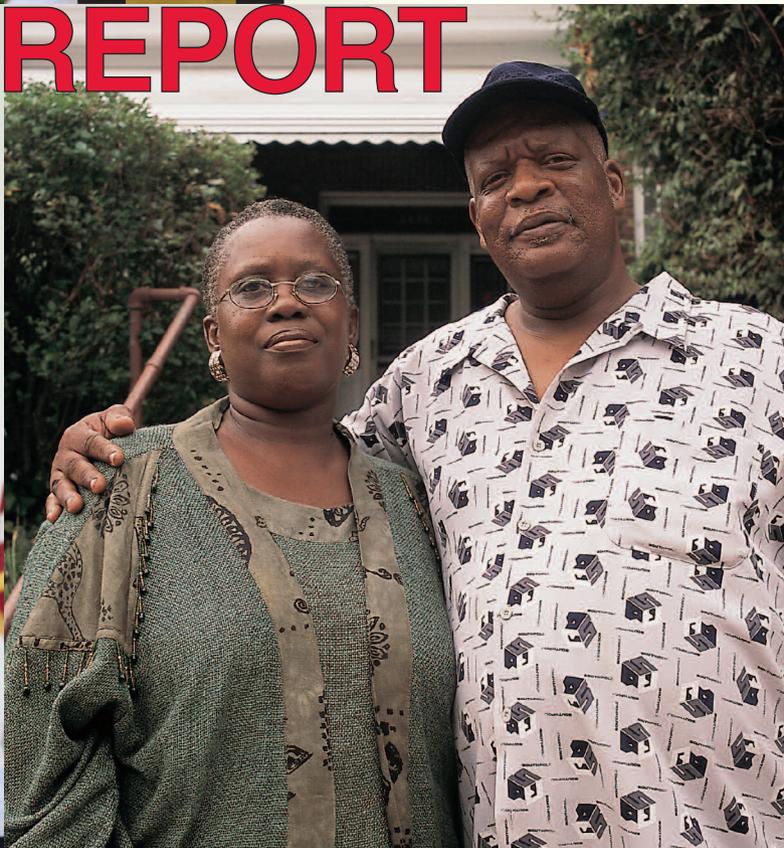




2011

ANNUAL REPORT



Board of Directors

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Martha Minow, *Vice Chair*
Sharon L. Browne
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Harry J.F. Korrell III
Victor B. Maddox
Laurie Mikva
The Rev. Pius Pietrzyk, O.P.
Julie A. Reiskin
Gloria Valencia-Weber

Officers

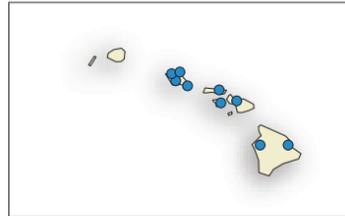
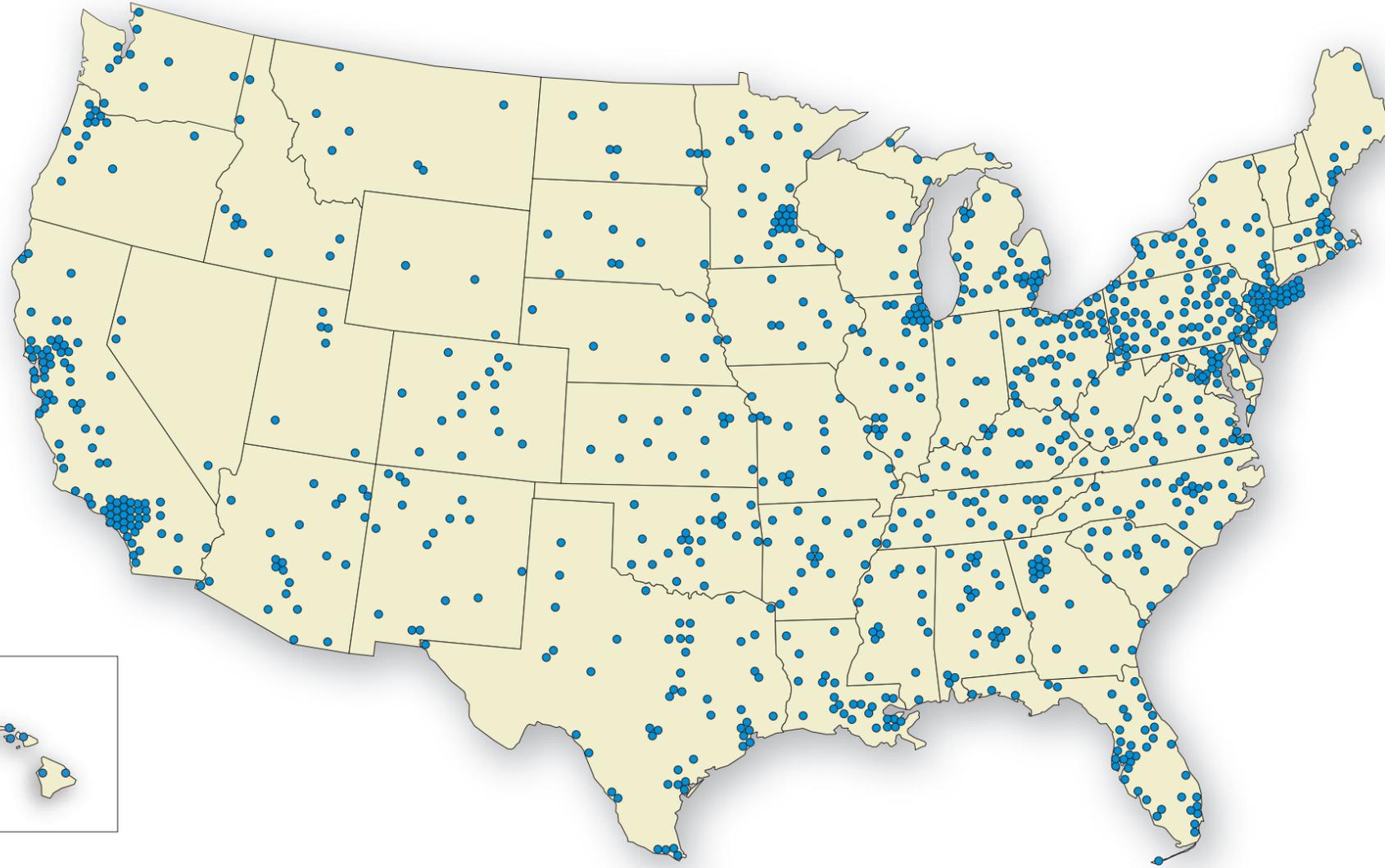
James J. Sandman, *President*
Victor M. Fortuno, *Vice President of
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and Corporate Secretary*
David L. Richardson, *Treasurer
and Comptroller*

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Jeffrey E. Schanz, *Inspector General*
Joel S. Gallay, *Special Counsel*
Ronald "Dutch" Merryman, *Assistant
Inspector General for Audit*
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Inspector General for Investigations*
Laurie Tarantowicz, *Assistant Inspector
General and Legal Counsel*
David C. Maddox, *Assistant Inspector
General for Management
and Evaluation*

LSC Across the Country

In 2011, the Legal Services Corporation provided grants to 135 independent, nonprofit organizations that provide free civil legal services to low-income Americans from 915 offices located in every state, the District of Columbia and the territories of the United States of America.



