

Oklahoma Indian Legal Services, Inc.

Financial Report
December 31, 2015

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Oklahoma Indian Legal Services, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Oklahoma Indian Legal Services, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Indian Legal Services, Inc. as of December 31, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statements of support, revenue, and changes in LSC net assets as required by the Legal Service Corporation and the accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and *Audit Requirements* for Federal Awards are presented for purposes of additional analysis and are not a required part of the financial statements.

The statements of support, revenue, and changes in LSC net assets and schedule of expenditures of federal awards are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statements of support, revenue, and changes in LSC net assets and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report for the year ended December 31, 2015 dated June 30, 2016 and our report for the year ended December 31, 2014 dated June 1, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Oklahoma City, Oklahoma
June 30, 2016

Oklahoma Indian Legal Services, Inc.

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 55,094	\$ 73,180
Client trust deposits—restricted	11,864	12,385
Accounts receivable—contracts	80,339	87,972
Accounts receivable—grants	15,750	8,000
Prepaid expenses	9,638	9,355
Total current assets	172,685	190,892
Accounts receivable—grants	11,250	19,000
Property and equipment, at cost:		
Furniture, equipment, and library	141,368	141,368
Less accumulated depreciation:	(141,368)	(140,726)
Net property and equipment	-	642
Total assets	\$ 183,935	\$ 210,534
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 37,806	\$ 31,341
Client trust fund deposits	10,745	11,263
Accrued payroll and compensated absences	61,625	57,561
Current liabilities	110,176	100,165
Net assets:		
Unrestricted	42,841	60,543
Temporarily restricted		
Legal services corporation—grant	30,918	49,184
Legal services corporation—property	-	642
Total temporarily restricted	30,918	49,826
Total net assets	73,759	110,369
Total liabilities and net assets	\$ 183,935	\$ 210,534

See notes to financial statements.

Oklahoma Indian Legal Services, Inc.

Statements of Activities
Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted		Total	Unrestricted	Temporarily Restricted		Total
		LSC	Total			LSC	Other	
Revenues and other support:								
Federal financial assistance	\$ 112,873	\$ 820,795	\$ 820,795	\$ 933,668	\$ -	\$ 847,975	\$ 145,775	\$ 993,750
State financial assistance	80,517	-	-	80,517	80,523	-	-	80,523
Service contracts	126,999	-	-	126,999	119,584	-	-	119,584
Earnings on investments	188	100	100	288	222	114	-	336
Donated goods and services	41,786	-	-	41,786	12,960	-	-	12,960
ICWA handbooks	475	-	-	475	150	-	-	150
Other	39,456	-	-	39,456	22,513	-	5,000	27,513
Net assets released from restrictions:								
Satisfaction of program restrictions	839,803	(839,803)	(839,803)	-	1,018,469	(867,694)	(150,775)	-
Total revenues and other support	1,242,097	(18,908)	(18,908)	1,223,189	1,254,421	(19,605)	-	1,234,816
Expenses:								
Program services	1,012,905	-	-	1,012,905	981,412	-	-	981,412
Management and general	246,894	-	-	246,894	239,206	-	-	239,206
Total expenses	1,259,799	-	-	1,259,799	1,220,618	-	-	1,220,618
Change in net assets	(17,702)	(18,908)	(18,908)	(36,610)	33,803	(19,605)	-	14,198
Net assets at beginning of year	60,543	49,826	49,826	110,369	26,740	69,431	-	96,171
Net assets at end of year	\$ 42,841	\$ 30,918	\$ 30,918	\$ 73,759	\$ 60,543	\$ 49,826	\$ -	\$ 110,369

See notes to financial statements.

Oklahoma Indian Legal Services, Inc.

