets	<u>1,771,399</u>	<u>1,379,111</u>
Property and equipment:		
Furniture and equipment	237,777	229,466
Less accumulated depreciation	<u>189,069</u>	<u>176,726</u>
Net property and equipment	<u>48,708</u>	<u>52,740</u>
Total assets	<u>\$ 1,820,107</u>	<u>\$ 1,431,851</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 17,534	\$ 37,256
Accrued expenses	53,438	38,270
Accrued vacation payable	73,871	62,207
Client trust deposits	499	389
Total current liabilities	<u>145,342</u>	<u>138,122</u>
Net assets:		
Unrestricted	31,825	28,367
Temporarily restricted	<u>1,642,940</u>	<u>1,265,362</u>
Total net assets	<u>1,674,765</u>	<u>1,293,729</u>
Total liabilities and net assets	<u>\$ 1,820,107</u>	<u>\$ 1,431,851</u>

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

LEGAL SERVICES OF NORTH DAKOTA

Statement of Activities

For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	2010 Total	(Memorandum Only) 2009 Total
Support and revenue:				
Grants	\$ -	\$ 2,097,735	\$ 2,097,735	\$ 1,473,584
Other income	5,111	3,153	8,264	6,563
Interest income	-	2,059	2,059	3,190
Donations	100	8,825	8,925	11,040
Net assets released from restrictions:				
Satisfaction of grant restrictions	1,734,194	(1,734,194)	-	-
Total support and revenue	1,739,405	377,578	2,116,983	1,494,377
Expenses:				
Program services:				
Senior citizen	244,414	-	244,414	347,571
Indian Law	356,047	-	356,047	333,863
General law	715,726	-	715,726	548,288
Community Education	23,038	-	23,038	84,809
Private attorney involvement	136,712	-	136,712	111,842
Total program services	1,475,937	-	1,475,937	1,426,373
Supporting services:				
General administration	260,010	-	260,010	206,413
Total expenses	1,735,947	-	1,735,947	1,632,786
Change in net assets	3,458	377,578	381,036	(138,409)
Net assets - beginning of year	28,367	1,265,362	1,293,729	1,432,138
Net assets - end of year	\$ 31,825	\$ 1,642,940	\$ 1,674,765	\$ 1,293,729

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

LEGAL SERVICES OF NORTH DAKOTA

Statement of Functional Expenses

For the Year Ended December 31, 2010

	Program Services					Total	Support Services	Total Expenses (Memorandum Only)	
	Senior Citizens	Indian Law	General Law	Community Education	Private Attorney Involvement		General Administration	2010	2009
Salaries and wages:									
Lawyers	\$ 78,663	\$ 73,303	\$ 249,323	\$ 73	\$ 3,509	\$ 404,871	\$ 34,417	\$ 439,288	\$ 435,494
Nonlawyers	114,211	162,146	194,897	-	20,250	491,504	83,773	575,277	532,732
Employee benefits	38,934	56,076	114,364	14	7,348	216,736	30,466	247,202	226,455
Program travel	4,878	15,610	20,394	11	1,403	42,296	9,888	52,184	42,267
Conference travel	258	4,878	9,582	200	5,790	20,708	7,128	27,836	22,547
Space expense	3,246	18,610	46,571	-	-	68,427	40,248	108,675	104,852
Office expenses	-	13,239	56,520	12,551	98	82,408	26,139	108,547	97,259
Equipment rental & maintenance	-	1,300	3,783	-	-	5,083	5,452	10,535	18,551
Library maintenance	220	1,827	4,139	-	-	6,186	1,831	8,017	15,137
Litigation costs	-	517	-	-	-	517	-	517	370
Small equipment purchases	-	316	2,143	-	-	2,459	-	2,459	945
Subcontracted services	1,200	4,141	5,800	9,925	96,746	117,812	17,685	135,497	117,329
Total expenses before depreciation	241,610	351,963	707,516	22,774	135,144	1,459,007	257,027	1,716,034	1,613,938
Depreciation	2,804	4,084	8,210	264	1,568	16,930	2,983	19,913	18,848
Total expenses	\$ 244,414	\$ 356,047	\$ 715,726	\$ 23,038	\$ 136,712	\$ 1,475,937	\$ 260,010	\$ 1,735,947	\$ 1,632,786