ALABAMA

Legal Services Alabama

ALASKA

Alaska Legal Services Corporation

ARIZONA

Community Legal Services

DNA-Peoples Legal Services

Southern Arizona Legal Aid

ARKANSAS

Center for Arkansas Legal Services

Legal Aid of Arkansas

CALIFORNIA

Bay Area Legal Aid

California Indian Legal Services

California Rural Legal Assistance

Central California Legal Services

Greater Bakersfield Legal Assistance

Inland Counties Legal Services

Legal Aid Foundation of Los Angeles

Legal Aid Society of Orange County

Legal Aid Society of San Diego

Legal Services of Northern California

Neighborhood Legal Services of Los Angeles County

COLORADO

Colorado Legal Services

CONNECTICUT

Statewide Legal Services of Connecticut

DELAWARE

Legal Services Corporation of Delaware

DISTRICT OF COLUMBIA

Neighborhood Legal Services Program of the District of Columbia

FLORIDA

Bay Area Legal Services

Coast to Coast Legal Aid of South Florida

Community Legal Services of Mid-Florida

Florida Rural Legal Services

Legal Services of Greater Miami

Legal Services of North Florida

Three Rivers Legal Services

GEORGIA

Atlanta Legal Aid Society

Georgia Legal Services Program

HAWAII

Legal Aid Society of Hawaii

IDAHO

Idaho Legal Aid Services

ILLINOIS

Land of Lincoln Legal Assistance Foundation

Legal Assistance Foundation of Metropolitan Chicago

Prairie State Legal Services

INDIANA

Indiana Legal Services

IOWA

Iowa Legal Aid

KANSAS

Kansas Legal Services

KENTUCKY

Appalachian Research and Defense Fund of Kentucky

Kentucky Legal Aid

Legal Aid of the Blue Grass

Legal Aid Society

LOUISIANA

Acadiana Legal Service Corporation

Legal Services of North Louisiana

Southeast Louisiana Legal Services Corporation

MAINE

Pine Tree Legal Assistance

MARYLAND

Legal Aid Bureau

MASSACHUSETTS

Massachusetts Justice Project

Merrimack Valley Legal Services

New Center for Legal Advocacy

Volunteer Lawyers Project of the Boston Bar Association

MICHIGAN

Legal Aid and Defender Association

Legal Aid of Western Michigan

Legal Services of Eastern Michigan

Legal Services of Northern Michigan

Legal Services of South Central Michigan

Michigan Indian Legal Services

MINNESOTA

Anishinabe Legal Services

Central Minnesota Legal Services

Legal Aid Service of Northeastern Minnesota

Legal Services of Northwest Minnesota Corporation

Southern Minnesota Regional Legal Services

MISSISSIPPI

Choctaw Legal Defense

Mississippi Center for Legal Services

North Mississippi Rural Legal Services

MISSOURI

Legal Aid of Western Missouri

Legal Services of Eastern Missouri

Legal Services of Southern Missouri

Mid-Missouri Legal Services Corporation

MONTANA

Montana Legal Services Association

NEBRASKA

Legal Aid of Nebraska

NEVADA

Nevada Legal Services

NEW HAMPSHIRE

Legal Advice & Referral Center

NEW JERSEY

Central Jersey Legal Services

Essex-Newark Legal Services Project

Legal Services of Northwest Jersey

Northeast New Jersey Legal Services Corporation

Ocean-Monmouth Legal Services

South Jersey Legal Services

NEW MEXICO

New Mexico Legal Aid

NEW YORK

Legal Aid Society of Mid-New York

Legal Aid Society of Northeastern New York

Legal Assistance of Western New York

Legal Services NYC

Legal Services of the Hudson Valley

Nassau/Suffolk Law Services Committee

Neighborhood Legal Services

NORTH CAROLINA

Legal Aid of North Carolina

NORTH DAKOTA

Legal Services of North Dakota

OHIO

Community Legal Aid Services

Legal Aid of Western Ohio

Legal Aid Society of Greater Cincinnati

Ohio State Legal Services

The Legal Aid Society of Cleveland

OKLAHOMA

Legal Aid Services of Oklahoma

Oklahoma Indian Legal Services

OREGON

Legal Aid Services of Oregon

PENNSYLVANIA

Laurel Legal Services

Legal Aid of Southeastern Pennsylvania

MidPenn Legal Services

Neighborhood Legal Services Association

Northwestern Legal Services

North Penn Legal Services

Philadelphia Legal Assistance Center

Southwestern Pennsylvania Legal Services

RHODE ISLAND

Rhode Island Legal Services

SOUTH CAROLINA

South Carolina Legal Services

SOUTH DAKOTA

Dakota Plains Legal Services

East River Legal Services

TENNESSEE

Legal Aid of East Tennessee

Legal Aid Society of Middle Tennessee and the Cumberland

Memphis Area Legal Services

West Tennessee Legal Services

TEXAS

Legal Aid of NorthWest Texas

Lone Star Legal Aid

Texas RioGrande Legal Aid

UTAH

Utah Legal Services

VERMONT

Legal Services Law Line of Vermont

VIRGINIA

Blue Ridge Legal Services

Central Virginia Legal Aid Society

Legal Aid Society of Eastern Virginia

Legal Services of Northern Virginia

Southwest Virginia Legal Aid Society

Virginia Legal Aid Society

WASHINGTON

Northwest Justice Project

WEST VIRGINIA

Legal Aid of West Virginia

WISCONSIN

Legal Action of Wisconsin

Wisconsin Judicare

WYOMING

Legal Aid of Wyoming

U.S. Territories

GUAM

Guam Legal Services Corporation

MICRONESIA

Micronesian Legal Services

PUERTO RICO

Community Law Office

Puerto Rico Legal Services

VIRGIN ISLANDS

Legal Services of the Virgin Islands



Legal Services Corporation

America's Partner For Equal Justice

The Legal Services Corporation is the single largest funder of civil legal services in the country and is at the forefront of a public-private partnership focused on fulfilling America's pledge of equal justice for all.

Since its founding almost four decades ago, LSC has been making a difference in the lives of low-income Americans by providing high-quality civil legal assistance to veterans, the elderly, victims of domestic abuse, tenants facing unlawful evictions, and others.

“The Congress finds and declares that—

- (1) there is a need to provide equal access to the system of justice in our Nation for individuals who seek redress of grievances;
- (2) there is a need to provide high quality legal assistance to those who would be otherwise unable to afford adequate legal counsel and to continue the present vital legal services program;
- (3) providing legal assistance to those who face an economic barrier to adequate legal counsel will serve best the ends of justice and assist in improving opportunities for low-income persons consistent with the purposes of this Act.”

—Excerpt from the
Legal Services Corporation Act
Public Law 93-355, July 25, 1974

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COVER PHOTOS, CLOCKWISE FROM UPPER LEFT: JOHN EIDLEMAN; ERIK UNGER; TOM WOLFF; HILL STREET STUDIOS/GETTY IMAGES

Board Moves Forward With Task Forces, Outreach

In 2011, facing cuts in funding and ever-increasing demand for civil legal assistance, the Legal Services Corporation and its grantees redoubled their efforts to further LSC's mission to provide equal access to justice.

Our board of directors launched an important new initiative by creating a Pro Bono Task Force, co-chaired by Martha Minow, dean of the Harvard Law School and vice chair of the LSC Board, and Harry J.F. Korrell III, an LSC board member and partner in the Seattle office of Davis Wright Tremaine.

The 58-member task force included prominent judges, law firm leaders, law school deans, legal services lawyers, bar association leaders, and pro bono experts.

Divided into five working groups, these distinguished leaders were tasked with coming up with innovative recommendations to increase pro bono in a measureable way.

DLA Piper provided professional and administrative support, and Lisa Dewey, pro bono partner at DLA Piper, served as a consultant to the task force.

The board also received and adopted the report from another distinguished task force—the Special Task Force on Fiscal Oversight.

Formed in 2010 and co-chaired by board members Robert J. Grey, Jr. and Victor B. Maddox, the 17-member task force urged a more risk-based, integrated approach to financial oversight that we are confident will produce a more effective system of monitoring the proper use of funding by LSC's grantees and a more efficient delivery of legal services to clients.

As is its custom, the board held three of its four quarterly meetings outside Washington D.C.—this year in Illinois, Virginia and Washington state.

We were privileged to hear from executive



Our Board of Directors launched an important new initiative by creating a Pro Bono Task Force...

directors and other representatives of LSC-funded programs in those states and from Arizona, California, Florida, Georgia, Idaho, Indiana, Kentucky, Ohio, Oregon, Maine, Maryland, Missouri, Montana, New York, North Dakota, South Dakota, Texas, and Wisconsin.

We received fantastic presentations on an array of topics, including pro bono, technology, court helpdesks, law school clinical education, and Native American courts. And we convened other panels on a variety of topics, including foreclosure, veterans' rights, domestic violence, and consumer issues.

What we learned is that despite its many challenges, 2011 was also a year of opportunity and achievement, thanks to the imagination, energy, and effort of the LSC community.

