



LEGAL SERVICES CORPORATION 2012 Annual Report





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 and Evaluation*

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

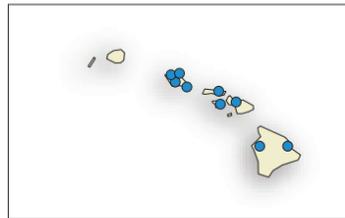
Kansas Legal Services

KENTUCKY

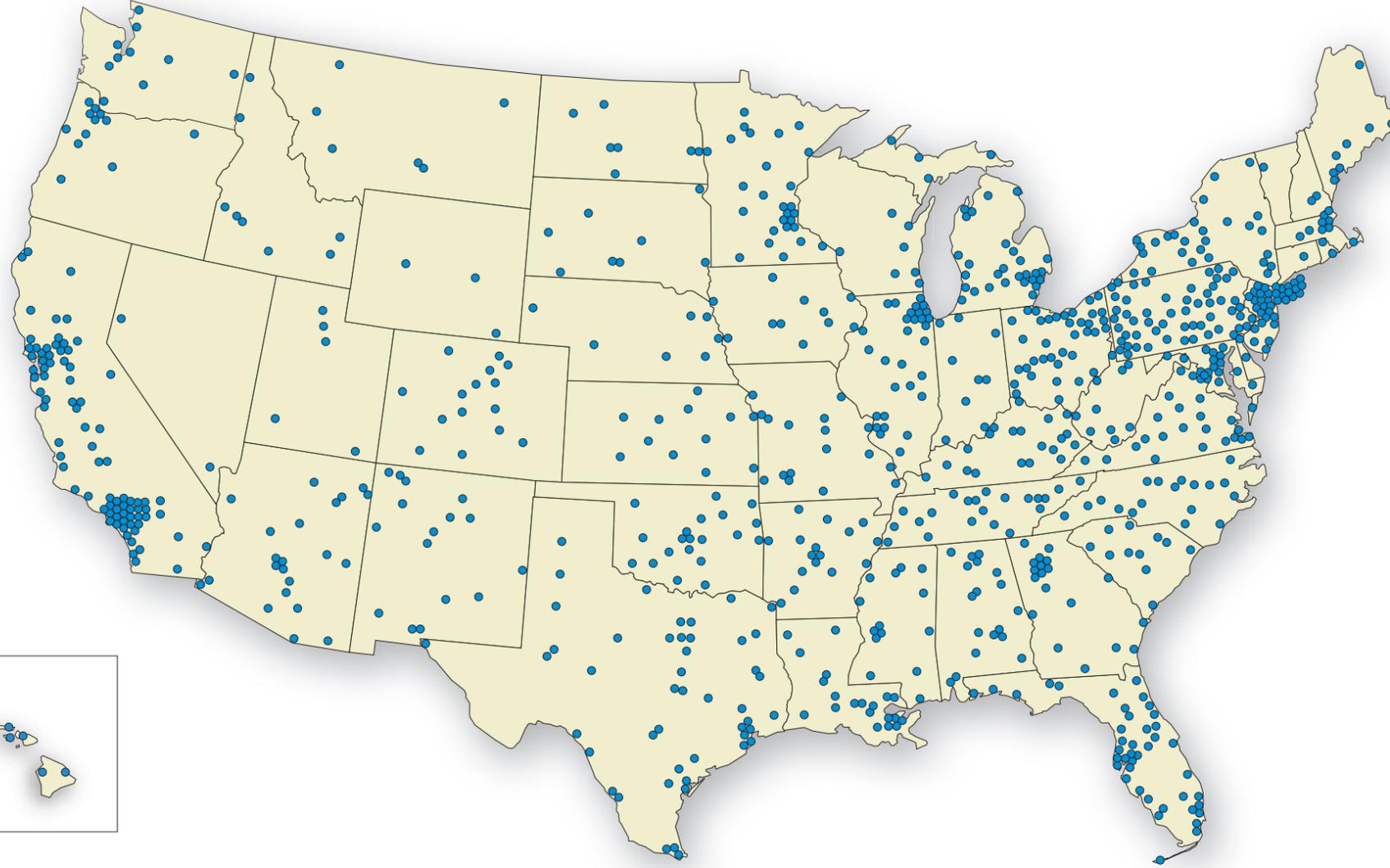
Appalachian Research and Defense Fund of Kentucky
Kentucky Legal Aid
Legal Aid of the Blue Grass
Legal Aid Society

LOUISIANA

Acadiana Legal Service Corporation
Legal Services of North Louisiana
Southeast Louisiana Legal Services Corporation



In 2012, the Legal Services Corporation provided grants to 135 independent, nonprofit organizations that provide free civil legal services to low-income Americans from 807 offices located in every state, the District of Columbia and the territories of the United States of America.



MAINE

Pine Tree Legal Assistance

MARYLAND

Legal Aid Bureau

MASSACHUSETTS

Massachusetts Justice Project
Merrimack Valley Legal Services
South Coastal Counties Legal Services
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

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 Cumberlands
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

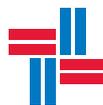
Micronesian Legal Services

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 plays a vital role in 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 funding 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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LSC Launches Efforts to Expand Pro Bono, Technology, Public Awareness

In 2012, the number of Americans eligible for LSC-funded legal assistance reached an all-time high, more than 61 million, while LSC's congressional appropriations fell to \$348 million, an all-time low in inflation-adjusted dollars.

This financial perfect storm forced many LSC grantees across the nation to lay off staff, close offices, and turn away more people in need. Between 2010 and 2012, for example, 923 full-time positions—385 of them attorneys—were eliminated at LSC grantees because of funding cuts. That represents more than a 10 percent loss of staff in just two years.

To help meet this deepening challenge, LSC launched new initiatives in 2012 to further extend our reach—through collaboration with our many partners in the legal community, more effective use of technology, and increased efficiencies wherever they can be found. The LSC board adopted a far-ranging, five-year strategic plan to guide those efforts and to establish foundational goals.

LSC's national Pro Bono Task Force, composed of more than 60 distinguished leaders of the legal community, released its wide-ranging report and recommendations at events in Washington, Boston, Chicago, and Durham. The Task Force Report seeks to expand the number of lawyers who are willing to do pro bono work and better match those lawyers with the growing unmet need. An implementation steering committee from the task force is now hard at work to make sure those recommendations are translated into action, and we expect to see many exciting developments as we move forward.

LSC also convened its second-ever Technology Summit, with meetings in Washington, DC and Jacksonville. Many of the innovations in the use of technology in our country's civil justice system grew out of LSC's first technology summit in 1998. LSC and its partners have built a network of websites stretching from coast to coast delivering significant legal information, self-help videos, and automated forms to assist low-income individuals with their legal needs. These resources are accessed many thousands of times a day. We look forward to seeing similar ground-breaking developments from the 2012 tech summit.

In April 2012, LSC co-hosted at the White House a forum on the state of civil legal assistance in this country. At the event, President Obama pledged to be a "fierce advocate" for LSC and civil legal aid, and Attorney General Eric Holder, State Department Legal Adviser Harold Koh, and Senior Adviser to the President Valerie Jarrett joined the president at the podium.

The forum also featured two panels. The first, composed of state supreme court justices and national leaders of the legal community, explored the critical role of civil legal assistance for the poor in fulfilling the promise of "justice for all," and in maintaining America's commitment to the rule of law. Six executive directors of LSC grantees

formed the second panel, and they highlighted success stories and discussed innovative ways in which they are serving their clients in an era of high demand and scarce resources.

Following the White House event, the LSC Board convened panels of

state supreme court chief justices and other legal experts in regions of the country where it was holding quarterly meetings—Ann Arbor and Durham. These forums also highlighted the many issues confronting the civil legal assistance system as it attempts to deliver services to the many low-income Americans who need help, explored broad strategies, and educated the public—and our fellow lawyers—about what is at stake.

At our board meetings, we also heard from panels on a variety of topics, including domestic violence, veterans' issues, the role of technology in providing self-help information to unrepresented litigants, and the use of civil legal partnerships with pro bono attorneys to extend scarce resources.

At our first Board meeting of 2012, in San Diego, we were privileged to hear from the remarkable Pepperdine Law Dean and former Chief Judge of the U.S. Court of Appeals for the Tenth Circuit, Deanell Reece Tacha—also a member of LSC's pro bono task force. In stirring rhetoric, she spelled out the importance of ensuring equal access to justice:

"When the great majority of the individuals and small businesses of the nation no longer can, or believe they no longer can, get a lawyer, be represented effectively, go to court, settle their disputes in a fair and impartial way, and be treated like every other citizen, we quite simply, have lost the guiding principle of our republic—equal justice under law. When that goes, the rule of law goes, and when that goes, the great dreams of those patriots who founded and fought for this republic go with it—never to be reclaimed. Something must be done!"

LSC and its grantees are heeding Dean Tacha's call, and every day we indeed do something very fundamental as we strive to ensure equal access to justice. It is not enough to have a system of laws if millions of our citizens do not have access, or believe they do not have access, to that system.

LSC-funded legal service lawyers do all they can to meet the basic responsibility to low-income Americans of ensuring that the justice system is available to them and an even greater responsibility to future generations to make sure that the justice system we hand them remains true to our founding values.



John G. Levi
Chairman, Board of Directors
Legal Services Corporation
July 21, 2013

Working with Our Partners to Build for a Strong Future

2012 was a year of challenge, accomplishment, and opportunity for the Legal Services Corporation.