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

LEGAL SERVICES OF NORTH DAKOTA

Statement of Cash Flows

For the Year Ended December 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 381,036
Adjustments to reconcile change in net assets to cash from operating activities:	
Depreciation	19,913
Effects on operating cash flows due to changes in:	
Accounts / pledges receivable	(293,799)
Prepaid expenses	677
Accounts payable	(19,722)
Accrued expenses / Accrued vacation payable	<u>26,832</u>
Net cash provided by operating activities	<u>114,937</u>
Cash flows used by investing activities:	
Additions to property and equipment	<u>(15,881)</u>
Net increase in cash and cash equivalents	99,056
Cash and cash equivalents balances:	
Beginning of year	<u>341,720</u>
End of year	<u><u>\$ 440,776</u></u>

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

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements

December 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 49% 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.

B. 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.

C. 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.

D. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements -Continued

December 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. 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 temporarily restricted net assets to unrestricted net assets at that time.

F. Property and Equipment

Furniture and Equipment

The Organization capitalized furniture and equipment with a cost of more than \$1,000 and an estimated useful life longer than two years, at cost and depreciates it primarily on a straight-line basis over five years.

Furniture and equipment acquired with grant funds are 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.

G. 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, 2010.

H. 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.

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements -Continued

December 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. 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.

J. Accrued Vacation

Accrued vacation of \$73,871 was recorded in the accompanying financial statements. This liability represents the amount of vacation earned by employees but not used as of December 31, 2010.

K. 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.

L. 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.

M. Functional Expenses

General administration expenses are disclosed in the Statement of Functional Expenses. Expenses are allocated to function based on actual expenditure.

N. Memorandum Only - Total Columns

The 2009 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.

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements -Continued

December 31, 2010

NOTE 2 LEASE COMMITMENTS

A. Operating Lease

The Organization has various leases on its office space until 2015. The Organization is committed to pay rentals over the next five years. Total space expense for the year ended December 31, 2010 was \$104,693.

B. Lease Commitments

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

2011	\$ 106,396
2012	105,196
2013	85,897
2014	40,950
2015	6,938

NOTE 3 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, 2010 it amounted to 20.83%. This is based on the \$135,144 of total PAI expenditures from the LSC base grant, Native American grant, Title III, and other funding sources.

NOTE 4 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. The Organization had an 11.8% carryover for the year ending December 31, 2010. This carryover is based upon the December 31, 2010 LSC fund balance excluding the year 2011 grant revenue of \$958,265 recognized in 2010.

NOTE 5 RELATED PARTIES

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

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements -Continued

December 31, 2010

NOTE 6 PENSION PLAN

The Organization has a pension plan covering substantially all of its employees. The Organization's cost for the year ended December 31, 2010 was \$30,832. The Organization contributes an amount equal to 2% of the participant's compensation and also matches up to 50% of the first 4% of the voluntary salary reduction amount for each employee. The Organization's policy is to fund all pension costs accrued.

NOTE 7 2011 LSC GRANT

In December 2009, the Organization received notice that LSC had conditionally awarded the Organization its 2011 Basic Field and Native American grants of \$647,904 and \$310,361, respectively. These amounts of the 2011 grants are recognized as grant revenue in the December 31, 2010 statement of activities.

NOTE 8 PAI COMMITMENT

As of December 31, 2010, the Organization had commitments to pay private attorneys up to \$13,228 for subcontracted services. This amount will be paid in the next fiscal year when the services are provided.

NOTE 9 CONCENTRATION OF CREDIT RISK

As of December 31, 2010, the Organization had \$446,555 on deposit at various financial institutions, \$372,942 of which is fully insured by the FDIC as of December 31, 2010.