We were reminded why such commitment is so important at our Seattle board meeting by the stirring [remarks of Washington State Supreme Court Chief Justice Barbara Madsen](#):

“Justice is a paramount duty of government. It is the first order of business in our federal constitution. Ensuring civil equal justice is a joint federal-state responsibility....

Let us all pledge that we will do all we can do to protect the promise of our democracy.

That we will work to ensure justice, and access to justice, for all and that we will work to ensure that this unique federal-state partnership for justice endures.”

John G. Levi
Chairman, Board of Directors
Legal Services Corporation
July 26, 2012

LSC Meets Demands With Inspiration, Hard Work

I am grateful for the warm reception I received during my first year as president of the Legal Services Corporation. The LSC board, staff, and grantees, as well as colleagues across the access-to-justice community, welcomed me with support, encouragement, and counsel, confirming what I said when I was appointed to this position—I have the best job in American law.

The year unfolded as LSC faced the twin challenges of reduced resources and increased demand for civil legal services. Many grantees saw staff reductions, and some had to close offices. In my visits to legal aid programs around the country, however, I saw time and again how, through a remarkable combination of innovation, hard work, and self-sacrifice, they are finding new ways to maximize client service. I met scores of talented legal aid lawyers whose passion and commitment to their clients is both palpable and infectious. They have inspired me and deepened my own commitment to supporting them in the work they do.

To leverage the limited resources we have available, I believe it is essential to improve collaboration and cooperation among all those involved in funding, promoting, and delivering civil legal services. We are working with other funders of legal services, bar leaders, pro bono organizations, judges, court administrators, advocacy groups, law schools, and the entire provider community to increase the efficiency and effectiveness of service to clients and to avoid unnecessary duplication.

Our approach to disaster response shows the benefits of collaboration. Last year had more than its share of natural disasters, with hurricanes, tornadoes, and floods plaguing large sections of the country. During 2011, LSC assisted grantees in more than 28 states with disaster preparation and response and approved three emergency grants to help respond to the needs of low-income people affected by disasters. We worked with the

American Bar Association, state and local bar associations, the American Red Cross, the Federal Emergency Management Agency, and other organizations to get the most from our efforts.

As budgets tighten, it becomes especially important to develop new and better ways to assess and report the benefits and outcomes of the services that LSC funds. In 2011, using a planning grant from the Public Welfare Foundation, we laid the foundation for a data project designed to improve LSC's collection and analysis of case information and to provide assistance to grantees in managing and using their own data.

The effective use of technology remains one of the best ways of getting the most from what we have, and in 2011 LSC continued its historical commitment to encouraging innovation in the delivery of legal services. Through its Technology Initiative Grants (TIG) program, LSC awarded 37 grants totaling more than \$3.6 million. The TIG grants went to LSC-funded programs in 25 states for a variety of projects, including developing online intake systems; enhancing access to Web-based resources for Spanish-speaking, limited English proficient clients; and expanding StatesideLegal.org, a website that provides information and resources to veterans and military families.

It was a challenging year, but one of genuine accomplishment and new opportunities as well. We will build on that success as we move forward to expand access to justice and bring the highest quality possible to the delivery of civil legal services.



It was a challenging year, but one of genuine accomplishment and new opportunities as well.

James J. Sandman
President

Legal Services Corporation
July 26, 2012

The number of Americans eligible for LSC-funded legal assistance reached an all-time high: **64.6 million**.

LSC's 135 grantees employed **8,363 full-time staff** at **915 offices** throughout the United States and its territories.

4,097 were attorneys, **1,447** were paralegals.

32,101 private attorneys accepted pro bono cases through LSC-funded programs.

Cases closed: **899,817**, including **79,578** with the involvement of pro bono attorneys.

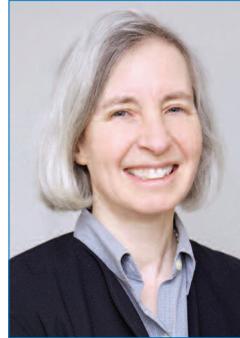
117,595 clients were at least 60 years old.

637,426 were women.

105,090 of the cases involved domestic violence.

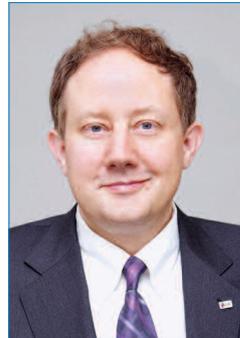
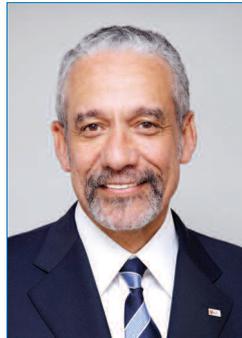
Total number of people in all households served: **2,284,162**.

LSC is headed by an 11-member Board of Directors appointed by the President and confirmed by the Senate.



John G. Levi, *Chairman*
Partner in the Chicago office of Sidley Austin LLP.

Martha Minow, *Vice Chair*
Dean of Harvard Law School and the Jeremiah Smith Jr. Professor of Law.



Sharon L. Browne
Former principal attorney in the Pacific Legal Foundation's Individual Rights Practice group and member of the Foundation's senior management.

Robert J. Grey Jr.
Partner in the Richmond and Washington offices of Hunton & Williams LLP.

Charles N.W. Keckler



Harry J.F. Korrell III
Partner in the Seattle office of Davis Wright Tremaine LLP.

Victor B. Maddox
Partner in the Louisville, Ky., firm of Fultz Maddox Hovious & Dickens PLC.

Laurie Mikva
Staff attorney in the Office of Legal Counsel at the Illinois Department of Employment Security.



The Rev. Pius Pietrzyk, O.P.
Priest of the Order of Preachers (Dominicans), Province of St. Joseph.

Julie A. Reiskin
Executive director of the Colorado Cross-Disability Coalition.

Gloria Valencia-Weber
Professor at the University of New Mexico School of Law.

PHOTOS BY WANA IMAGE

Committees (*Non-director member)

Audit

Maddox, *Chair*; Korrell; Valencia-Weber

Development

Levi, *Chair*; Minow; Grey; Keckler; Fr. Pius; Herbert S. Garten*; Thomas Smegal*; Frank B. Strickland*

Finance

Grey, *Chair*; Browne; Minow; Fr. Pius; Robert E. Henley Jr.*

Governance and Performance Review

Minow, *Chair*; Browne; Keckler; Reiskin

Operations and Regulations

Keckler, *Chair*; Grey; Korrell; Mikva

Promotion and Provision for the Delivery of Legal Services

Mikva, *Chair*; Browne; Maddox; Fr. Pius; Reiskin

2011 Highlights Photo Gallery



PHOTOS BY DAKOTA FINE

Black History Month Program



PHOTOS BY MARCOS NAVARRO

Access To Justice Address, April

TOP LEFT AND TOP RIGHT: Assistant U.S. Attorney General Tony West speaks at LSC's annual Black History Month awards luncheon; **ABOVE AND RIGHT:** Laurence H. Tribe, Senior Counselor for Access to Justice at the U.S. Department of Justice, spoke at LSC in April. From left: LSC Board members John G. Levi, Gloria Valencia-Weber, Robert J. Grey Jr., Sharon Browne, Charles N.W. Keckler, Tribe, Harry J. F. Korrell III, Thomas F. Smegal, Jr. (former board member), Father Pius Pietrzyk, O.P., Julie Reiskin, and LSC President James J. Sandman.



[▶ PLAY WEST VIDEO](#)

[▶ PLAY TRIBE SPEECH](#)

2011 Highlights Photo Gallery

PHOTOS BY MARTHAPIX



▶ SEE ADD'L PHOTOS



Pro Bono Task Force Meeting, Harvard Law School, August

PIERRE R. CAMERON



Board of Directors Meeting, Chicago, October



Board of Directors Meeting, Richmond, April

JOSEPH MAHONEY

PHOTOS BY KEVIN CASEY



Board of Directors Meeting, Seattle, July



TOP LEFT AND TOP RIGHT: Pro Bono Task Force members develop their work plan; Pro Bono Task Force Co-chair Martha Minow speaks to the group at its first meeting. **ABOVE LEFT:** From left, Michael H. Schill, University of Chicago Law School Dean; Hon. Abner J. Mikva; Illinois Attorney General Lisa Madigan; LSC Board member Martha Minow; Bruce P. Smith, Dean of the University of Illinois College of Law; LSC Chairman John G. Levi; and LSC President James J. Sandman. **ABOVE RIGHT:** Virginia State Bar President Irving M. Blank (r) and LSC Board member Robert J. Grey Jr. at the April board meeting in Richmond, Va. **LEFT AND ABOVE:** LSC Board member Harry Korrell introduces Washington State Chief Justice Barbara Madsen at the July board meeting in Seattle; (l-r) LSC President James J. Sandman, Washington State Chief Justice Barbara Madsen and LSC Board Chairman John G. Levi at the July board meeting in Seattle.