Our biggest challenge, of course, was the combination of record-high demand for legal services and significantly reduced resources to meet that demand. But we worked to expand and fortify our relationships with our stakeholders and our colleagues involved in funding, promoting, and delivering legal services—Congress, IOLTA programs, the judiciary, bar associations, pro bono organizations, law schools, and the entire provider community—to build for a strong future.

Among the highlights of the year:

- With our new Director of Government Relations and Public Affairs, Carol Bergman, we worked to build bipartisan support for LSC funding. We have a compelling case. LSC implements the core American value of access to justice—a value reflected in the very first line of our Constitution and in the closing words of our Pledge of Allegiance. LSC funding is a good investment of taxpayer dollars that returns significant economic benefits for communities and government alike. Recent LSC initiatives demonstrate our commitment to effective management and prudent stewardship of federal funds.
- Our new Vice President for Grants Management, Lynn Jennings, hit the ground running and began implementing the recommendations of LSC's Fiscal Oversight Task Force. Because of her work, LSC's Offices of Program Performance, Compliance and Enforcement, and Information Management are now better integrated to provide enhanced support for and oversight of LSC's grantees.



I visited a number of LSC-funded legal aid programs in 2012. Every visit left me inspired, impressed, and grateful for the talent, resilience, professionalism, passion, and effectiveness of the people I met.

To me, legal aid lawyers are the heroes of the legal profession. They are, as a group, the lowest paid lawyers in the profession. They labor day in and day out with crushing caseloads, with the emotional burden of their clients' circumstances, with the heartbreak of knowing how many people they are unable to help, and with the insecurity that comes with precarious funding. But they do it gladly, and with a commitment to their clients that is absolutely remarkable. They are making America's promise of equal justice under law real for the people they serve.

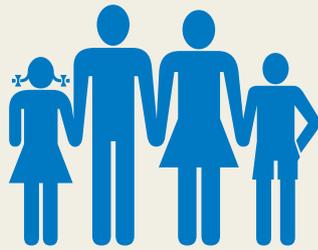
I am honored to work with them.

A handwritten signature in blue ink that reads "Jim Sandman". The signature is fluid and cursive.

James J. Sandman
President
Legal Services Corporation
July 21, 2013

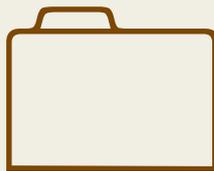
- Our new Chief Information Officer, Peter Campbell, has begun revamping LSC's technology to improve efficiency and facilitate our work with grantees. Peter has a deep background in using technology to maximize performance in non-profit organizations.
- We obtained a \$276,000 grant from the Public Welfare Foundation to bolster LSC's data collection and reporting systems and to give LSC grantees the tools to collect, analyze, and use data to manage their programs for peak effectiveness.

2012—By The Numbers



61.8 million

The number of Americans eligible for LSC-funded legal assistance continued at an all-time high.



Cases closed:

809,830

including

80,209

with the involvement of pro bono attorneys.

113,785

clients were at least 60 years old.

577,319

were women.



112,044

of the cases involved domestic violence.

LSC's

135

grantees employed



8,056

full-time staff at



807

offices throughout the United States and its territories.

3,945

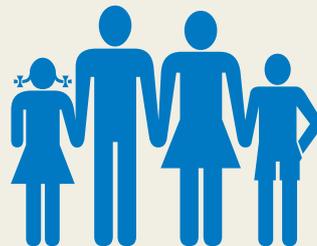
were attorneys,

1,410

were paralegals.

31,531

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



1,996,860

Total number of people in all households served

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
Morgan and Helen Chu Dean and Professor at the Harvard Law School.



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
Adjunct Professor of Law, Washington and Lee School of Law.



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
Assistant Clinical Professor at Northwestern Law School Bluhm Legal Clinic, and Commissioner on the Illinois Court of Claims.



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.

Committees

Audit

Maddox, *Chair*; Korrell; Valencia-Weber; David Hoffman*; Paul Snyder*

Finance

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

Governance and Performance Review

Minow, *Chair*; Browne; Keckler; Reiskin

(*Non-director member)

Institutional Advancement

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

Operations and Regulations

Keckler, *Chair*; Grey; Korrell; Mikva

Promotion and Provision for the Delivery of Legal Services

Fr. Pius, *Co-Chair*; Valencia-Weber, *Co-Chair*; Browne; Maddox; Reiskin



TOP: (L-R) State Bar of Calif. President Jon Streeter, LSC Board Chair John Levi, Calif. Insurance Commissioner Dave Jones, and Legal Aid Society of San Diego Executive Director Gregory Knoll at the LSC Pro Bono Awards reception in California. **LEFT:** (L-R) Levi; N.C. Pro Bono Award winners Charles Holton, Sylvia King Kochler, Paul Shepard, and Thomas Berkau; LSC President Jim Sandman. **BELOW LEFT:** D.C. Court of Appeals Judge Phyllis D. Thompson speaking at LSC's Black History Month celebration. **BELOW RIGHT:** (L-R) LSC board members Julie Reiskin, Charles Keckler, and Harry Korrell at the Capitol Hill release of the Pro Bono Task Force report.



▶ SEE ADD'L PHOTOS



▶ SEE ADD'L PHOTOS

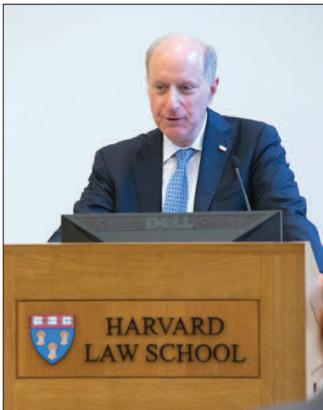


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At the White House Forum on the State of Civil Legal Assistance – TOP: (L) LSC Board Chair John Levi; (R) President Barack Obama greets former U.S. Attorney General Dick Thornburgh. **ABOVE:** LSC board members and other attendees. **BELOW:** (L-R) Executive directors César Torres of the Northwest Justice Project, Alison Paul of Montana Legal Services; Anthony Young of Southern Arizona Legal Services; John Whitfield of Blue Ridge Legal Services.



At the Capitol Hill release of the Pro Bono Task Force report: (CLOCKWISE FROM TOP LEFT) Task Force Co-Chair Harry J.F. Korrell; (L-R) The Honorable David S. Tatel of the U.S. Court of Appeals for the D.C. Circuit, LSC Board Chair John Levi, LSC board member Robert J. Grey Jr., and Rep. Frank Wolf (R-Va.); (L-R) D.C. Bar President Tom Williamson, and Pro Bono Task Force member Ron Flagg, who recently joined the LSC staff as vice president for legal affairs; (L-R) LSC board member Victor Maddox and Legal Aid Society of Cleveland Executive Director Colleen Cotter; (L-R) DOJ Deputy Counselor for Access to Justice Lynn Overmann, Chief of Staff Tina Tchen of the Office of the First Lady, and DLA Piper Pro Bono Partner Elizabeth Dewey; (L-R) ABA SCLAID Chair Lisa Wood, and Adams and Reese Senior Partner in Charge E. Paige Sensenbrenner.



At the Boston Release of the Pro Bono Task Force Report: (L-R) LSC Board Chair John Levi; Chief Judge Mark L. Wolf of the U.S. District Court of Massachusetts; Mary Ryan of Nutter McClennen & Fish, and LSC board member Robert J. Grey Jr.



Panelists at a judicial forum convened by LSC in Durham, N.C.: (L-R) Chief Judge John C. Few of the South Carolina Court of Appeals, Chief Justice Sarah Parker of North Carolina, and Chief Justice Carol Hunstein of Georgia



ABOVE: LSC President Jim Sandman (center) and LSC board member Gloria Valencia-Weber on a visit to DNA People's Legal Services, which serves tribes in Arizona, New Mexico and Utah. Also pictured (L-R) are DNA board members Bill Cooke, Tom Murphy, Richard Tsosie, and Chee Smith, Jr. **RIGHT:** LSC summer interns on a field trip to Capitol Hill.



Developing New Ways to Expand Partnerships with the Private Bar

LSC is committed to promoting effective pro bono service to help close the “justice gap”—the disparity between the legal needs of the poor and the capacity of the civil legal assistance community to meet those needs.

Pro bono volunteers supplement rather than replace the excellent work of legal aid lawyers, many of whom are subject matter experts in the issues facing the poor. In this way, the private bar can make important contributions to ensuring that more people have access to a lawyer when needed.

LSC is already seeing results from its efforts to engage the private bar. In 2012, pro bono attorneys closed 80,209 cases for LSC-funded organizations, a 38.9 percent increase from 2008.

LSC’s national Pro Bono Task Force, charged with identifying innovative ways to enhance pro bono throughout the country, released its report and recom-



Rep. Frank Wolf (R-Va.)

mendations in 2012 at events in Washington, Boston, Chicago, and Durham.

Rep. Frank Wolf (R-Va.), chairman of the House Appropriations Subcommittee on Commerce, Justice, Science & Related Agencies, and a strong proponent of pro bono, praised the report and

called for its implementation.

“I think it’s a very important opportunity for the legal profession,” Wolf said. “You know, St. Francis of Assisi said, ‘I’d rather see a sermon than hear a sermon,’ and so I think it’s important that we see this sermon carried out.