LEGAL SERVICES OF NORTH DAKOTA
Notes to Financial Statements -Continued
December 31, 2010

NOTE 10 SUBCONTRACT PAYMENTS

The Organization had the following subcontract payments for the year ended December 31, 2010:

	LSC Eligible Subcontracts											Total
	Base Grant	Native American	Bush Foundation	Title III	Bremer Foundation	PD-Immigration	IOLTA	IRS-LITC	NDCAWS	Surcharge	General	
Subgrantees:												
Private Attorney Contracts	\$ 40,920	\$ 30,512	\$ -	\$ 7,364	\$ 6,178	\$ -	\$ -	\$ 280	\$ 2,549	\$ 8,000	\$ 943	\$ 96,746
Miscellaneous Contracts	20,842	3,896	-	-	9,596	2,075	1,200	300	-	843	-	38,752
Total subcontracted services	\$ 61,762	\$ 34,408	\$ -	\$ 7,364	\$ 15,774	\$ 2,075	\$ 1,200	\$ 580	\$ 2,549	\$ 8,843	\$ 943	\$ 135,498

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements -Continued

December 31, 2010

NOTE 11 NET ASSETS

Temporarily Restricted

Net assets temporarily restricted as of December 31, 2010, consist of purpose restrictions established by the donor.

Annually, the Organization receives grant awards from the Legal Services Corporation, Inc. to provide Basic Field, and Native American legal services to low-income individuals in the state of North Dakota. Use of these funds is restricted by the LSC Act of 1974, as amended; U.S. Congressional appropriations; and, LSC regulations including client eligibility standards.

The Organization also receives an annual grant from the North Dakota Department of Human Services of Title III funds to provide legal services to the elderly in the state of North Dakota; to identify and address major elderly legal issues, to provide community legal education, to research selected protective services issues and produce written educational materials and written recommendations.

The Organization received a grant from the North Dakota Bar Foundation of interest on lawyer's trust accounts (IOLTA) to be used for the legal services of individuals in the state of North Dakota.

The Organization also received grants from United Way, Surcharge, IRS-LITC, IRS-VITA, NDCAWS, SCJD, PD Immigration, NARF, and NDDHS for various projects and expenses encompassing the providing of legal services to low-income individuals throughout the state of North Dakota.

The balance remaining of the various grants as of December 31, 2010 is as follows:

LSC - Basic Field	\$ 647,904
LSC - Native American	310,361
NDDHS	240,000
NARF	83,943
IRS - LITC	9,824
IRS - VITA	15,000
Total	<u>\$ 1,307,032</u>

LEGAL SERVICES OF NORTH DAKOTA

Notes to Financial Statements -Continued

December 31, 2010

NOTE 11 NET ASSETS - Continued

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 were \$1,734,194.

The Organization had no permanently restricted net assets as of December 31, 2010.

NOTE 12 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 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Organization's year end. Subsequent events have been evaluated through April 14, 2011, which is the date these financial statements were available to be issued.