Strengthening Partnerships, Identifying Opportunities

LSC's Board of Directors convened the Pro Bono Task Force to identify and recommend new and innovative ways of promoting and enhancing pro bono initiatives throughout the country.

The 58-member task force includes leaders from the judiciary, major corporations, private practice, law schools, and the federal government, as well as the legal aid community. It is co-chaired by Martha Minow, dean of the Harvard Law School and vice-chair of the LSC Board, and Harry J.F. Korrell III, a partner in the Seattle office of Davis Wright Tremaine LLP, and an LSC Board member. The law firm of DLA Piper provides administrative support, including the involvement of Pro Bono Partner Elizabeth Dewey.

"Creating change requires leadership," Minow said after the group's first meeting in August. "The members of this task force are among the most experienced, capable and thoughtful leaders in the legal profession."



MARTHAPIX PHOTOS

The Task Force divided into five working groups:

- **Technology** – Co-chaired by David Arroyo and Kathryn J. Fritz
- **Urban** – Co-chaired by Douglas Eakeley and George Hettrick
- **Rural** – Co-chaired by Judge James D. Moyer and Deanell Reece Tacha
- **Big Ideas** – Co-chaired by Sven E. Holmes and Teresa W. Roseborough
- **Obstacles** – Co-chaired by Mary K. Ryan and E. Paige Sensenbrenner

ABOVE, LEFT: Judge James D. Moyer and Esther Lardent
ABOVE: Harry Korrell



John T. Broderick Jr.



Diane P. Wood



Jonathan Lippman

The members of each working group have researched best practices and are developing recommendations for inclusion in a report of the full task force, which will be issued in 2012.

MARTHAPIX; PIERRE R. CAMERON

"The unmet need in our civil justice system is staggering. Although pro bono involvement has increased at LSC programs, we must do more to help ensure access to justice and the orderly functioning of the civil justice system."

—LSC Board Chairman John G. Levi



PETER CUTTS

Colleen Cotter and John Whitfield (4th and 5th from left) share their perspectives as directors of legal aid programs. Eight of the task force members are on the staffs of LSC grantees.



Pro Bono Task Force Members

Co-Chairs

Martha Minow, *Harvard Law School; LSC Board of Directors*

Harry J.F. Korrell III, *Davis Wright Tremaine LLP; LSC Board of Directors*

Members

David Arroyo, *Scripps Networks Interactive*

John T. Broderick Jr., *University of New Hampshire School of Law; former Chief Justice, New Hampshire Supreme Court*

Christian L. Campbell, *YUM! Brands, Inc.*

Catherine C. Carr, *Community Legal Services of Philadelphia*

Mark B. Childress, *U.S. Department of Justice Access to Justice Initiative*

Dana J. Cornett, *Blue Ridge Legal Services, Inc.*

Colleen M. Cotter, *The Legal Aid Society of Cleveland*

Charles Crompton, *Latham & Watkins LLP*

James E. Doyle, *Foley & Lardner LLP; former Governor of Wisconsin*

Douglas S. Eakeley, *Lowenstein Sandler PC; former LSC Board Chairman*

JoAnne A. Epps, *Temple University Beasley School of Law*

Ronald S. Flagg, *Sidley Austin LLP*

Kathryn J. Fritz, *Fenwick & West LLP*

L. Joseph Genereux, *Dorsey & Whitney LLP*

Terry M. Hamilton, *Lone Star Legal Aid*

Nan Heald, *Pine Tree Legal Assistance*

George H. Hettrick, *Hunton & Williams LLP*

Sven E. Holmes, *KPMG LLP; former Chief District Judge, U.S. District Court for the Northern District of Oklahoma*

Jeffrey N. Hyman, *Apple Inc.*

Wallace B. Jefferson, *Chief Justice, Supreme Court of Texas*

Robert Kayihura, *Microsoft Corporation*

David A. Kutik, *Jones Day*

Esther F. Lardent, *Pro Bono Institute*

Deborah Leff, *U.S. Department of Justice Access to Justice Initiative*

Jonathan Lippman, *Chief Judge, State of New York; Chief Judge, New York Court of Appeals*

Patricia A. Madrid, *former New Mexico Attorney General*

Ginny Martin, *New Hampshire Bar Association*

Larry S. McDevitt, *Chair, American Bar Association Standing Committee on Pro Bono & Public Service*

Lee I. Miller, *DLA Piper*

Michael L. Monahan, *State Bar of Georgia Pro Bono Project/Georgia Legal Services Program*

James D. Moyer, *Judge, U.S. District Court for the Western District of Kentucky*

Lynn Overmann, *U.S. Department of Justice Access to Justice Initiative*

David M. Pantos, *Legal Aid of Nebraska*

Linda K. Rexer, *Michigan State Bar Foundation*

Teresa W. Roseborough, *The Home Depot*

Mary K. Ryan, *Nutter McClennen & Fish LLP*

Gloria Santona, *McDonald's Corporation*

E. Paige Sensenbrenner, *Adams and Reese LLP*

Cliff Sloan, *Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates*

Thomas F. Smegal Jr., *Friends of Legal Services Corporation*

Laura Stein, *The Clorox Company*

Frank B. Strickland, *Strickland Brockington Lewis LLP; former LSC Board Chair*

Maureen Thornton Syracuse, *District of Columbia Bar*

Deanell Reece Tacha, *Pepperdine University School of Law*

David S. Tatel, *Judge, U.S. Court of Appeals for the District of Columbia Circuit*

Richard L. Thornburgh, *former U.S. Attorney General; former Governor of Pennsylvania*

Angela C. Vigil, *Baker & McKenzie*

Jo-Ann Wallace, *National Legal Aid & Defender Association*

Diana C. White, *Legal Assistance Foundation of Metropolitan Chicago*

John E. Whitfield, *Blue Ridge Legal Services, Inc.*

Diane P. Wood, *Judge, U.S. Court of Appeals for the Seventh Circuit*

Lisa C. Wood, *Foley Hoag LLP*

Ex-officio Members

John G. Levi, *Chair, LSC Board of Directors; Sidley Austin LLP*

Sharon L. Browne, *LSC Board of Directors*

Robert J. Grey Jr., *LSC Board of Directors; Hunton & Williams LLP*

James J. Sandman, *President, Legal Services Corporation*

Improving Accountability and Oversight

The LSC board and staff are committed to sound financial management to ensure the most efficient and effective delivery of legal services to clients.

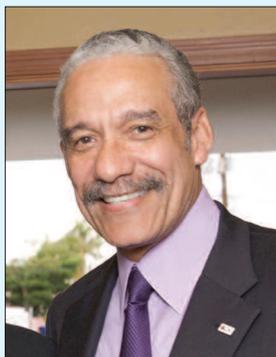
As part of that commitment, the LSC board formed a Special Task Force on Fiscal Oversight in July, 2010 to review how the corporation performs fiscal oversight of its grantees and to establish a “gold standard” for conducting this supervision.

The task force presented its [report and recommendations](#) to the board on August 1, 2011. At its January 2012 quarterly meeting, the board adopted the recommendations of the task force and directed management to begin implementation.

The 17 members of the task force included business leaders; attorneys; certified public accountants;

- Consolidate all of LSC's oversight responsibilities into a single office under the supervision of a vice president for grants management.
- Conduct a unified, comprehensive LSC risk assessment process that includes financial risks and current best practices for addressing such risks.
- Improve ways to identify and monitor conflicts of interest related to staff and grantees.
- Establish training programs for LSC staff, grantees—including grantee board members—and Independent Public Accountants (IPA).