“I am committed to doing everything I can to make sure the funding for legal services” continues, he added. The combination of legal aid programs and pro bono attorneys



working together to help people in need “will be really good.”

Wolf spoke on October 2 at the U.S. Capitol Visitor Center, where task force members from across the country joined the LSC Board and members of the Washington legal community to celebrate the report’s release.

The task force, co-chaired by board members Dean Martha Minow of the Harvard Law School and Harry J.F. Korrell III of Davis Wright Tremaine LLP, included more than 60 distinguished leaders and experts from the judiciary, major corporations, private practice, law schools, the federal government, and the legal aid community.

The task force’s recommendations to LSC and its grantees include:

- Forming a professional association of pro bono coordinators at LSC-funded organizations;
- Asking Congress to create a new Pro Bono Innovation/Incubation Fund modeled on LSC’s successful Technology Initiatives Grant (TIG) program; and
- Developing a fellowship program for new graduates and emeritus lawyers designed to build support for civil legal services and pro bono within firms, law schools, and the legal profession as a whole.

The task force’s requests of bar leaders, the judiciary, and others include:

- Permitting judges to recruit and recognize pro bono attorneys, consistent with their ethical obligations;
- Allowing lawyers to take on limited-representation matters or unbundle services; and
- Allowing lawyers to take on pro bono matters in jurisdictions other than those in which they are licensed to practice.



Audience members at the Capitol Hill event.

▶ SEE ADD’L PHOTOS

▶ PLAY VIDEO



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Speakers at the Boston release of the Pro Bono Task Force report: (L-R) Task Force Co-Chair Martha Minow, vice chair of the LSC board; Deputy Assistant to the President Michael Strautmanis; former Massachusetts Chief Justice Margaret Marshall; (L-R) Pine Tree Legal Assistance Executive Director Nan Heald, LSC President Jim Sandman, Mary Ryan of Nutter McClennen & Fish, LSC board member Robert J. Grey Jr., and David Wilkins of Harvard Law School (moderator).

The task force's requests of policymakers, funders, and the legal profession include:

- Recognizing that using pro bono lawyers to address the crisis in legal services can be accomplished only with proper infrastructure and support for pro bono programs—which comes at a cost;
- Recognizing that LSC and its grantees should receive adequate funding to develop this infrastructure, and this funding should not come at the expense of supporting existing and critically-needed legal services.

LSC has also empaneled an Implementation

Steering Committee to ensure that these recommendations and findings are translated into action. Co-chaired by board members Robert Grey, a former ABA president, and Victor Maddox, a Kentucky practitioner, the panel is divided into four subcommittees: Pro Bono Toolkit, Technology, and Effectiveness Implementation Subcommittee; Pro Bono Culture Change Subcommittee; Pro Bono Fellowship Subcommittee; and Pro Bono Rules Change Implementation Subcommittee.

Subcommittees are composed of LSC board members, LSC grantees, members of the private bar, and the judiciary as well as interested stakeholder groups.



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▶ SEE ADD'L PHOTOS

At the Chicago release of the Pro Bono Task force report: (L-R) LSC Board Chair John Levi, ABA President Laurel Bellows, Joint Chief Executive Officer and Partner Lee I. Miller of DLA Piper, and Chief Justice Thomas Kilbride of Illinois.

MAINE PRO BONO LAWYER WINS AWARD

Maine lawyer Thomas Cox won a \$100,000 Purpose Prize in 2012 for pro bono work he did with LSC-grantee Pine Tree Legal Assistance (Pine Tree) that uncovered “robo-signing” and other illegal practices in the mortgage industry.

In 2009 Cox took a Pine Tree foreclosure case to help Nicolle Bradbury save her home. Because of his expertise in the foreclosure process, Cox quickly realized that the mortgage company he was suing in court to save the \$75,000 house was mass-producing flawed paperwork to seize people’s homes illegally. This set off investigations that would lead to a \$25 billion settle-

ment that forced the nation’s largest banks to halt improper foreclosures.



The Purpose Prize, distributed by Encore.org, recognizes people older than 60 who work toward the public good. It is funded by the John Templeton Foundation and The Atlantic Philanthropies.

Cox continues to be a force at Pine Tree.

“Tom donated more than 700 hours of legal time to this work in 2012,” said Executive Director Nan Heald. “In addition to serving his clients, Tom has been an extraordinarily generous mentor and trainer for our legal aid staff.”

Exploring Legal Aid Problems, Solutions at White House and Judicial Forums

Throughout 2012, LSC grantees struggled with the twin challenges of a rapidly growing poverty population and dramatically lower resources. The LSC board focused attention on these challenges and explored strategies to address them at a high-profile event at the White House and at forums convened in conjunction with its quarterly board meetings.

The two-hour White House forum in April focused on the state of civil legal assistance in America and featured a spirited discussion by a diverse group of national leaders.

In his remarks at the gathering, President Obama said that making civil legal assistance available to low-income Americans is “central to our notion of equal justice under the law” and pledged to be a “fierce defender and advocate for legal services.”

Other speakers included U.S. Attorney General Eric Holder, U.S. Department of State Legal Adviser Harold Hongju Koh, and Senior Adviser to the President Valerie Jarrett.

A panel discussion on the challenges facing civil legal assistance, moderated by Harvard Law School Dean Martha Minow, featured former Pennsylvania Governor and U.S. Attorney General Richard Thornburgh; Deputy Chief of Staff to the President Mark Childress; Justice Jess H. Dickinson of the Mississippi Supreme Court; Department of Veterans Affairs General Counsel Will A. Gunn; White House Counsel Kathryn Ruemmler; Illinois Attorney General Lisa Madigan; and American Bar Association President William T. Robinson.



President Barack Obama

Michigan, the LSC board convened another distinguished panel of judicial leaders, including Judge Denise Page Hood of the U.S. District Court for the Eastern District of Michigan, together with state Chief Justices Mark Cady of Iowa, Cornelia Clark of Tennessee, Thomas Kilbride of Illinois, and Richard Teitelman of Missouri.

The panelists discussed how, in a climate of eroding resources, their courts are attempting to address issues such as language access for non-English-speaking individuals and providing support to help pro se litigants navigate the court system. They also talked about the importance of collaboration among equal justice stakeholders seeking to increase resources and bring about necessary change.

Two other panels followed—one composed of domestic violence law experts from around the country, and a second made up of Michigan equal justice community leaders.

The alarming growth in the number of pro se litigants was among the topics addressed by six leading judges from the Southeast at a forum held Oct. 1 at Duke University. The panelists also discussed ways to expand access to justice for low-income Americans by

LSC President Jim Sandman moderated a second panel that day of executive directors of LSC-funded programs. They discussed the state of civil legal services in their communities, and how they use partnerships with pro bono attorneys, technology, and other innovations to leverage scarce resources.

At its July meeting in Ann Arbor,

For videos and photographs of the White House event, and links to speech transcripts:

www.lsc.gov/media/in-the-spotlight/white-house-and-lsc-co-host-forum

A SUMMONS TO THE WHITE HOUSE

“The phone call came during a board meeting. The president of the Legal Services Corp. urged that I leave the meeting and call back. ‘It’s important. We want you to come to the White House and talk about what you do,’ he said. Really?... The opportunity to tell the President of the United States why we think



our work is important was unprecedented. It was a chance to speak at the highest level of our government about the cause to which I have devoted my career: justice for all.”

Phyllis Holmen
Georgia Legal Services Executive Director
Daily Report, April 26, 2012



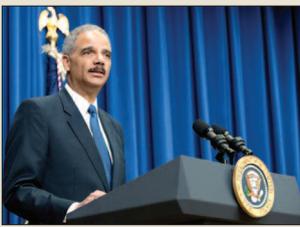
“The United States is the richest country in the world. Thus, most Americans simply assume that we rank at the top on every empirical rule of law measure. In fact, and shockingly, we do not.”—Harold Hongju Koh, Legal Adviser, U.S. Department of State

simplifying legal processes and forms, increasing the use of law students and legal clinics, and promoting pro bono service.

The panel included Judge Allyson Duncan of the U.S. Court of Appeals for the 4th Circuit; Chief Judge John C. Few of the South Carolina Court of Appeals;

Justice S. Bernard Goodwyn of the Virginia Supreme Court; Chief Justice Carol Hunstein of Georgia; Chief Justice Menis Ketchum of West Virginia; and Chief Justice Sarah Parker of North Carolina.

The forum also featured a panel on the civil legal needs of military veterans.



“Today’s forum represents an important step forward in our ongoing efforts to close what’s become known as the ‘justice gap,’ to secure civil legal aid for all those who need it, and to bolster the strength and integrity of our nation’s justice system.”—U.S. Attorney General Eric Holder

For video of the Ann Arbor and Durham forms: www.lsc.gov/media/videos / For photos: www.lsc.gov/media/photo-galleries

At the White House Forum: (L-R) Former U.S. Attorney General Dick Thornburgh, White House Counsel Kathryn Ruemmler, General Counsel Will Gunn of the Department of Veterans Affairs, LSC Board Vice Chair Martha Minow (moderator), Justice Jess H. Dickinson of Mississippi, ABA President William T. Robinson, Illinois Attorney General Lisa Madigan, and Deputy Chief of Staff to the President Mark Childress.