LEGAL SERVICES OF NORTH DAKOTA

Schedule of Functional Activities of Temporarily Restricted Net Assets

For the year ended December 31, 2010

	LSC Base Grant			LSC Native American			LSC Property	Title III		
	PAI	Non-PAI	Total Base Grant	PAI	Non-PAI	Total Native American		PAI	Non-PAI	Total Title III
Support and revenue:										
Grants and contracts	\$ 71,401	\$ 623,446	\$ 694,847	\$ 36,529	\$ 296,283	332,812	\$ -	\$ 7,364	\$ 472,636	\$ 480,000
Other income	1,900	53	1,953	-	-	-	-	-	-	-
Interest income	-	2,059	2,059	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	1,325	1,325
Total support and revenue	73,301	625,558	698,859	36,529	296,283	332,812	-	7,364	473,961	481,325
Expenses:										
Salaries and wages:										
Lawyers	3,509	114,375	117,884	-	62,320	62,320	-	-	76,561	76,561
Nonlawyers	15,250	155,188	170,438	5,000	104,288	109,288	-	-	102,235	102,235
Employee benefits	7,348	71,727	79,075	-	42,224	42,224	-	-	37,430	37,430
Program travel	1,386	14,656	16,042	17	10,291	10,308	-	-	4,503	4,503
Conference travel	4,790	8,608	13,398	1,000	1,246	2,246	-	-	469	469
Space expense	-	80,316	80,316	-	16,510	16,510	-	-	3,246	3,246
Office expenses	98	66,721	66,819	-	8,005	8,005	-	-	9,142	9,142
Equipment rental & maintenance	-	8,816	8,816	-	1,300	1,300	-	-	-	-
Library maintenance	-	3,726	3,726	-	1,828	1,828	-	-	395	395
Litigation costs	-	-	-	-	517	517	-	-	-	-
Subcontracted services	40,920	20,842	61,762	30,512	3,896	34,408	-	7,364	-	7,364
Depreciation	-	-	-	-	-	-	19,913	-	-	-
Equipment	-	2,143	2,143	-	316	316	-	-	-	-
Total expenses	73,301	547,118	620,419	36,529	252,741	289,270	19,913	7,364	233,981	241,345
Change in net assets	-	78,440	78,440	-	43,542	43,542	(19,913)	-	239,980	239,980
Net assets - beginning of year	539	652,487	653,026	-	312,280	312,280	52,739	-	20	20
Other changes in net assets:										
Acquisition of property	-	(15,881)	(15,881)	-	-	-	15,881	-	-	-
Net assets - end of year	\$ 539	\$ 715,046	\$ 715,585	\$ -	\$ 355,822	\$ 355,822	\$ 48,707	\$ -	\$ 240,000	\$ 240,000

LEGAL SERVICES OF NORTH DAKOTA

Schedule of Functional Activities of Temporarily Restricted Net Assets

For the year ended December 31, 2010

	Otto Bremer Foundation			Surcharge			FM Area Foundation	IOLTA	IRS-VITA	United Way
	PAI	Non-PAI	Total Otto Bremer	PAI	Non-PAI	Total Surcharge				
Support and revenue:										
Grants and contracts	\$ -	\$ -	\$ -	\$ 8,000	\$ 295,595	\$ 303,595	\$ -	\$ 54,000	\$ 15,000	\$ 39,038
Other income	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-
Donations	-	7,500	7,500	-	-	-	-	-	-	-
Total support and revenue	-	7,500	7,500	8,000	295,595	303,595	-	54,000	15,000	39,038
Expenses:										
Salaries and wages:										
Lawyers	-	40,580	40,580	-	41,659	41,659	-	38,000	-	21,500
Nonlawyers	-	563	563	-	128,510	128,510	-	-	10,788	8,592
Employee benefits	-	8,029	8,029	-	42,804	42,804	-	9,600	2,727	3,690
Program travel	-	60	60	-	8,558	8,558	-	2,500	2,051	5,256
Conference travel	-	-	-	-	4,665	4,665	-	3,000	1,891	-
Space expense	-	4,503	4,503	-	2,100	2,100	-	-	-	-
Office expenses	-	3,296	3,296	-	11,883	11,883	-	3,400	-	-
Equipment rental & maintenance	-	419	419	-	-	-	-	-	-	-
Library maintenance	-	405	405	-	513	513	-	1,000	-	-
Litigation costs	-	-	-	-	-	-	-	-	-	-
Subcontracted services	6,178	9,596	15,774	8,000	843	8,843	-	1,200	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-	-
Total expenses	6,178	67,451	73,629	8,000	241,535	249,535	-	58,700	17,457	39,038
Change in net assets	(6,178)	(59,951)	(66,129)	-	54,060	54,060	-	(4,700)	(2,457)	-
Net assets - beginning of year	6,178	75,811	81,989	-	35,537	35,537	2,193	34,686	14,578	39,440
Other changes in net assets:										
Acquisition of property	-	-	-	-	-	-	-	-	-	-
Net assets - end of year	\$ -	\$ 15,860	\$ 15,860	\$ -	\$ 89,597	\$ 89,597	\$ 2,193	\$ 29,986	\$ 12,121	\$ 39,440