Statements of Functional Expenses
Years Ended December 31, 2015 and 2014

	2015			2014		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Personnel expenses:						
Salaries:						
Attorneys	\$ 332,019	\$ 83,005	\$ 415,024	\$ 346,158	\$ 86,540	\$ 432,698
Non-attorneys	220,638	55,159	275,797	205,798	51,450	257,248
Employee benefits	191,413	47,853	239,266	195,590	48,897	244,487
Total personnel costs	744,070	186,017	930,087	747,546	186,887	934,433
Other expenses:						
Space and occupancy	55,854	13,964	69,818	44,856	11,214	56,070
Equipment rental	2,472	618	3,090	766	191	957
Office supplies and expense	54,724	13,681	68,405	52,152	13,038	65,190
Telephone	22,218	5,555	27,773	23,986	5,997	29,983
Travel	43,793	10,948	54,741	41,894	10,474	52,368
Training	1,270	318	1,588	2,863	716	3,579
Library	2,844	-	2,844	7,855	-	7,855
Insurance	5,507	1,377	6,884	5,298	1,324	6,622
Donated services	33,429	8,357	41,786	10,368	2,592	12,960
Dues and fees	3,256	814	4,070	5,518	1,380	6,898
Audit	18,800	4,700	23,500	15,600	3,900	19,500
Litigation	12,488	-	12,488	16,740	-	16,740
Depreciation	514	128	642	3,551	888	4,439
Webcast	10,000	-	10,000	-	-	-
Other	1,666	417	2,083	2,419	605	3,024
Total non-personnel costs	268,835	60,877	329,712	233,866	52,319	286,185
Total expenses	\$ 1,012,905	\$ 246,894	\$ 1,259,799	\$ 981,412	\$ 239,206	\$ 1,220,618

See notes to financial statements.

Oklahoma Indian Legal Services, Inc.

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (36,610)	\$ 14,198
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	642	4,439
Decrease in client trust deposits	521	2,187
Decrease in contracts receivable	7,633	475
Increase in grant receivable	-	(27,000)
Increase in prepaid expenses	(283)	(866)
Increase in account payable	6,465	21,547
Decrease in client trust fund deposits	(518)	(2,187)
Increase in accrued payroll and compensated absences	4,064	28,789
	<u>18,524</u>	<u>27,384</u>
Net cash provided by (used in) operating activities	(18,086)	41,582
Net change in cash	(18,086)	41,582
Cash at beginning of year	<u>73,180</u>	<u>31,598</u>
Cash at end of year	<u>\$ 55,094</u>	<u>\$ 73,180</u>

See notes to financial statements.

Oklahoma Indian Legal Services, Inc.

Notes to Financial Statements

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: Oklahoma Indian Legal Services, Inc. (the Organization) is a nonprofit corporation organized in November 1981, for the purpose of providing legal assistance in civil matters to Native Americans financially unable to afford legal assistance in the State of Oklahoma. The Organization is principally funded through grants from Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nation-wide legal assistance program, and the State of Oklahoma.

Significant accounting policies:

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

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

Basis of presentation: Net assets, revenues, gains, expenses and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets: Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the same period in which the contribution is received. The Organization's temporarily restricted net asset balances as of December 31, 2015 and 2014, were \$30,918 and \$49,826, respectively.

Permanently restricted net assets: Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donor of these assets permits the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2015 or 2014.

Contributions received, including unconditional promises to give, are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of donor restrictions. The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets.

Oklahoma Indian Legal Services, Inc.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include cash on hand and all unrestricted highly liquid investments with an initial maturity of three months or less. The Organization had no investments at December 31, 2015 or 2014.

Accounts receivable: Accounts receivable include grant and contract amounts due from the State of Oklahoma, agencies of the United States Government and Foundations. Payment terms vary and can range from 30 days to 90 days, depending upon the terms of the specific grant or contract. All accounts receivable are considered fully collectible. Therefore, no provision for doubtful accounts has been recorded.

Property and equipment: The Organization capitalizes property and equipment over \$5,000 with a useful life greater than one year. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Property and equipment acquired by gift are recorded at fair market value at the date of receipt. Property and equipment are depreciated over the estimated useful lives of five to 12 years using the straight-line method. Expenditures for repairs and maintenance are charged to operations when incurred. Major betterments and renewals that extend the useful life of the related asset are capitalized and depreciated over the remaining useful life.