▶ SEE ADD’L PHOTOS

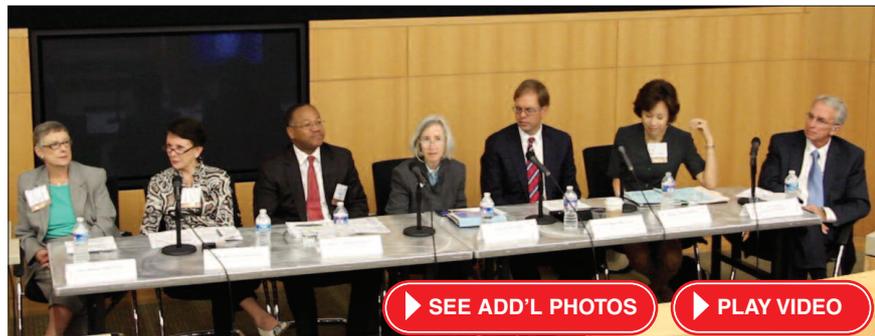
▶ PLAY VIDEO



A judicial panel convened by LSC in Ann Arbor, Mich., included (L-R) Hon. Denise Page Hood of the U.S. District Court for the Eastern District of Michigan, Chief Justice Thomas Kilbride of Illinois, LSC Board Vice Chair Martha Minow (moderator), Chief Justice Mark Cady of Iowa, Chief Justice Cornelia Clark of Tennessee, and Chief Justice Richard Teitelman of Missouri.

▶ PLAY VIDEO

A judicial panel convened by LSC in Durham, N.C., included (L-R) Chief Justice Sarah Parker of North Carolina, Chief Justice Carol Hunstein of Georgia, Justice S. Bernard Goodwyn of Virginia, LSC Board Vice Chair Martha Minow (moderator), Chief Judge John C. Few of the South Carolina Court of Appeals, Judge Allyson Duncan of the U.S. Court of Appeals for the 4th Circuit, and Chief Justice Menis Ketchum of West Virginia.



▶ SEE ADD’L PHOTOS

▶ PLAY VIDEO

Promoting Innovation with TIG Program and Tech Summit

LSC held its second-ever technology summit beginning with a meeting in June in Washington and concluding in January of 2013 in Jacksonville.

Many of the technological innovations now in use in our country's civil justice system grew out of LSC's first technology summit in 1998.

The meetings in Washington, D.C. and Florida brought together selected technology experts, academics, private practitioners, and representatives of legal services programs, courts, and governmental and business entities. Their goal was to explore the potential of technology to move the United States toward providing some form of effective assistance to 100 percent of low-income persons with essential civil legal needs who cannot afford an attorney.

Summit participants agreed on the following focus areas for the next five years:

- **Document Assembly:** improving automated form creation for self-represented individuals;
- **Expert Systems:** developing intelligent tools that guide clients and advocates through the steps needed for complex legal procedures;
- **Remote Services Delivery:** using technology to overcome physical barriers such as distance or disability) to seeking representation;
- **Mobile Technology:** delivering assistance and services using smartphones and tablets; and
- **Triage:** further automating the complex processes of matching clients to resources.



Rep. John Conyers, Jr. (D-Mich.) took part in a press conference announcing a TIG award to the Legal Aid and Defender Association in Detroit. The association's Michele Hall, and LSC President Jim Sandman (center) also took part.

Technology Initiative Grants

Since its start in 2000, LSC's Technology Initiative Grants (TIG) program has made 528 grants, totaling more than \$40 million. With these grants, legal services programs have built a solid foundation that includes a network of statewide

websites and a variety of effective and replicable systems to support clients, staff, and pro bono efforts.

In 2012, LSC awarded 46 grants totaling more than \$3.5 million in TIG funding to legal aid programs in 27 states and the territory of Guam. These grants will help increase access to Web-based resources, enhance pro bono, expand websites for veterans and disaster recovery, and—a new category in 2012—improve data collection and analysis.

Examples of 2012 TIG-funded projects include:

- The Alaska Legal Services Corporation is producing approximately 30 short family law videos designed to help low-income persons better complete their own cases. These videos will be available online through the Alaska Legal Services Corporation website as well as other legal aid and court sites in the state.
- Idaho Legal Aid Services is developing a web-based virtual law office. This will create a secure, virtual portal that allows attorneys to provide services to those clients unable to travel to a legal aid office but able to use the Internet.
- Legal Aid Services of Northeastern Minnesota is using TIG funds to create a library of resources, including settlement checklists and client interview guides that are optimized for use on mobile devices. The library will support pro bono attorneys helping low-income clients with matters outside the attorneys' usual areas of expertise.

See the chart on pages 16 and 17 for the full list of 2012 LSC technology grants.

TIG Conference

In January, LSC held its 12th Technology Initiative Grants (TIG) Conference in Albuquerque. The conference brought together 123 representatives from programs that received 2011 TIG awards, along with participants



LSC Tech Summit – ABOVE, CLOCKWISE FROM TOP LEFT: (L-R) LSC President Jim Sandman, District of Columbia Court of Appeals Chief Judge Eric T. Washington; Physician Marc Pierson of PeaceHealth; Jane Ribadeneyra of LSC's TIG team; John Greacen of Greacen Associates; and U.S. Chief Technology Officer Todd Park. RIGHT: Glenn Rawdon of LSC's TIG team. BOTTOM: A small group discussion.

Harvard Journal of Law and Technology (JOLT) published seven articles from LSC's June 2012 technology summit.

Read more about, and see photos from, the Technology Summit: www.tig.lsc.gov

from other legal aid programs, bar associations, courts, and both for-profit and nonprofit technology companies. For the first time, LSC provided 10 scholarships designed to encourage LSC grantees that had never received a TIG award to participate in the conference.

OIG Audit of LSC's TIG Program Closed in 2012

In December 2010, the Office of Inspector General (OIG) issued a report on LSC's Technology Initiative Grants program, which included 36 recommendations. On September 28, 2012, the OIG provided LSC management with a memorandum stating that all recommendations for this audit have been closed.

LSC's TIG program is poised to continue providing leadership and support for technology projects that enhance access to justice.



2012 TIG Grants (Total Funding Awarded = \$3,557,892)		
State	Award Amount	Key Grant Project
Alaska	\$46,500	In conjunction with the Alaska Court System's Family Law Self-Help Center, develop and make available online Web-based family law vignettes designed to help low-income persons complete their own cases.
Arizona	\$32,625	Replicate the TIG-funded Legal Aid of Western Ohio Remote Intake Project for the three LSC-funded programs in Arizona.
Arkansas	\$63,000	Continue to develop and update document assembly forms utilizing HotDocs software, A2J Author software, and the national LawHelp Interactive server technology.
California	\$108,752	Replicate a Web-based online application system; and implement a legal services pleading bank, accessible through the statewide advocates' website, in several substantive areas to expand the capacity of legal services programs.
Colorado	\$43,920	Develop a mobile application allowing attorneys to sign up for volunteer work, providing them with checklists of items to understand prior to performing the work, and informing them of procedures to follow.
Connecticut	\$89,000	Develop an Online Classroom Template that legal aid programs can use to create self-paced online courses for self-represented parties, legal aid clients and pro bono attorneys.
Florida	\$123,559	Develop an online intake system that allows potential clients to apply for services quickly and easily through the Internet; improve knowledge management capacities to increase effectiveness of data retrieval and file searches; and create a portal to provide clients with better access to information.
Georgia	\$341,943	Enhance and maintain ShareLaw and ShareLawVideo, two prior TIG-funded projects; enhance case management system to improve reporting, grant compliance and staff development; develop a mobile phone application to help clients communicate with their attorneys; and pilot the use of text messaging to provide legal information.
Guam	\$57,500	Develop interactive online document assembly interviews specific to Change of Name and Protective/Restraining Orders.
Hawaii	\$41,500	Improve access for self-represented individuals by creating a virtual self-help center at the court and developing court forms using document assembly software, with a focus on family, housing, collection, and restraining order forms.
Idaho	\$118,563	To better serve rural clients, create a Web-based virtual law office that augments the brick and mortar practice; and develop a Web interface that further improves access to online legal resources for individuals using mobile devices.
Illinois	\$118,475	Develop an enhanced data collection and analysis system to better measure the effectiveness and impact of legal services in Illinois, and to inform strategies for delivering services across the state.
Louisiana	\$31,500	Develop a mobile version of the statewide legal information website.
Maine	\$41,500	Continue development of content for veterans and military families in the national StatesideLegal.org library; and create a system for matching pro bono attorneys with veterans' cases.
Massachusetts	\$51,500	Connect low-income individuals to information about their legal issues via a Web-based tool that will use guided interviews to collect information and deliver relevant, plain-language resources.