LEGAL SERVICES OF NORTH DAKOTA

Schedule of Functional Activities of Temporarily Restricted Net Assets

For the year ended December 31, 2010

	PD - Immigration	NARF - Criminal	SCJD			NDCAWS			Bush Foundation
			PAI	Non-PAI	Total SCJD	PAI	Non-PAI	Total NDCAWS	
Support and revenue:									
Grants and contracts	\$ 3,751	\$ 47,568	\$ 611	\$ 42,914	\$ 43,525	\$ 2,549	\$ 5,251	\$ 7,800	\$ -
Other income	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-
Total support and revenue	3,751	47,568	611	42,914	43,525	2,549	5,251	7,800	-
Expenses:									
Salaries and wages:									
Lawyers	1,306	395	-	27,138	27,138	-	1,920	1,920	1,320
Nonlawyers	-	339	-	3,403	3,403	-	1,533	1,533	20,649
Employee benefits	251	182	-	6,625	6,625	-	635	635	5,781
Program travel	-	23	-	412	412	-	564	564	689
Conference travel	-	-	-	-	-	-	-	-	175
Space expense	-	-	-	-	-	-	-	-	2,000
Office expenses	-	-	-	100	100	-	-	-	3,211
Equipment rental & maintenance	-	-	-	-	-	-	-	-	-
Library maintenance	-	-	-	150	150	-	-	-	-
Litigation costs	-	-	-	-	-	-	-	-	-
Subcontracted services	2,075	-	611	-	611	2,549	-	2,549	-
Depreciation	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Total expenses	3,632	939	611	37,828	38,439	2,549	4,652	7,201	33,825
Change in net assets	119	46,629	-	5,086	5,086	-	599	599	(33,825)
Net assets - beginning of year	-	-	-	2,771	2,771	-	2,278	2,278	33,825
Other changes in net assets:									
Acquisition of property	-	-	-	-	-	-	-	-	-
Net assets - end of year	\$ 119	\$ 46,629	\$ -	\$ 7,857	\$ 7,857	\$ -	\$ 2,877	\$ 2,877	\$ -

LEGAL SERVICES OF NORTH DAKOTA

Schedule of Functional Activities of Temporarily Restricted Net Assets

For the year ended December 31, 2010

	IRS - LITC			Teen Drug Court			NARF Civil			Totals	
	John D. Kelly Memorial Fund	PAI	Non-PAI	Total IRS-LITC	PAI	Non-PAI	Total Teen Drug Court	PAI	Non-PAI		Total NARF Civil
Support and revenue:											
Grants and contracts	\$ -	\$ 280	\$ 32,544	\$ 32,824	\$ 305	\$ 6,295	\$ 6,600	\$ 27	\$ 36,348	\$ 36,375	\$ 2,097,735
Other income	1,200	-	-	-	-	-	-	-	-	-	3,153
Interest income	-	-	-	-	-	-	-	-	-	-	2,059
Donations	-	-	-	-	-	-	-	-	-	-	8,825
Total support and revenue	1,200	280	32,544	32,824	305	6,295	6,600	27	36,348	36,375	2,111,772
Expenses:											
Salaries and wages:											
Lawyers	-	-	3,741	3,741	-	4,411	4,411	-	346	346	439,081
Nonlawyers	1,200	-	17,434	17,434	-	127	127	-	157	157	575,256
Employee benefits	-	-	5,582	5,582	-	1,011	1,011	-	114	114	245,760
Program travel	-	-	1,062	1,062	-	54	54	-	19	19	52,101
Conference travel	-	-	1,746	1,746	-	257	257	-	-	-	27,847
Space expense	-	-	-	-	-	-	-	-	-	-	108,675
Office expenses	-	-	2,679	2,679	-	-	-	-	-	-	108,535
Equipment rental & maintenance	-	-	-	-	-	-	-	-	-	-	10,535
Library maintenance	-	-	-	-	-	-	-	-	-	-	8,017
Litigation costs	-	-	-	-	-	-	-	-	-	-	517
Subcontracted services	-	280	300	580	305	-	305	27	-	27	135,498
Depreciation	-	-	-	-	-	-	-	-	-	-	19,913
Equipment	-	-	-	-	-	-	-	-	-	-	2,459
Total expenses	1,200	280	32,544	32,824	305	5,860	6,165	27	636	663	1,734,194
Change in net assets	-	-	-	-	-	435	435	-	35,712	35,712	377,578
Net assets - beginning of year	-	-	-	-	-	-	-	-	-	-	1,265,362
Other changes in net assets:											
Acquisition of property	-	-	-	-	-	-	-	-	-	-	-
Net assets - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435	\$ 435	\$ -	\$ 35,712	\$ 35,712	\$ 1,642,940