“We hope that the recommendations in this report will allow LSC to enhance its processes for



“We believe that the risk-based, integrated approach to financial oversight that the Task Force recommends will enable LSC to provide more meaningful and effective oversight.”

—Robert J. Grey, Jr. (left) and Victor B. Maddox,
Fiscal Oversight Task Force Co-Chairs



DAN STEIN PHOTOS

grant makers; former inspectors general; and four LSC board members with expertise in nonprofit organization, internal controls, and financial operations. The task force engaged the accounting and advisory firm of Baker Tilly to assist, review documentation, and conduct interviews with more than 25 individuals from LSC management and staff, the LSC Office of Inspector General (OIG), and the board.

Among the task force recommendations:

- Strengthen cooperation and information sharing among the board, management and the Office of Inspector General.

grantee fiscal oversight and to create a more efficient and effective system for evaluating and monitoring internal controls related to the proper use of funding by LSC's grantees,” wrote co-chairs and LSC Board members Robert J. Grey, Jr. and Victor B. Maddox in a letter accompanying the report

In addition to focusing its resources on initiatives to improve the corporation's fiscal oversight responsibilities, LSC made significant strides in implementing the recommendation of the Government Accountability Office (GAO) June 2010 report on LSC's Grant Awards and Grantee Program Effectiveness.

Helping Families and Communities Recover

Beginning with its response to Hurricane Katrina in 2005, LSC has built a national network of experience and expertise—including both legal services and other organizations such as the American Red Cross and the Federal Emergency Management Agency (FEMA)—to help its grantees better serve clients when disaster strikes.

LSC-funded programs provide low-income Americans directly affected by disasters with legal assistance on matters including temporary housing, rent gouging, evictions, disaster benefits, consumer fraud, and family issues such as child-support payments and custody agreements.

In 2011, LSC assisted grantees in more than 28 states with disaster preparation and response. After the largest outbreak of tornadoes in U.S. history ripped through Alabama, Arkansas, Georgia, Kentucky, Mississippi, North Carolina, and Tennessee, LSC’s Office of Program Performance shared information and made connections that helped programs respond effectively. When back-to-back hurricanes sparked massive flooding in Vermont and other eastern seaboard states, LSC was there with expertise and contacts. After a deadly tornado devastated Joplin in May, LSC staff traveled there to provide technical assistance to Legal Aid of Western Missouri.

“I was very impressed with the cooperation and coordination among FEMA, the American Red Cross, legal services programs, and bar associations,” LSC Senior Program Counsel John Eidleman said after the visit. “People were working long



JOHN EIDLEMAN

hours in service to the Joplin community. It is inspiring to see the legal aid programs and our partners in disaster relief providing assistance and information and ensuring that these disaster survivors have access to legal services now and in the future.”

In 2011 LSC approved emergency grants to Legal Services Alabama, Legal Aid of Western Missouri, and Legal Services Law Line of Vermont to help meet the additional demand for services resulting from the disasters. Throughout spring and summer, LSC staff maintained regular communication with the American Red Cross and FEMA to ensure coordination of response in all disaster zones. LSC also hosted national disaster networking calls, and linked programs responding to disaster for the first time with disaster-experienced legal aid attorneys willing to share their knowledge.

In May, a deadly tornado destroyed thousands of homes in Joplin, Mo.

Emergency Grants

- The largest tornado outbreak in U.S. history hit Alabama hard, causing more than 200 deaths and destroying more than 6,000 homes. To help provide legal assistance to disaster victims, LSC made an emergency grant of \$68,629 to Legal Services Alabama.
- Joplin, Missouri’s deadly tornado killed more than 150 people. It also destroyed a hospital and more than 8,000 homes, including affordable housing units. To help provide ongoing disaster-specific legal aid, LSC committed \$188,333 in emergency funds to Legal Aid of Western Missouri.
- In Vermont, massive flooding caused by Hurricane Irene washed away roads, homes, bridges and the state’s emergency operations center. To provide client services, support for pro bono attorneys and other assistance, LSC made an emergency grant of \$65,103 to Legal Services Law Line of Vermont.

Promoting Innovation in Legal Services

LSC promotes and supports technological innovation through its Technology Initiative Grants (TIG) program.

In 2011, LSC awarded grantees in 25 states more than \$3.6 million to support 37 projects. Since its launch in 2000, TIG has funded 492 projects totaling nearly \$40 million.

“LSC seeks to promote innovation in the delivery of legal services and to serve as many people as possible,” said President James J. Sandman. “Self-help forms and online information assist people in navigating the legal system and enhance access to practical, useful resources.”

Making Information and the Courts Accessible

In 2011, TIG funded six projects to improve intake processes. Land of Lincoln Legal Assistance Foundation used its grant to develop a “Statewide Online Access System” that will serve as a portal to the Illinois legal services delivery system. The project calls for a module to direct website visitors to the most appropriate resources for their legal problem and a module to allow potential clients to apply for legal assistance. The Illinois project builds upon the work of the Northwest Justice Project in Washington state, which developed a pilot system.

Also in 2011, LSC provided TIG funding to the Legal Aid Society of Northeastern New York to enhance access to legal aid resources for Spanish-speaking, limited-English-proficient clients by developing a Spanish language portal for a national website, LawHelp.org; by providing a LiveHelp “chat” connection for Spanish-speaking users; and by developing 10 national online guides to help clients understand the courts, civil legal aid systems, and their language access rights.

In an effort to help people who must navigate courts without a lawyer, LSC awarded Lone Star Legal Aid a TIG grant to merge Texas Law Help, which provides self-help forms, and Texas Courts Online, which offers information about the state court system. The result will be a one-stop, easy-to-understand information source and includes Spanish and Vietnamese translations of legal forms.

Serving Veterans More Effectively

Pine Tree Legal Assistance in Maine used a 2010 TIG grant to launch StatesideLegal.org, a national website serving veterans and their families. In 2011, Pine Tree was awarded a second TIG grant to expand resources for women veterans and service members and to expand Web-based collaborations between veterans’ advocates and national experts. In addition, the TIG funds will be used to strengthen StatesideLegal’s overall functioning to handle increasing traffic to the site.

Expanding Pro Bono

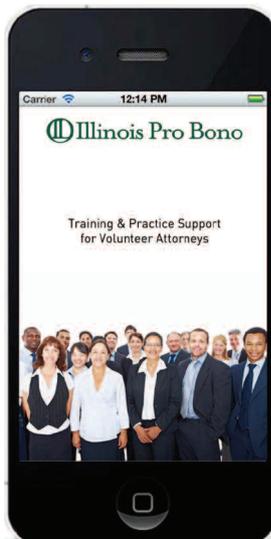
TIG has, from its start, identified and supported technologies that can be developed by LSC-funded programs and replicated by others. One example is the new TIG project to be led by the Volunteer Lawyers Project of the Boston Bar Association, in collaboration with LSC programs, non-LSC programs, law schools, bar associations, and the judiciary in Massachusetts. The project will develop enhancements to the probono.net template and create a single statewide pro bono website. This new website will offer the thousands of pro bono practitioners in Massachusetts a single portal where they can find and sign up for pro bono cases and access training. The resulting efficiencies should facilitate an increase in pro bono services to low-income clients. Because of the shared nature of the probono.net template, the proposed enhancements will be available at no cost for replication by 22 other probono.net sites across the country.

LSC seeks to increase volunteerism for law students as well. Idaho Legal Aid Services received funding to work with Chicago-Kent College of Law and the Center for Computer-Assisted Legal

Instruction to establish cyber clinics as a permanent part of U.S. law school education.

2011 TIG Conference

LSC hosted the [11th Technology Initiative Grants Conference](#) in January, in Albuquerque, N.M. The conference brought together technology experts, legal aid lawyers and others to learn how technology can improve the delivery of legal services to low-income Americans.