(continued)

2012 TIG Grants (Total Funding Awarded = \$3,557,892) <i>continued</i>		
State	Award Amount	Key Grant Project
Michigan	\$51,500	Develop an online intake system to expand services to clients in Detroit.
Minnesota	\$90,460	Assist pro bono attorneys by creating a set of settlement checklists and client interview guides optimized for mobile devices.
Montana	\$36,825	Use videoconferencing and mobile devices to deliver legal services in rural areas.
New Mexico	\$54,500	Create a statewide intake and case management network that will use continuous analysis of real-time, non-confidential data to more effectively identify and define issues, trends and community needs, allowing for better resource allocation.
New York	\$277,420	Develop the New York Online Referral and Prescreening Program, an online entry point for low-income people seeking legal services and information; develop a videoconferencing system to conduct Social Security Administration hearings virtually; optimize mobile content on the statewide website in both Spanish and English and add live-chat support; and develop a secure, online knowledge-management portal for use by organizations helping low-income people.
Ohio	\$769,996	Pilot use of a Web-based chat tool that will allow pro bono attorneys to assist clients in 25 rural counties; explore and develop enhanced data analysis to improve efficiency of legal aid delivery; and continue support of the national server legal services programs use to generate automated legal documents and guided interviews for low-income self-represented individuals and legal aid clients.
Oklahoma	\$58,350	Pilot program that will automate plain-language forms for use by low-income individuals. Instructions, training, and materials will be developed to assist users, and live-chat support will also be available.
Pennsylvania	\$111,000	Develop a digital call center to reduce wait times for callers with limited cell phone minutes by using automated call-backs; develop text messaging as a method to convey brief advice in emergency situations and to reinforce previously delivered advice; and develop, and post online, instructional videos in multiple languages to assist self-represented individuals.
South Carolina	\$41,923	Create an online intake application integrated with the case management system; and develop a legal information referral system.
Texas	\$131,820	Enhance and expand the national DisasterLegalAid.org website by updating and creating content, improving the interface and optimizing for mobile devices.
Utah	\$60,500	Create a Spanish version of the existing online intake system; and design a pro bono case-matching system to streamline the statewide placement of eligible clients with pro bono attorneys.
Virginia	\$442,461	A national project in collaboration with Pro Bono Net to rebuild LawHelp Interactive to improve reliability and scalability, decrease cost of future enhancements, and ease integration with case management and e-filing systems in courts nationwide; incorporate a guided interview into an online intake system; and develop an appointment reminder system to notify clients of upcoming legal aid appointments and court dates.
Washington	\$121,300	Produce the National Technology Assistance Project's online webinar series; improve the case management system by increasing access to real-time and historical data; expand access to civil legal aid for deaf, hard-of-hearing and deaf-blind individuals by implementing use of videophones, educational and outreach videos, and captioning of existing videos.

Helping Low-Income Americans Meet Pressing Legal Challenges

Clients of LSC-funded legal aid offices include the working poor, veterans, homeowners and renters, families with children, farmers, people with disabilities, and the elderly. To qualify for legal aid, a client must live in a household with an annual income no higher than 125 percent of the federal poverty level. In 2012, that meant \$13,963 for an individual and \$28,813 for a family of four. Clients come from every ethnic and age group, and live in rural, suburban, and urban areas. Women—many struggling to keep their children safe and their families together—comprise 70 percent of clients served by LSC's grantees.

Legal assistance is necessary to address many issues that affect low-income individuals and families. The most frequent cases involve family matters, including domestic violence, housing and foreclosure, consumer issues, and income maintenance, including employment issues. Some LSC grantees have services dedicated to helping veterans, victims of natural disasters, and the elderly.

Family Matters

Family law cases represent about one-third of the cases closed by LSC grantees each year, and the legal services provided to victims of domestic violence are among the most important. Studies show that domestic violence occurs more frequently in households facing economic stress. Victims of domestic violence often require assistance with several domestic relations matters simultaneously, including protective orders, child custody and support, and divorce.

LSC's grantees are on the front lines with law enforcement authorities in protecting those facing family violence and abuse. In 2012, LSC grantees closed 46,658 domestic violence cases, including the following:

- With the assistance of Legal Aid Foundation of Los Angeles (LAFLA), a mother's determination prevailed in April, 2012, when a judge granted her full custody of



her two children. After Jennifer* learned in October, 2011, that the children's father had been arrested on multiple felony drug charges, a LAFLA attorney successfully argued that the children's safety depended upon their return to their mother. Once custody was granted, the children then had to be located. LAFLA helped Jennifer gain the assistance of police in Alaska to locate her children and return with them to California. Both children are now receiving counseling, getting the medications they need, and have Individualized Education

Programs to help them succeed in school.

- Kimberly*, a mother of three young children, suffered a long history of verbal, physical, and sexual violence at the hands of her husband, a police officer. On one occasion, he punched Kimberly in the head as she held their infant, causing her to fall onto the baby. He threatened to report her as an abusive parent and get custody of their children.



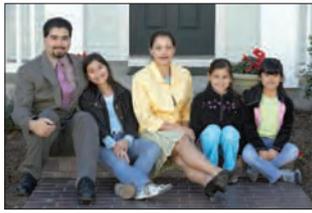
Fearing for her safety and believing he would make good on his threats, Kimberly contacted **Community Legal Services (Arizona)**, which collaborated with a pro bono attorney from their Volunteer Lawyers Program to help Kimberly. Her attorney was able to assist her in securing safe housing, custody of her children (with supervised visitation at a neutral location for the father), and child support. Her husband was also ordered to complete an anger management program. For the first time in years, Kimberly no longer awakens with feelings of fear and hopelessness.

Housing and Foreclosure

The second largest category of all matters handled by LSC's grantees, these cases include landlord-tenant disputes, predatory lending, improper foreclosures, unlawful evictions, and disputes over federal housing subsidies.

*Names and other personal identifiers have been changed to protect client confidentiality.

- The Cruzes* were an everyday family with three school-aged children. They got behind on their mortgage when Mr. Cruz was injured on the job. Their mortgage lender had agreed to a loan modification, but then suddenly backed out and foreclosed on the home. Afraid that they might become homeless and that their children would be forced to change schools, the Cruzes reached out to **Legal Aid of North Carolina (LANC)**. LANC attorneys filed a breach of contract complaint on the family's behalf, seeking a temporary restraining order in order to prevent the padlocking of the Cruz home. After a year and a half of negotiations during which the Cruzes were able to remain in their house, a settlement was reached. LANC negotiated a new loan modification, saving the Cruzes nearly \$6,600 in fees. Mr. Cruz is working full-time again, and the family remains in their home.



- When Matthew*, a decorated veteran of Iraq and Afghanistan, and his wife, Becky* returned from a trip to find that their apartment was occupied by another family, **Lone Star Legal Aid's Texas Veteran's Project** assisted them with a wrongful eviction suit. The couple had signed a standard one-year lease, and their rent was current when they left for a two-week business trip. While they were away, the landlord had entered the unit, concluded that the apartment was abandoned, disposed of the couple's belongings, and re-rented the apartment. After at first refusing to consider a settlement, the landlord agreed the day before the scheduled court date to compensate the couple for their lost belongings.



Consumer Issues

More than 10 percent of cases involve protecting the elderly and other vulnerable groups from being victimized by unscrupulous lenders, helping people file for bankruptcy when appropriate and helping people manage their debts.

- Mrs. Johnson*, an 87-year-old retired home-health-care worker on a fixed income of \$1000 per month, refinanced her home with something called a "pay option adjustable rate mortgage." This means that

the amount of the monthly payment was not actually based on paying the loan back. Mrs. Johnson made payments on time, but fell behind on the mortgage because, much like a credit card, the interest was greater than the minimum payment. When she went to **Atlanta Legal Aid Society**, she had paid \$30,000 toward her mortgage but owed \$10,000 more than when she took out the loan. Mrs. Johnson was a victim of predatory lending, and when legal aid attorneys confronted the bank, officials agreed to accept a short payment of \$50,000 rather than the \$160,000 they claimed was owed. Mrs. Johnson's predatory mortgage is now paid off, and she can live in her home without making payments for the rest of her life.



Income Maintenance

More than 12 percent of cases handled by LSC grantees involve helping working Americans obtain promised compensation from private employers, and helping veterans and others obtain and retain government benefits such as disability benefits to which they are entitled.

- Carl* was a disabled Vietnam veteran who came to **Legal Services of North Florida** because he was about to lose his mobile home. He could not work and had no income. He applied for but was denied U.S. Department of Veterans Affairs (VA) benefits. Legal Services contacted the VA and Senator Bill Nelson's office and, together, they were able to have Justin's disability evaluated at no cost and his case reviewed by the VA in just 30-day's time. As a result, Carl was awarded 100 percent of his disability benefits, was able to save his land, and purchase a newer, more affordable mobile home in which to live.



Helping Military Veterans

Consistent with the overall rise in poverty, the percentage of veterans in poverty has increased significantly in recent years, rising from 5.4 percent in 2007 to nearly 7 percent in 2010, according to a report from the U.S. Congress Joint Economic Committee. In all, more than 1.4 million veterans are living in poverty, and over 1 million more are at risk of slipping into poverty. Poverty rates are highest for post-9/11 veterans: 12.4 percent of

post-9/11 veterans were living in poverty in 2010.

Many veterans who served in combat zones in Iraq and Afghanistan are coming home to legal problems—e.g., child custody disputes, evictions, and denials of earned benefits—that LSC grantees handle regularly.

- Sean* was an Iraq War veteran who performed counterinsurgency work while overseas. When he returned home to New York City, he could find only part-time work. When Sean applied for a position at JFK International Airport with the Transportation Security Administration (TSA), he had high hopes of finally securing a new career. But a routine TSA pre-employment credit check revealed that he had defaulted on a \$10,000 debt, disqualifying him from the job. Sean was frustrated and baffled; he had never accrued any significant debt. He came to **Legal Services of NYC's Veterans Justice Project** for help. Upon further investigation, LSNYC attorneys learned that the disqualifying debt was the result of a scam: an online company had asserted that Sean owed thousands of dollars for breaking a non-existent contract. LSNYC worked with the various credit bureaus to remove the fraudulent entry from Sean's credit report. Sean's TSA application was reinstated, and his good credit restored.