LEGAL SERVICES OF NORTH DAKOTA

Summary of Funding Schedule

December 31, 2010

<u>Grant Number</u>	<u>Period</u>	<u>Total Grant Amount</u>	<u>Year Ended December 31, 2010</u>
Legal Services Corporation:			
2010001	01-01-11 to 12-31-11	\$ 647,904	\$ 647,904
2010001	01-01-11 to 12-31-11	310,361	310,361
2009001	01-01-10 to 12-31-10	648,799	46,943
2009001	01-01-10 to 12-31-10	310,361	22,451
Subtotal - Legal Services Corporation		<u>1,917,425</u>	<u>1,027,659</u>
North Dakota Dept. of Human Services:			
Title III - OSA:	01-01-11 to 12-31-11	240,000	240,000
Title III - OSA:	01-01-10 to 12-31-10	240,000	240,000
Subtotal - ND DHS		<u>480,000</u>	<u>480,000</u>
State of North Dakota:			
State Judiciary Juvenile Drug Court	01-01-10 to 12-31-10	50,125	50,125
Subtotal - State of North Dakota		<u>50,125</u>	<u>50,125</u>
Other grants:			
Surcharge	07-01-09 to 06-30-11	368,704	303,595
United Ways	01-01-10 to 12-31-10	39,038	39,038
Interest on Lawyers Trust Accounts	01-01-10 to 12-31-10	54,000	54,000
Otto Bremer Foundation	08-01-09 to 07-31-11	100,000	-
PD Immigration	06-25-10 to 06-30-11	5,000	3,751
Bush Foundation	04-01-08 to 04-30-10	125,000	-
NDCAWS	03-01-09 to 08-31-11	18,720	7,800
NARF Civil	10-01-10 to 09-30-12	36,375	36,375
NARF Criminal	10-01-10 to 09-30-12	47,568	47,568
IRS-LITC	01-01-10 to 12-31-10	32,824	32,824
IRS-VITA	07-01-09 to 06-30-10	15,000	-
IRS-VITA	07-01-10 to 06-30-11	15,000	15,000
Subtotal other grants		<u>857,229</u>	<u>539,951</u>
Total grants and contracts		<u>\$ 3,064,779</u>	<u>\$ 2,097,735</u>

LEGAL SERVICES OF NORTH DAKOTA
Schedule of Expenditures of Federal Awards
December 31, 2010