Compensated absences: The Organization allows each employee to carry forward, from one calendar year to the next, unused leave. Upon termination, an employee will receive compensation for unused leave. An employee's right to receive compensation for unused leave is recognized in the period such right is earned. Compensated absences as of December 31, 2015 and 2014, were \$26,002 and \$29,813, respectively.

Contributions: Contribution and grants are recorded as revenue when received or upon receipt of an unconditional promise to give, net of estimated discounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Federal and state grants and contracts: The Organization receives funding through federal and state grants and contracts. For cost reimbursable grants, revenues are recognized when the Organization has incurred an expense which can be charged to the respective grants. Other grants are recorded as revenue at the time the grant is awarded.

Funds remaining unexpended at the end of an accounting period are recorded in temporarily restricted net assets. Subject to the provisions of LSC's instructions, the Organization may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant. LSC may, at its discretion, request reimbursement or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grant. In addition, if the Organization terminates its LSC grant activities, unexpended funds are to be returned to LSC.

Contract service funds: Revenue is recognized as services are performed for fixed price contracts.

Donated services and rental space: Donated services rendered and donated goods are recorded at their respective fair market values. For the years ended December 31, 2015 and 2014, the Organization received donated services of \$41,786 and \$12,960, respectively.

Oklahoma Indian Legal Services, Inc.

Notes to Financial Statements

Note 1. Significant Accounting Policies (Continued)

Expense classification: Costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in more detail in the statement of functional expenses. Costs are allocated between program services and management and general based on evaluations of the related activities. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Income taxes: Oklahoma Indian Legal Services, Inc. is a non-profit organization exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509 (a)(2) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Recently issued accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of our pending adoption of the new standard on our financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

Subsequent events: The Organization has evaluated subsequent events through June 30, 2016, the date the financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure.

Oklahoma Indian Legal Services, Inc.

Notes to Financial Statements

Note 2. Federal Grants

The Organization received the following support during the years ended December 31:

Grant	Period	2015	2014
LSC—Native American Grant	1/1/15-12/31/15	\$ 820,795	\$ -
LSC—Native American Grant	1/1/14-12/31/14	-	802,975
LSC—TIG	10/1/14-09/30/17	-	45,000
Low-Income Taxpayer Clinic Grant	1/1/15-12/31/15	\$ 70,000	-
Low-Income Taxpayer Clinic Grant	1/1/14-12/31/14	-	70,000
Tribal Civil & Criminal Legal Assistance Grant	1/1/15-12/31/15	42,873	-
Tribal Civil & Criminal Legal Assistance Grant	1/1/14-12/31/14	-	75,775
		<u>\$ 933,668</u>	<u>\$ 993,750</u>

The majority of the Organization's funding is from federal awards received through the LSC. A loss of or significant reduction in funding from this agency would have a significant impact on the Organization's financial position and results of operations.

Note 3. Grants Receivable

Grants receivable along with the period of expected collection are as follows at December 31, 2015:

	2015	2014
Due in less than one year	\$ 15,750	\$ 8,000
Due in one to three years	11,250	19,000
	<u>\$ 27,000</u>	<u>\$ 27,000</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2015	2014
Furniture and fixtures	\$ 17,770	\$ 17,770
Equipment	121,799	121,799
Law library	1,799	1,799
	<u>141,368</u>	<u>141,368</u>
Less accumulated depreciation	141,368	140,726
	<u>\$ -</u>	<u>\$ 642</u>

Property and equipment acquired with LSC funds are considered owned by the Organization while used in the program. LSC funding sources have reversionary interest on its assets. LSC has the right to determine the use of any proceeds from the sale of assets purchased with its funds. At December 31, 2015 and 2014, the net book value of property purchased with LSC funds was \$-0- and \$642, respectively.

Oklahoma Indian Legal Services, Inc.