A growing number of legal aid offices grantees have dedicated projects, often collaborating with other service providers to reach and provide legal assistance to veterans. These include:

- The **Veterans Justice Project of Legal Services NYC** partners with veterans' health clinics to provide legal services to veterans, service members and their families that prevent evictions and foreclosure, protect victims of domestic violence, increase and stabilize incomes, and address other legal needs.
- The **Veterans Consortium Pro Bono Program**, a partnership of major veterans services organizations, provides pro bono representation for pro se appellants before the U.S. Court of Appeals for Veterans Claims.
- The **Veterans Justice Center at the Legal Aid Foundation of Los Angeles** assists veterans who are homeless or at imminent risk of becoming homeless on a wide range of legal issues.
- The **Veterans' Rights Project at the Legal Aid Foundation of Metropolitan Chicago** helps veterans

secure VA benefits and protect their legal rights on consumer, housing and related issues.

- The **Kentucky Corps of Advocates for Veterans** at the **Legal Aid Society of Louisville, Ky.**, a collaboration with the state bar, the courts, the Kentucky Department of Veterans, and veterans services organizations, expands legal assistance available to veterans.



- The **Veterans Legal Advocacy Project at Community Legal Services of Mid-Florida (CLSMF)** helps veterans in 12 central Florida counties obtain Veterans Administration benefits. CLSMF also helps veterans and families with a wide variety of civil legal issues.

Ensuring the Legal Rights of Low-Income Families After Disaster Strikes

In October, 2012, Hurricane Sandy caused significant damage to coastal communities in several mid-Atlantic states. Just a few days after Sandy struck, LSC-funded legal aid programs in the hardest-hit areas of New York and New Jersey began providing assistance to survivors via telephone hotlines, FEMA disaster recovery centers, neighborhood-based legal clinics, community legal education presentations, and online and printed information.

With tens of thousands of homes destroyed by Sandy, LSC grantees reported that clients needed legal help with a wide range of storm-related housing problems, including improper evictions, denial of insurance claims or inadequate reimbursement by insurance companies, delays in critical repairs, and home

"In the hundreds of thousands of people that have been displaced in the Northeast are a lot of people who have lost their apartments and houses that don't have the money to hire lawyers. Their conditions are such they've lost everything that they have—their possessions, their apartments, the houses that they've invested in throughout their lives—and many of these people do not have the financial means to protect their interests."

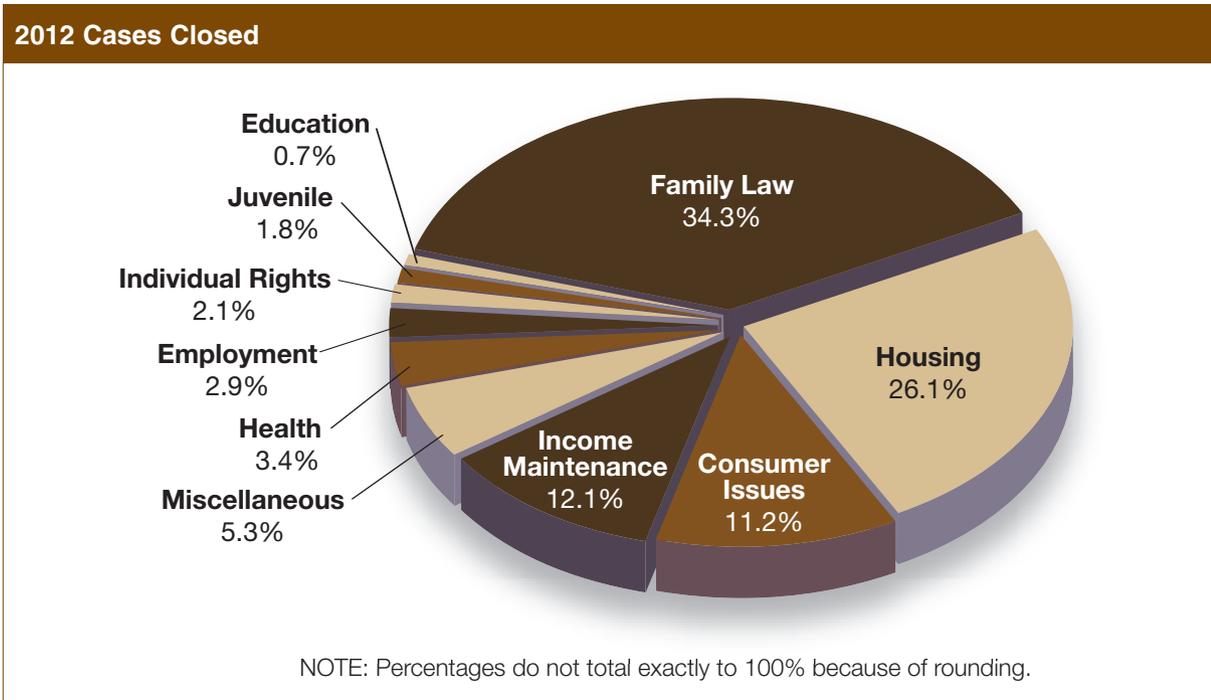


—Rep. Rodney Frelinghuysen (R-N.J.) during floor debate on the Hurricane Sandy supplemental appropriation.

repair scams. In addition to direct service, legal aid lawyers recruited and trained pro bono attorneys and participated in long-term community recovery groups.

The Hurricane Sandy Disaster Relief Act, passed by Congress and signed by President Obama in January,

2013, included \$1 million for LSC—reduced to 950,000 by sequestration—to provide assistance to low-income people in areas significantly affected by the hurricane. The funding will be distributed via grants to LSC-funded offices.



The common types of legal problems experienced by clients in 2012 cases closed are grouped in 10 broad Legal Problem Categories as set out below:

CONSUMER/FINANCE	Bankruptcy/Debtor Relief; Collection (Including Repossession/Deficiency/Garnishment/Creditor Harassment); Contracts/Warranties; Predatory Lending Practices; Loans/Installment Purchase (Not Collections); Public Utilities; Unfair and Deceptive Sales and Practices (Not Real Property)
EDUCATION	Disciplinary Actions (Including Expulsion and Suspension); Special Education/Learning Disabilities; Access (Including Bilingual, Residency, Testing); Vocational Education
EMPLOYMENT	Employment Discrimination; Wage Claims and other FLSA (Fair Labor Standards Act) Issues; EITC (Earned Income Tax Credit); Taxes (Not EITC); Employee Rights
FAMILY	Child Custody & Support; Divorce/Separation/Annulment; Adult Guardian/Conservatorship; Name Change; Parental Rights Termination & Adoption; Paternity; Domestic Abuse
HEALTH	Medicaid/Medicare; Children's Health Insurance Programs (CHIP); Home and Community Based Care; Private Health Insurance
HOUSING	Landlord/Tenant Disputes; Housing Discrimination; Mortgage Foreclosures and Predatory Lending/Practices
INCOME MAINTENANCE	TANF, Food Stamps; Social Security (Not SSDI), SSDI, SSI; Unemployment Compensation; Veterans Benefits
INDIVIDUAL RIGHTS	Mental Health; Disability & Civil Rights; Human Trafficking
JUVENILE	Delinquency; Neglected/Abused/Dependent; Emancipation/Guardian/Conservatorship
MISCELLANEOUS	Indian/Tribal Law; Torts; Wills, Trusts & Estates, Advance Directives/Powers of Attorney

Bolstering Management, Improving Fiscal and Grantee Oversight

Funding the efficient and effective delivery of legal services through sound financial management is fundamental to LSC's mission. LSC's leadership is committed to prudent stewardship of federal funds.

In 2012, LSC aggressively pursued new strategies and tightened oversight to improve its performance, enhance fiscal responsibility, and leverage federal investment in legal services with private support.

- **Adopted a Strategic Plan (2012-2016).** The plan establishes three major goals and identifies specific implementation initiatives:
 1. Maximize the availability, quality, and effectiveness of the civil legal services that LSC grantees provide to eligible low-income individuals.
 2. Become a leading voice for access to justice and quality legal assistance in the United States.
 3. Achieve the highest standards of fiscal responsibility, for both LSC and its grantees.

To read the Strategic Plan: bit.ly/LSC-StrategicPlan

- **Began implementing the recommendations of a Fiscal Oversight Task Force.** The task force, composed of experienced professionals from the legal, business, accounting, inspectors general, and grantmaking communities, reviewed LSC's fiscal oversight of its grantees and made detailed recommendations for improvement, including creating a risk-based, integrated approach to financial oversight and consolidating management's three, separate oversight offices into one office called the Office of Grantee Assessment (OGA).

To read the Fiscal Task Force Report: bit.ly/LSC_FTReport

- **Hired new, business-oriented managers.** In 2012, President Sandman added two new members to his management team. LSC Vice President for Grants Management Lynn Jennings has first-hand grantmaking and fiscal management experience and is leading LSC's reorganization under the Fiscal Oversight Task Force recommendations. Chief Information Officer Peter Campbell is an



Lynn Jennings

experienced technical strategist and manager, with an impressive track record of



Peter Campbell

using technology to improve nonprofit performance.