TIG funding was used to develop smartphone apps in Illinois

2011 TIG Grants / Total Funding Awarded = \$3,644,146

State	Award Amount	Project Highlights
Arkansas	\$43,100	Develop a court channel on the statewide legal aid website to provide comprehensive information about state court system and court proceedings to pro se litigants.
California	\$354,800	Update the I-CAN! E-file software in English, Spanish and Vietnamese; expand case management system to e-file complex array of domestic violence restraining and protective orders; install desktop video conferencing system.
Colorado	\$36,293	Implement Web-based screening tool and training modules to assist attorneys and clients with bankruptcy issues.
Florida	\$106,125	Provide automated templates to create legal forms on domestic violence, housing and public benefits law for use by pro se litigants; improve online intake system.
Georgia	\$170,735	Develop information access project for a one-stop online portal for document sharing and information; improve statewide website.
Idaho	\$587,075	Upgrade guided interviews for multiple Internet browsers, including mobile devices; create online intake system; establish cyber clinics in law school curricula.
Illinois	\$127,467	Develop "statewide online access system" on the statewide website to provide triage and intake services.
Iowa	\$22,269	Upgrade database for pro bono lawyers to enter data securely.
Kentucky	\$51,600	Use mobile technologies to implement a legal assessment tool for medical-legal partnerships.
Louisiana	\$51,617	Place touch-screen monitors at local senior centers to provide legal information and self-help materials.
Maine	\$192,200	Implement video technology to increase access to civil legal information, tools, and assistance for rural clients; expand and improve StatesideLegal.org to include resources specifically for women veterans and service members.
Massachusetts	\$70,205	Develop a statewide pro bono website.
Michigan	\$41,600	Expand content on the new statewide website to assist pro se litigants.
Minnesota	\$177,100	Develop, in partnership with state courts, a user-friendly e-filing system for pro se litigants.
Montana	\$104,778	Integrate VOIP telephone system and smartphones with case management system.
Nebraska	\$91,600	Develop a one-stop resource on statewide website, with comprehensive legal information including an online "help chat" feature.
New York	\$161,975	Create audio/video website content for limited-English-proficient clients, including online intake interviews in English and Spanish.
Ohio	\$532,500	Continued support of national server used by legal services programs to generate automated legal documents and guided interviews for pro se litigants.
Pennsylvania	\$78,546	Implement online intake system in English and Spanish; upgrade case management system.
Tennessee	\$83,976	Implement unified communications system, with emphasis on near-paperless offices; develop online intake system.
Texas	\$72,600	Develop "Texas Court Help" project to help pro se litigants understand and navigate the court system.
Utah	\$42,700	In partnership with the courts, expand the HotDocs library with information and documents for contested family law cases for volunteer attorneys and pro se litigants.
Virginia	\$91,285	Improve intake system with VOIP telephone system and call center software.
Washington	\$300,400	Continue funding for the Legal Services National Technology Assistance Project; implement improved information management system.
Wisconsin	\$51,600	Implement a secure, disaster-ready central repository for all documents and software.

Agents of Positive Change

Congress enacted the Inspector General Act to establish independent offices in most federal agencies, commissions, and certain federally funded corporations to help oversee taxpayer funds, to prevent and detect fraud and abuse and to improve the economy and efficiency of these federally funded programs. At LSC, these objectives are embraced by the Office of Inspector General (OIG) and are especially important as dollars lost to fraud, waste, or abuse (FWA) cost LSC-funded programs critically needed resources and can deprive clients of services they need to protect their rights in areas vital to their personal, legal, and economic security.

At the LSC OIG, we devote much of our oversight work to conducting professional audits, investigations, and program analyses. Our work helps improve and protect LSC's programs and activities from FWA and inefficient activities. While maintaining the independence of the OIG, our staff works in close coordination with LSC's Board of Directors, LSC's management, and staff to further the corporation's mission of providing equal justice for all through quality legal representation.

As I enter my fifth year of serving as LSC's Inspector General, I am pleased to report that our office continues to make substantial contributions to improve and protect LSC's programs by helping to ensure that limited federal funds are expended for the laudable purposes granted.

Throughout fiscal year 2011, we focused our audit efforts on reviewing internal controls at LSC grantees and selected programs, especially as they related to financial operations. Our audits identified more than \$1.1 million in questioned costs involving both grantee and LSC headquarters programs. The reports issued included findings of control weaknesses at one grantee so significant that they raised questions about both the reliability and integrity of the entire accounting system; findings questioning the allocation of certain payments charged to LSC funds at another grantee; and an array of control deficiencies in a multi-million dollar LSC technology grant program constituting a material weakness in the program's internal control system. It is gratifying that in each case prompt steps were taken by grantees and LSC management to address the problems and take corrective action.

The OIG is also responsible for overseeing the annual financial statement audit process for LSC's grantees. This oversight was accomplished through desk reviews of all audit reports

and on-site quality assurance reviews of selected audit firms' work. The OIG's program of audit quality control reviews is providing broader coverage of the individual audits. It will ensure that independent public accounting firms performing grantee audits are following applicable standards and are subject to review on a four-year cycle, providing strengthened oversight of the controls over the funds granted by LSC.

The OIG completed more than 31 investigations during fiscal year 2011, including OIG investigations where: a former office manager/grants administrator of an LSC grantee and another employee were indicted for the theft of over \$150,000; three former grantee officials were sentenced to imprisonment for their roles in major frauds and were ordered to pay full restitution to

the grantees involved; and multiple personnel actions were taken to remove grantee employees based on misconduct, the facts of which were surfaced through OIG investigations.

We continue to place a high priority on prevention and deterrence by employing a variety of outreach and educational initiatives, such as conducting regular fraud awareness briefings and onsite vulnerability assessments for grant recipients and boards across the country. We also operate a nationwide hotline for reporting suspected FWA to further help protect LSC and its grantees.

By continuing to press forward with these and similar activities, the OIG is helping to identify fraud, waste, and abuse in LSC programs and operations and to improve the efficiency and effectiveness of the federally funded legal services program. I am gratified at the contributions that we have made and I am committed to doing all that we can to help improve and protect LSC's programs. I am pleased to be able to work with LSC's President, Jim Sandman, Board Chairman, John Levi, and the members of LSC's Board of Directors, in pursuing our common commitment to helping LSC achieve its goal of providing equal access to justice for low-income Americans.



A handwritten signature in black ink, appearing to read "Jeffrey E. Schanz".

Jeffrey E. Schanz
Inspector General
Legal Services Corporation
July 26, 2012

Financials

Financial Statements and Independent Auditor's Report For The Year Ended September 30, 2011



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Certified Public Accountants and Consultants

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New York and Pennsylvania

Independent Auditors' Report

To Inspector General and Board of Directors,
Legal Services Corporation:

We have audited the accompanying statement of financial position of Legal Services Corporation ("LSC") as of September 30, 2011, and the related statements of activities and change in net assets, 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.

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 the 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 LSC as of September 30, 2011, 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 our report dated January 9, 2012, on our consideration of LSC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 as a whole. The accompanying Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

Silver Spring, Maryland
January 9, 2012

Financial Statements

Statement of Financial Position

September 30, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 80,128,158
Accounts receivable, net	16,473
Prepaid expenses and deposits	174,875

Total current assets	80,319,506
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Property and equipment, net	\$ 754,240
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	\$ 81,073,746
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LIABILITIES and NET ASSETS

Current Liabilities

Grants and contracts payable	\$ 64,187,855
Accounts payable	968,328
Accrued vacation and other liabilities	1,225,290
Deferred revenue	6,674,663

Total Current Liabilities	73,056,136
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NET ASSETS

Unrestricted

Undesignated	6,395,222
Board designated	855,648
Net investment in fixed assets	754,240

Total unrestricted	8,005,110
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Temporarily restricted	12,500
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Total net assets	8,017,610
------------------	-----------

	\$ 81,073,746
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The Notes to Financial Statements are an integral part of these statements.

Financial Statements *(cont.)*

Statement of Activities and Change in Net Assets

Year Ended September 30, 2011

SUPPORT and REVENUES	Unrestricted	Temporarily Restricted	Total
Federal appropriations	\$ 404,190,000	\$ -	\$ 404,190,000
Grant revenue	2,315,360		2,315,360
Interest	1,561		1,561
Other income	12,019	12,500	24,519
Donated Services	67,145		67,145
Change in deferred revenue	(718,856)		(718,856)
Total Revenue	405,867,229	12,500	405,879,729
EXPENSES			
Program services			
Grants, contracts and reimbursable expenses	383,027,214		383,027,214
Herbert S. Garten Loan Repayment Assistance Program	1,517,646		1,517,646
Supporting services			
Management and grants oversight	16,907,199		16,907,199
Office of Inspector General	4,038,712		4,038,712
Total expenses	405,490,771		405,490,771
Change in net assets	376,458	12,500	388,958
Net assets, beginning of year	7,628,652		7,628,652
Net assets, end of year	\$ 8,005,110	\$ 12,500	\$ 8,017,610

The Notes to Financial Statements are an integral part of these statements.