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Federal Revenue Recognized</u>	<u>Federal Expenditures Recognized</u>
Legal Services Corporation, Inc.:			
Base Grant	9.535007	\$ 694,847	\$ 634,164
Native American	9.535007	332,812	289,269
Total Legal Services Corporation		<u>1,027,659</u>	<u>923,433</u>
U.S. Department of Health and Human Services:			
Passed Through Human Service Department of North Dakota:			
Title III – OSA			
Contract #190-08078	93.044	240,000	240,000
Title III – OSA			
Contract #190-08228	93.044	240,000	-
Total U.S. Department of Health and Human Services		<u>480,000</u>	<u>240,000</u>
U.S. Department of Justice:			
Passed Through Native American Rights Fund			
Tribal Civil Legal Assistance 2010-AL-BX-0002	16.751	36,375	664
Tribal Criminal Legal Assistance 2010-MU-BX-0004	16.751	47,568	940
Total U.S. Department of Justice:		<u>83,943</u>	<u>1,604</u>
U.S. Department of Treasury:			
Low Income Taxpayer Clinics	21.008	32,824	32,825
Volunteer Income Tax Assistance Program	21.009	15,000	18,532
Total U.S. Department of Treasury		<u>47,824</u>	<u>51,357</u>
Total Federal Awards		<u>\$ 1,639,426</u>	<u>\$ 1,216,394</u>

NOTE: TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Legal Services of North Dakota and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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 the financial statements of Legal Services of North Dakota as of and for the year ended December 31, 2010, and have issued our report thereon dated April 14, 2011. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

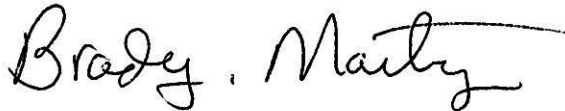
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Legal Services of North Dakota's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Brady, Martz". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

BRADY, MARTZ & ASSOCIATES, P.C.

April 14, 2011



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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

COMPLIANCE

We have audited the compliance of Legal Services of North Dakota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the LSC Audit Guide and Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Legal Services of North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Legal Services of North Dakota's management. Our responsibility is to express an opinion on Legal Services of North Dakota's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the LSC Audit Guide and Compliance Supplement. Those standards, OMB Circular A-133, and LSC Audit Guide 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. Our audit does not provide a legal determination on Legal Services of North Dakota's compliance with those requirements.

In our opinion, Legal Services of North Dakota complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

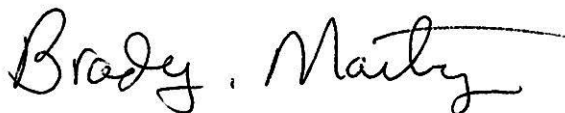
INTERNAL CONTROL OVER COMPLIANCE

The management of Legal Services of North Dakota is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Legal Services of North Dakota's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Brady, Martz". The signature is written in black ink and is positioned above the company name.

BRADY, MARTZ & ASSOCIATES, P.C.

April 14, 2011

LEGAL SERVICES OF NORTH DAKOTA

Schedule of Federal Findings and Questioned Costs

December 31, 2010

1. Summary of auditor's results

- a) Type of report issued on the financial statements.

An unqualified opinion was issued.

- b) Disclosure of significant deficiencies in internal controls and whether any were material weaknesses.

None

- c) Disclosure of noncompliance which is material to the financial statement.

None

- d) Disclosure of significant deficiencies in internal control over major programs and whether any were material weaknesses.

None

- e) Type of report issued on compliance for major programs.

An unqualified opinion was issued.

- f) Disclosure of audit findings required to be reported.

None

- g) Identification of major programs.

Legal Service Corp. Base Grant

- h) Dollar threshold used to distinguish between Type A and Type B programs.

\$300,000

- i) Statement as to whether the auditee qualified as a low-risk auditee.

The auditee did qualify as a low-risk auditee.

2. Findings relating to the financial statements.

None

LEGAL SERVICES OF NORTH DAKOTA

Schedule of Federal Findings and Questioned Costs

December 31, 2010

3. Findings and questioned costs for federal awards.

Prior Findings:

There were no prior year findings.

LEGAL SERVICES OF NORTH DAKOTA
Summary Schedule of Prior Audit Findings
December 31, 2010

No prior audit findings were required to be reported.