- **Expanded the enforcement options available to LSC to deal with grantees who violate legal requirements and grant conditions.** LSC issued regulations giving the corporation additional options to suspend funding and to impose immediate special grant conditions.
- **Adopted a development plan to guide LSC's sustainable fundraising efforts.** The plan will help the board's Institutional Advancement Committee identify private donors and grant opportunities to leverage the federal investment in civil legal aid and increase public-private partnerships in the legal aid delivery system.
- **Participated in Interagency Roundtable meetings.** Beginning in July, LSC had the unprecedented opportunity to discuss legal aid with representatives of 17 federal agencies at meetings of a new Interagency Roundtable that was created to better integrate legal services into federal grant programs when doing so can help improve outcomes for vulnerable populations.

In his remarks at the 2013 White House Forum on Increasing Access to Justice, Attorney General Eric Holder said the roundtable was launched "to raise awareness about the profound impact civil legal aid services can have in promoting access to health and housing, education and employment, family stability and community well-being."

The Interagency Roundtable is staffed by the U.S. Department of Justice Access to Justice Initiative. LSC continues to support efforts by the Access to Justice Initiative to identify and promote opportunities for legal services programs to collaborate with other services providers when partnerships would advance federal objectives and improve outcomes.



LSC in Durham, N.C.: (L-R) LSC Fiscal Task Force Co-Chairs Victor Maddox (L) and Robert J. Grey Jr.

Measuring Results: Private Grant to Improve Data Collection and Analysis

In 2012, LSC received a \$276,000 grant from the Public Welfare Foundation (PWF) to conduct an 18-month project designed to improve LSC's data collection and reporting mechanisms and to educate LSC grantees about collection, analysis, and use of data. The project will develop new methodologies for evaluating grantee outcomes and provide a fuller picture of grantees' operations, accomplishments, and limitations. The data collection and analysis project has three major objectives:

- Develop and implement an improved system for collecting and analyzing data from grantees, so that LSC can obtain a fuller picture of grantees' operations, accomplishments, and limitations;
- Develop tools and resources that enhance grantees' ability to collect and use data to design, assess, and improve their delivery strategies and program operations, and to demonstrate the need for and effect of the services they provide clients throughout the country; and
- Provide training and technical assistance that fosters grantees' effective use of the tools and resources developed.

Ongoing Improvements to Grantee Oversight Operations

LSC has made significant progress in implementing the recommendations of the Government Accountability Office's (GAO) June 2010 report on LSC's Grant Awards and Grantee Program Effectiveness. To date, the GAO has closed or is in the process of closing 13 of its 17 recommendations. LSC continues to work on the remaining open recommendations, which primarily involve development of an internal personnel management system and are subject to ongoing collective bargaining with LSC's employee union.

The Office of Program Performance (OPP) has primary responsibility for implementing the competitive grants application and awards process. In 2012, OPP initiated a new tracking system as part of the grant competition evaluation process to gauge

grantee implementation of prior program quality visit recommendations. This system allows LSC to better evaluate the fiscal and programmatic strength of grant applicants.

2012 Oversight Actions and Accomplishments

While LSC has always placed a premium on assessing the quality of services provided by its grantees, LSC increased its emphasis on fiscal oversight and compliance in 2012 under President Sandman's leadership. LSC's oversight staff conducted a total of 63 onsite visits in 35 states, the District of Columbia, and the Commonwealth of Puerto Rico.

The Office of Compliance and Enforcement (OCE) conducted 26 onsite visits of grantee operations—22 compliance oversight visits, three trainings, and one capability assessment—in California, District of Columbia, Florida, Illinois, Kentucky, Maine, Minnesota, Mississippi, Montana, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Texas, Virginia, Utah, and Wyoming. OCE anticipates completing another 26 onsite visits in 2013.

OPP conducted 37 onsite visits—19 program quality visits, 17 program engagement visits, and one capability assessment—in Arkansas, California, Colorado, Delaware, District of Columbia, Florida, Idaho, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New York, Ohio, Puerto Rico, South Dakota, Texas, Utah, Vermont, Virginia, Wisconsin, and Wyoming. OPP anticipates completing 40 onsite visits in 2013.

LSC continues to take appropriate corrective actions against grantees that do not comply with the LSC Act and other laws and regulations. Questioned-cost proceedings were completed against two grantees in 2012 and LSC recovered nearly \$56,000 as a result of questioned-cost proceedings and/or investigations for disallowed costs from grantees. Also, LSC placed special grant conditions with rigorous reporting requirements on eight grantees for the 2013 grant awards.

Office of Inspector General Making a Difference

The Inspector General Act established independent Offices of Inspector General within federal agencies and certain federally-funded corporations, charged with the dual mission of preventing and detecting fraud and abuse, and improving the economy, efficiency, and effectiveness of their respective agencies' and corporations' programs. At LSC, we believe these objectives are especially important as every dollar lost to fraud, waste, or abuse costs 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 LSC's Office of Inspector General (OIG), we devote much of our oversight work to conducting professional audits, investigations, and program analyses. Our work helps protect LSC's grant recipients from fraud and abuse, and also serves to enhance accountability, responsibility, and transparency in LSC and grantee operations. While maintaining the independence of the OIG, our staff works in close coordination with LSC's board of directors, management, and staff to further the Corporation's primary strategic goal of maximizing the availability, quality, and effectiveness of the civil legal services that its grantees provide to eligible low-income individuals.

As I enter my sixth year of serving as LSC's Inspector General, I am pleased to report that our office continues to make substantial contributions to protecting and improving LSC's programs.

Throughout FY 2012, we focused our audit efforts on reviewing internal controls at LSC grantees, particularly as they related to financial operations, and initiated a series of audits related to grantee expenditures and accomplishments under LSC's Technology Initiative Grant program. Audits completed during the period identified a total of more than \$1.5 million in questioned costs.

The OIG is also responsible for overseeing the annual financial statement audit process for LSC's 134 grantees. All grantees are required to have an annual audit, conducted by an independent public accountant. We conduct desk reviews of all the grantee audit reports as well as a comprehensive program of audit Quality Control Reviews (QCRs). In FY 2012, working with a CPA firm operating under contract to our office, the OIG issued 39 QCR reports. This program plays a key role in helping to ensure that the accounting firms performing grantee audits are following applicable standards and requirements. Under the program every firm performing a grantee audit is now subject to a QCR at least once every four years.



webinars, and assessments for grant recipients across the country. In FY 2012, the OIG added a new component to our preventative portfolio by initiating a regulatory vulnerability assessment program, in which we work on-site with

grantees to identify internal control or compliance weaknesses, seeking to prevent small issues from becoming big problems. We also continue to operate an active nationwide hotline for reporting suspected irregularities to further help protect LSC and its grantees.

During FY 2012, the OIG continued to upgrade its information systems to increase interoperability, the sharing of critical information related to OIG audits and investigations, and to improve risk-based planning. We have also endeavored to make meaningful contributions to LSC's strategic planning process and to its various task force activities.

By continuing to press forward with these and similar activities, the OIG is helping to both identify and deter 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. On behalf of all the OIG's staff members, I am pleased to be able to work with LSC's board of directors, its president, and the LSC staff in pursuing our common commitment to helping LSC achieve its goal of providing equal access to justice for low-income Americans.

Jeffrey E. Schanz
Inspector General
Legal Services Corporation
July 21, 2013

Financials

Financial Statements and Independent Auditor's Report For The Year Ended
September 30, 2012

FINANCIAL SECTION

LEGAL SERVICES CORPORATION ■ 2012 ANNUAL REPORT



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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 statements of financial position of Legal Services Corporation ("LSC") as of September 30, 2012 and 2011, and the related statements of activities and change in net assets, and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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 December 26, 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
December 26, 2012

Statement of Financial Position

September 30, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and cash equivalents	\$ 73,577,157	\$ 80,128,158
Accounts receivable, net	29,073	16,473
Prepaid expenses and deposits	228,840	174,875
Total current assets	73,835,070	80,319,506
Property and equipment, net	637,802	754,240
Total	\$ 74,472,872	\$ 81,073,746
 LIABILITIES and NET ASSETS		
Current Liabilities		
Grants and contracts payable	\$ 60,201,520	\$ 64,187,855
Accounts payable	600,877	968,328
Accrued vacation and other liabilities	1,098,335	1,225,290
Deferred revenue	3,630,389	6,674,663
Total Current Liabilities	65,531,121	73,056,136
 NET ASSETS		
Unrestricted		
Undesignated	7,326,689	6,395,222
Board designated	690,069	855,648
Net investment in fixed assets	637,802	754,240
Total unrestricted	8,654,560	8,005,110
Temporarily restricted	287,191	12,500
Total net assets	8,941,751	8,017,610
Total	\$ 74,472,872	\$ 81,073,746

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

Financials

Statement of Activities and Change in Net Assets

Year Ended September 30, 2012

SUPPORT and REVENUES	Unrestricted	Temporarily Restricted	Total
Federal appropriations	\$ 348,000,000	\$ -	\$ 348,000,000
Grant revenue	2,726,363	293,000	3,019,363
Other income	11,569	-	11,569
Change in deferred revenue	3,044,274	-	3,044,274
Net assets released from restriction	18,309	(18,309)	-
Total Revenue	353,800,515	274,691	354,075,206
EXPENSES			
Program services			
Grants, contracts and reimbursable expenses	332,178,276	-	332,178,276
Herbert S. Garten Loan Repayment Assistance Program	575,462	-	575,462
Supporting services			
Management and grants oversight	16,025,687	-	16,025,687
Office of Inspector General	4,371,640	-	4,371,640
Total expenses	353,151,065	-	353,151,065
Change in net assets	649,450	274,691	924,141
Net assets, beginning of year	8,005,110	12,500	8,017,610
Net assets, end of year	\$ 8,654,560	\$ 287,191	\$ 8,941,751

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

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.