Financial Statements (cont.)

Statement of Cash Flows

Year Ended September 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 388,958
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	225,917
Loss on disposal of assets	268
Changes in assets and liabilities:	
Accounts receivable	303
Prepaid expenses and deposits	205,669
Grants and contracts payable	(5,243,455)
Accounts payable	610,019
Accrued vacation and other liabilities	213,641
Deferred revenue	718,856
Net cash used by operations	(2,879,824)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(588,429)
Net cash used by investing activities	(588,429)
Net decrease in cash and cash equivalents	(3,468,253)

CASH AND CASH EQUIVALENTS

Beginning of year	83,596,411
End of year	\$ 80,128,158

SUPPLEMENTAL INFORMATION

Income taxes paid	\$	0
Interest paid	\$	0

The Notes to Financial Statements are an integral part of these statements.

NOTE 1 ORGANIZATION AND PURPOSE

Legal Services Corporation (“LSC”) is a private non-membership District of Columbia nonprofit corporation, established by Congress in the Legal Services Corporation Act of 1974, Public Law 93-355, and amended in 1977 by Public Law 95-222. The purpose of LSC is to provide financial support to independent organizations that directly provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

LSC’s financial statements are prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recorded when incurred in accordance with accounting principles generally accepted in the United States of America.

The federal appropriations include amounts received and expended in furtherance of LSC’s objectives.

Basis of Presentation

LSC follows accounting standards established by the Financial Accounting Standards Board (FASB) which is the source of generally accepted accounting principles (GAAP) for not-for-profit entities. The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, LSC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

LSC has recorded transactions in the following net asset categories:

Unrestricted net assets – net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor imposed restrictions that will be met by the passage of time or which will be fulfilled by the actions of LSC.

Cash and Cash Equivalents

LSC’s cash and cash equivalents includes a fund balance with U.S. Treasury of \$44,411,646.

Accounts Receivable

Accounts receivable are net of an allowance of \$1,113,777 at September 30, 2011, determined based on historical experience and an analysis of specific amounts.

Property and Equipment

Capital assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets of five to ten years. Depreciation is reported as an unallocated expense and is not directly identified with individual functions.

Revenues

Federal appropriations are reported as support and revenue in the period the public law makes them available. The appropriation remains available until expended. Unexpended appropriated funds are shown as deferred revenue and adjustments are made to the account Change in Deferred Revenue to recognize the annual adjustment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts to Recipients

Liabilities, expenses and revenues related to grant and contract awards are recognized when the awarding document is fully executed. Grant awards are made to recipients on a calendar year basis from appropriations received by LSC.

Grant Recoveries

Grantees who have not complied with the requirements of the Legal Services Corporation Act of 1974 and implementing regulations may be subject to actions that result in a recovery of grant funds. Sources of grant refunds may include recoveries of disallowed costs, excess fund balances, unexpended funds on Private Attorney Involvement programs and sanctions imposed by LSC for failure to comply with other regulatory requirements, as well as other types of recoveries. Grant recoveries are reported as a reduction of grant and contract expenses on the accompanying statement of activities.

Net Assets

Net assets related to federal appropriations have been reported as either designated or undesignated. Designated net assets represent amounts that have been earmarked by the Board of Directors for continuing programs and administrative activities. Undesignated net assets represent appropriated federal carryover and other operating excess, which are available for future use at the discretion of the Board of Directors. Net assets invested in fixed assets represent investments in property, equipment and computer software, net of accumulated depreciation and amortization.

The Board of Directors, through its fund allocation process, has designated \$855,648 of the fund balance for continuing programs and administrative activities as of September 30, 2011. Net assets are reported as restricted due to donor stipulations that limit the use of the donated asset.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Income Taxes

LSC is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, except for unrelated business income. No provision for income taxes was required for the year ended September 30, 2011, as LSC had no net unrelated business income.

LSC evaluates its uncertain tax positions using the provisions of FASB ASC 450, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimates and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. There were no liabilities for uncertain tax positions as of September 30, 2011. There was also no tax-related to interest and penalties reported in the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LSC's Forms 990, Return of Organization Exempt from Income Tax, for the years ending September 30, 2008, 2009 and 2010 are subject to examination by the IRS, generally for 3 years after they were filed.

Concentration of Revenue

LSC receives substantially all of its revenue from direct federal government appropriations.

NOTE 3 CONCENTRATION OF CREDIT RISK – DEPOSITS

At September 30, 2011, LSC funds are in non-interest bearing accounts. LSC's cash accounts are subject to Federal Deposit Insurance Corporation (FDIC) limits. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012.

NOTE 4 EQUIPMENT

Property and equipment consists of the following at September 30, 2011:

	Beginning Balance	Additions	Disposals	Ending Balance
Furniture and equipment	\$ 1,939,453	\$ 423,506	\$ (53,008)	\$ 2,309,951
Software	406,050	60,973	-	467,022
Leasehold improvements	351,698	103,949	-	455,647
Subtotal	2,697,201	588,428	(53,008)	3,232,620
Less: Accumulated depreciation /amortization	(2,305,205)	(255,917)	52,741	(2,478,380)
Capital assets (net)	\$ 391,996	\$ 362,511	\$ (267)	\$ 754,240

Depreciation/amortization expense for the year ended September 30, 2011 is \$225,917.

NOTE 5 GRANT REVENUE

LSC was awarded a grant from the U.S. Court of Veterans Appeals for the purpose of furnishing legal assistance to veterans. Grant revenues for the year ended September 30, 2011, total \$2,315,360.

NOTE 6 GRANTS AND CONTRACTS EXPENSE

Grants and contracts expense for the year ended September 30, 2011 consists of the following:

	2011
Basic Field Programs	\$ 377,892,573
U.S. Court of Veterans Appeals	2,311,575
Grant From Other Funds	111,409
Technology Initiatives	2,903,326
Grant Recoveries	(191,669)
<hr/>	
Total	\$ 383,027,214

NOTE 7 MANAGEMENT AND GRANTS OVERSIGHT

Management and grants oversight expenses for the year ended September 30, 2011 were as follows:

	2011
Compensation and benefits	\$ 12,157,984
Temporary employee pay	507,879
Consulting	618,469
Travel and transportation	800,518
Communications	106,815
Occupancy cost	1,730,590
Printing and reproduction	62,706
Other operating expenses	696,319
Capital expenditures	515,182
<hr/>	
Total	17,196,462
<hr/>	
Depreciation & Amortization	225,917
Loss on disposal of assets	268
Less: capitalized assets	(515,448)
<hr/>	
	\$ 16,907,199

NOTE 8 OFFICE OF INSPECTOR GENERAL

LSC's Office of Inspector General expenses for the year ended September 30, 2011 were as follows:

	2011
Compensation and benefits	\$ 3,579,686
Temporary employee pay	8,408
Consulting	167,188
Travel and transportation	199,678
Communications	17,331
Occupancy cost	1,482
Printing and reproduction	8,271
Other operating expenses	56,668
Capital expenditures	73,246
Total	4,111,958
Less: capitalized assets	(73,246)
	\$ 4,038,712

NOTE 9 RETIREMENT PLANS

Pursuant to the Legal Services Corporation Act, all officers and employees hired before October 1, 1988, are participants in the Civil Service Retirement System ("CSRS"), although they are neither officers nor employees of the federal government. The CSRS plan is administered by the United States Office of Personnel Management ("OPM"). LSC makes contributions at rates applicable to agencies of the federal government. The contributions do not equal the full service cost of the pension expense, which is the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period. The measurement of service cost requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM.

The excess of total pension expense over the amount contributed by LSC and by LSC employees represents the amount which must be financed directly by OPM. Several employees participate in the federal Employees Health Benefits plan ("FEHB"), also administered by the OPM. LSC pays the cost of current employees.

Post-retirement benefits are paid for by the OPM. No amounts have been recognized in the financial statements for these imputed costs as they are not deemed material. LSC does not report in its financial statements CSRS or FEHB assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

Eligible employees may contribute up to 5% of their pretax earnings to the federal Thrift Savings Plan. Also, all officers and employees hired after September 30, 1988 are ineligible for the Civil Service Retirement System, but are eligible to participate in LSC's pension and thrift plan, which is a tax deferred annuity plan subject to Section 403(b) of the Internal

NOTE 9 RETIREMENT PLANS (Continued)

Revenue Code. Individuals can make contributions up to the maximum permitted by law. LSC matches the first 2.51% contributed by the employee. In addition, LSC contributes 6% of each eligible employee's salary regardless of their participation to the maximum permitted under federal income tax rules.

LSC's contributions to these plans for the year ended September 30, 2011 were \$994,311. The amounts are included in compensation and benefits for management and administration expenses. LSC also offers a tax deferred annuity savings plan for eligible employees. No contributions are made to this plan by LSC.

NOTE 10 OPERATING LEASE

On June 1, 2003, LSC commenced an operating lease agreement for office space which provides for a non-escalating annual base rent for a 10-year term. LSC has no obligation to pay a portion of building operating expenses. LSC has the right to terminate the lease by giving no less than 120-day prior written notice in the event that LSC does not receive an appropriation from Congress for administrative costs sufficient to cover LSC and its rental obligations for any period during the term of the lease. Future minimum lease payments required under this lease as of September 30, 2011 are as follows:

Fiscal Year	Amount
2012	1,710,000
2013	1,140,000
	\$ 2,850,000

Rental expense for the year ended September 30, 2011 is \$1,710,000.

NOTE 11 CONTINGENCIES

Grants and Contracts

LSC receives its funding from appropriations by Congress and grants from the U.S. Court of Veterans Appeals and, accordingly, may be subject to federal audits. In addition, LSC provides significant funding to numerous independent organizations, which are subject to their own independent audits and audits by LSC. LSC's management does not expect any significant adjustments as a result of federal audits, should they occur, or from the audits of the grantees' independent auditors.

LSC receives substantially all of its revenue from direct federal government appropriations. Should there be a significant reduction in this revenue, LSC's programs and activities could well be negatively affected.

Claims

LSC is defending what started as two separate cases but have been consolidated into one case involving challenges to LSC regulations. Plaintiffs are seeking injunctive relief but no monetary damages, except for attorneys' fees but LSC's legal fees in these cases were being paid by its insurance carriers. Insurance is no longer available to cover legal fees in

NOTE 11 CONTINGENCIES (Continued)

this consolidated matter and must be paid directly by LSC out of normal operating funds, without reimbursement by insurance carriers. However, the matter has been dormant since 2009 and no renewed activity is anticipated. No funds have been recorded in the financial statements for any contingent liability associated with future legal fees.

In August of 2011, a civil lawsuit, *Wojdak v LSC*, U.S. Department of Labor, U.S. Department of the Treasury, was filed against LSC but never served. Although the lawsuit names LSC as a co-defendant, no specific claims were made against LSC. No funds have been recorded in the financial statements for any contingent liability associated with this matter.

Since June of 2011, several employees of LSC have filed wage discrimination complaints with the Equal Employment Opportunity Commission (EEOC). As they were only recently filed, all but one remain pending before the EEOC. Outside counsel for the Corporation has assessed the pending claims and advised that none is meritorious. Given that, in the opinion of counsel, none of these matters poses a reasonable possibility of an unfavorable outcome, no funds have been recorded in the financial statements for any contingent liability associated with these matters.

Reclassification of employees from exempt to non-exempt

No one made a claim against LSC alleging misclassification or failure to pay overtime, but LSC reclassified certain individuals from exempt to nonexempt and retroactively paid wages for hours worked in excess of 37.5 hours per week. Sufficient funds were available to make these payments without affecting current operations. Total amount paid during year ended September 30, 2011 is \$9,448 and the amount due at September 30, 2011 is \$25,782.

Collection Matters

In 2010, upon concluding that an LSC grantee had misused LSC funds and committed other financial irregularities, LSC disallowed approximately \$716,261 of the grantee's costs. On appeal, LSC agreed to reduce that amount to \$467,619. In 2011, the grantee was completely defunded. The Corporation is now exploring its options on how to recover the previously disallowed amount of \$467,619. No amounts have been recorded.

NOTE 12 LOAN REPAYMENT ASSISTANCE PROGRAM

Through the Herbert S. Garten Loan Repayment Assistance Program (LRAP), established in 2005 and funded by Congressional appropriations, LSC makes a limited number of forgivable loans to attorneys employed by its grantee programs to help repay law school debt. Each participant receives up to \$5,600 per year for three years – for a maximum of \$16,800 if they remain eligible and funding remains available.

Participants must commit to remain with the LSC-funded legal services program for three years. As long as the participant remains in good standing, the loans are forgiven. Participants that do not successfully complete employment within the loan terms must repay the loans. No provision has been made in the accompanying financial statements to reflect any interest on the loans as management has deemed these amounts to be immaterial.

Accounts receivable are stated at the amount management expects to collect from refunded loans. Management provides for probable forgiven amounts through an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Accounts receivable balances are written-off through a charge to the valuation allowance

NOTE 12 LOAN REPAYMENT ASSISTANCE PROGRAM (Continued)

in the year the loans are forgiven. Deferred revenue is comprised of funding available for future loans and loan amounts outstanding.

LRAP balances at September 30, 2011 are as follows:

Cash	\$ 1,176,638
Accounts receivable, net	7,535
Deferred revenue	1,184,223

LRAP activity for the year ended September 30, 2011 is as follows:

Loans made	\$ 1,518,607
Loans forgiven	866,953
Net change in allowance for loan forgiveness	650,693

NOTE 13 TEMPORARILY RESTRICTED NET ASSET

LSC received donations totaling \$12,500 which are restricted for the American Bar Foundation *Access Across America* research project.

NOTE 14 PRIOR PERIOD ADJUSTMENT

During the FY 2011 audit, the decision was made to set up an allowance for the Herbert S. Garten Loan Repayment Assistance Program to properly report the Loan Repayment Assistance Program Receivable at its net realizable value in accordance with generally accepted accounting principles. The total amount of the adjustment related to FY2010 was \$463,084 causing the accounts receivable to be adjusted from \$479,860 to \$16,776 on the statement of financial position and the Herbert S. Garten Loan Repayment Assistance Program expense to be adjusted from \$572,162 to \$990,246 on the statement of changes in net assets. In addition, the adjustment caused the deferred revenue to be adjusted from \$6,418,891 to \$5,955,807 on the statement of financial position and the change in deferred revenue to be adjusted from \$3,619,052 to \$3,155,968 on the statement of activities. These changes had no effect on the net assets of LSC at September 30, 2010.

NOTE 15 SUBSEQUENT EVENTS

Legal Services Corporation has evaluated subsequent events occurring after the statements of financial position date through the date of January 9, 2012 the date the financial statements were available for release.

Fiscal Year 2012 Funding

On November 17, 2011, the House and Senate passed the Conference Report (House Report 112-284) to accompany H.R. 2122, an appropriations bill for Fiscal Year 2012 that included \$348 million for the Legal Services Corporation. President Obama signed the bill into law (Public Law 112-55) on November 18.

NOTE 15 SUBSEQUENT EVENTS (Continued)

The appropriations bill, popularly known as the “minibus,” combined the Agriculture, Commerce-Justice-Science and Transportation-HUD spending bills. LSC is funded through the Commerce, Justice, Science and Related Agencies Appropriations Subcommittee.

The Fiscal Year 2012 appropriation will provide \$322.4 million for basic field grants, \$3.4 million for the Technology Initiative Grants program, \$1 million for the student loan repayment assistance program, \$17 million for management and grants oversight, and \$4.2 million for the LSC Office of Inspector General. Prior to enactment, LSC operated on funds provided by a Continuing Resolution (Public Law 112-36) that cut all accounts by 1.5 percent and expired on November 18, 2011. LSC was funded at \$398 million under the interim bill.

Previous auditors’ reports are available in LSC’s annual reports:

www.LSC.gov/about/annual-report

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