Financials

Statement of Cash Flows**Year Ended September 30, 2012 and 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	2012	2011
Change in net assets	\$ 924,141	\$ 388,958
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	315,820	225,917
Loss on disposal of assets	-	268
Changes in assets and liabilities:		
Accounts receivable	(12,600)	303
Prepaid expenses and deposits	(53,965)	205,669
Grants and contracts payable	(3,986,334)	(5,243,455)
Accounts payable	(367,451)	610,019
Accrued vacation and other liabilities	(126,955)	213,641
Deferred revenue	(3,044,274)	718,856
Net cash used by operations	(6,351,618)	(2,879,824)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(199,383)	(588,429)
Net cash used by investing activities	(199,383)	(588,429)
Net decrease in cash and cash equivalents	(6,551,001)	(3,468,253)
CASH AND CASH EQUIVALENTS		
Beginning of year	80,128,158	83,596,411
End of year	\$ 73,577,157	\$ 80,128,158
SUPPLEMENTAL INFORMATION		
Income taxes paid	\$ 0	\$ 0
Interest paid	\$ 0	\$ 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 \$39,548,455 and \$44,411,646 as of September 30, 2012 and 2011, respectively.

Accounts Receivable

Accounts receivable are net of an allowance of \$593,848 and \$1,113,777 as of September 30, 2012 and 2011, respectively, 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 \$690,069 and \$855,648 of the fund balance for continuing programs and administrative activities as of September 30, 2012 and 2011, respectively. 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, 2012 and 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, 2012 and 2011. There was also no tax-related to interest and penalties reported in the financial statements.

LSC's Forms 990, Return of Organization Exempt from Income Tax, for the years ending September 30, 2009, 2010 and 2011 are subject to examination by the IRS, generally for 3 years after they were filed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Revenue

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 be negatively affected.

NOTE 3 CONCENTRATION OF CREDIT RISK – DEPOSITS

At September 30, 2012 and 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. As of January 1, 2013, FDIC insurance coverage will be limited to \$250,000 per institution. Management is currently evaluating options for maintaining acceptable levels of risk.

NOTE 4 EQUIPMENT

Property and equipment consists of the following at September 30, 2012:

	Beginning Balance	Additions	Disposals	Ending Balance
Furniture and equipment	\$ 2,309,951	\$ 100,216	\$ (76,340)	\$ 2,333,827
Software	467,022	99,166	-	566,188
Leasehold improvements	455,647	-	-	455,647
Subtotal	3,232,620	199,382	(76,340)	3,355,662
Less: Accumulated depreciation /amortization	(2,478,380)	(315,820)	76,340	(2,717,860)
Capital assets (net)	\$ 754,240	\$ (116,438)	\$ -	\$ 637,802

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 years ended September 30, 2012 and 2011 was \$315,820 and \$225,917, respectively.

NOTE 5 GRANT REVENUE

LSC was awarded grants 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, 2012 and 2011, total \$2,726,363 and \$2,315,360, respectively.

The Public Welfare Foundation (PWF) has awarded LSC two grants totaling \$293,000: a planning grant (grant # 12-014) and a resulting research grant (grant # 12-131). An overview of both grants appears below.

Planning Grant (grant # 12-014): On November 18, 2011, PWF informed LSC of the award of a planning grant in the amount of \$17,000. The grant period initially was scheduled to run for two months, from December 1, 2011 through January 31, 2012. The grant was designated to conduct preliminary planning in preparation for the design and implementation of a new outcomes measurement and reporting system for LSC and its grantees. PWF made full payment of the planning grant funds to LSC on January 17, 2012. LSC currently has \$11,191 in unexpended funds from the planning grant, and PWF granted a no-cost extension to LSC until December 31, 2012.

Research Grant (grant # 12-131): On June 18, 2012, PWF informed LSC of the award of a grant in the amount of \$276,000. The grant period is scheduled to run for eighteen months, from July 1, 2012 through

December 31, 2013. The grant is designated to support work by LSC in furtherance of two goals: (1) to improve LSC's data collection system to strengthen its assessment efforts and secure information to advance its goal of equal access to justice for the poor; and (2) to provide data analysis tools to help LSC's grantees manage their operations and increase financial support for their work. PWF made full payment of the grant funds to LSC on July 16, 2012.

NOTE 6 GRANTS AND CONTRACTS EXPENSE

Grants and contracts expense for the years ended September 30, 2012 and 2011 consists of the following:

	2012	2011
Basic Field Programs	\$ 323,232,739	\$ 377,892,573
U.S. Court of Veterans Appeals	2,721,170	2,311,575
Grant From Other Funds	253,346	111,409
Technology Initiatives	6,045,050	2,903,326
Grant Recoveries	(74,029)	(191,669)
Total	\$ 332,178,276	\$ 383,027,214

NOTE 7 MANAGEMENT AND GRANTS OVERSIGHT

Management and grants oversight expenses for the years ended September 30, 2012 and 2011 consists of the following:

	2012	2011
Compensation and benefits	\$ 11,461,883	\$ 12,157,984
Temporary employee pay	434,164	507,879
Consulting	540,767	618,469
Travel and transportation	717,372	800,518
Communications	86,509	106,815
Occupancy cost	1,711,870	1,730,590
Printing and reproduction	61,182	62,706
Other operating expenses	696,122	696,319
Capital expenditures	63,459	515,182
Total	15,773,328	17,196,462
Depreciation & Amortization	315,819	225,917
Loss on disposal of assets	-	268
Less: capitalized assets	(63,460)	(515,448)
	\$ 16,025,687	\$ 16,907,199

NOTE 8 OFFICE OF INSPECTOR GENERAL

LSC's Office of Inspector General expenses for the years ended September 30, 2012 and 2011 were as follows:

	2012	2011
Compensation and benefits	\$ 3,743,718	\$ 3,579,686
Temporary employee pay	22,647	8,408
Consulting	312,569	167,188
Travel and transportation	206,430	199,678
Communications	17,792	17,331
Occupancy cost	-	1,482
Printing and reproduction	8,170	8,271
Other operating expenses	60,313	56,668
Capital expenditures	135,922	73,246
Total	4,507,561	4,111,958
Less: capitalized assets	(135,921)	(73,246)
	\$ 4,371,640	\$ 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 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 years ended September 30, 2012 and 2011 were \$999,611 and \$994,311, respectively. The amounts are included in compensation and benefits for management and administration expenses.

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. A new lease agreement was entered into September 2012, commencing in June 2013, for an additional 10 years. 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

NOTE 10 OPERATING LEASE (Continued)

LSC and its rental obligations for any period during the term of the lease. Future minimum lease payments required under this leases as of September 30, 2012 are as follows:

Fiscal Year	Amount
2013	1,710,000
2014	1,710,000
2015	1,710,000
2016	1,710,000
2017	1,710,000
Thereafter	9,690,000
	<u>\$ 18,240,000</u>

Rental expense for the years ended September 30, 2012 and 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.

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 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.

NOTE 11 CONTINGENCIES (Continued)

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, 2012 and 2011 were \$0 and \$9,448, respectively and the amount due at September 30, 2012 and 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 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, 2012 and 2011 are as follows:

	2012	2011
Cash	\$ 1,606,088	\$ 1,176,638
Accounts receivable, net	\$ 4,952	\$ 7,535
Deferred revenue	\$ 1,611,040	\$ 1,184,223

LRAP activity for the years ended September 30, 2012 and 2011 are as follows:

Loans made	\$ 573,308	\$ 1,518,607
Loans forgiven	\$ 1,095,391	\$ 866,953
Net change in allowance for loan forgiveness	\$ (519,929)	\$ 650,693

NOTE 13 TEMPORARILY RESTRICTED NET ASSET

In 2012, LSC received a donation totaling \$293,000 from the Public Welfare Foundation for the development and implementation of improvements to LSC's system for data collection and analysis, develop data collection tool kit for grantees to use and provide training and technical assistance for its use. The balance of the donation at September 30, 2012 was \$287,191.

In 2011, LSC received donations totaling \$12,500 which are restricted for the American Bar Foundation Access Across America research project. These funds were expended in 2012.

NOTE 14 SUBSEQUENT EVENTS

Legal Services Corporation has evaluated subsequent events occurring after the statements of financial position date through the date of December 28, 2012 the date the financial statements were available for release.

Fiscal Year 2013 Funding

Congress passed a Continuing Resolution (CR) in September 2012 as a six-month stopgap spending measure for FY 2013. The CR prevents a government shutdown on October 1 and funds federal programs until March 27, 2013 (H.J Res 117), since Congress did not pass the appropriations bills for Fiscal Year 2013. The CR provides funding at the \$1.047 trillion cap set for discretionary spending in the Budget Control Act of August 2011 (P.L. 112-250). This is \$8 billion more than the current FY 2012 levels. The increased spending is divided across the board for nearly all federal agencies at .612 percent.

LSC's total funding under the CR for FY 2013 is \$350,129,760, an increase of \$2,129,760 from FY 2012, on an annualized basis. This increase would be applied evenly across LSC's budget line items; basic funding would increase by \$1,973,088 on an annualized basis.

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

www.LSC.gov/about/annual-report

For further information

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