Notes to Financial Statements

Note 5. Net Assets Released From Restrictions

The net assets released from restrictions by expenditure of the funds for the purpose for which they were received imposed by the donor were \$839,803 and \$1,018,469 for the years ended December 31, 2015 and 2014, respectively.

Note 6. Leases

The Organization entered into a lease for office space effective April 28, 2000, which was most recently amended July 31, 2015. Rent expense for the years ended December 31, 2015 and 2014, was \$60,059 and \$50,750, respectively. This revised lease agreement expires July 31, 2017.

The Organization leased office space for a branch location under a month to month lease. Each party can terminate the monthly lease agreement at any time provided a thirty day notice is given. The Organization terminated the lease agreement on February 29, 2015. Rent expense for years ended December 31, 2015 and 2014 was \$720 and \$4,320, respectively.

The Organization leased office space for a branch location effective March 1, 2015. The lease agreement expires March 1, 2017. Rent expense for the years ended December 31, 2015 and 2014 was \$9,039 and \$0, respectively.

Future minimum payments, by year and in the aggregate, under the operating leases are as follows:

Years ending December 31:

2016	\$ 83,352
2017	44,347
	<u>\$ 127,699</u>

Note 7. Legal Services Corporation Excess Carryover Funds

LSC Native American Grant funds awarded and not expended can be carried over for use in future years. For the years ended December 31, 2015 and 2014, the Organization had carryover amounts of \$-0- and \$4,184, respectively for the Native American Grant. These carryover amounts approximate 0 percent and 1 percent of the 2015 and 2014 LSC Native American Grant awards, respectively. LSC has the right to request a refund of carryover amounts in excess of 10 percent of the current year grant award, which was \$82,080 and \$80,298 for the years ended December 31, 2015 and 2014.

Note 8. Employee Retirement Plan

The Organization has a retirement plan covering substantially all qualified employees under section 401(k) of the Internal Revenue Code. Under the plan, participants may contribute up to a dollar limit provided by Internal Revenue Service guideline (changing annually) to their plan accounts. The Organization, at its discretion, may contribute a contribution equal to 7.5 percent of each participant's annual compensation. The Organization made a discretionary contribution of \$29,611 and \$50,695 for the years ended December 31, 2015 and 2014, respectively.

Oklahoma Indian Legal Services, Inc.

Statements of Support, Revenue, and Expenses and Changes in Net Assets for LSC Funds
Years Ended December 31, 2015 and 2014

	2015				2014			
	Native American Grant	Property	TIG LSC Grant	Total	Native American Grant	Property	TIG LSC Grant	Total
Support and revenue:								
Grants	\$820,795	\$ -	\$ -	\$820,795	\$802,975	\$ -	\$ 45,000	\$847,975
Interest income	100	-	-	100	114	-	-	114
Total support and revenue	820,895	-	-	820,895	803,089	-	45,000	848,089
Personnel expenses:								
Salaries:								
Attorneys	239,620	-	-	239,620	263,727	-	-	263,727
Non-attorneys	212,330	-	1,136	213,466	199,250	-	-	199,250
Employee benefits	156,839	-	87	156,926	176,224	-	-	176,224
Total personnel costs	608,789	-	1,223	610,012	639,201	-	-	639,201
Other expenses:								
Space and occupancy	68,468	-	-	68,468	45,010	-	-	45,010
Equipment rental	1,311	-	-	1,311	957	-	-	957
Office supplies and expense	66,701	-	279	66,980	46,015	-	-	46,015
Telephone	26,284	-	-	26,284	23,767	-	-	23,767
Travel	41,143	-	1,634	42,677	29,789	-	-	29,789
Training	1,588	-	-	1,588	3,579	-	-	3,579
Library	1,506	-	-	1,506	4,548	-	-	4,548
Insurance	6,884	-	-	6,884	6,622	-	-	6,622
Dues and fees	2,903	-	-	2,903	3,572	-	-	3,572
Audit	22,795	-	-	22,795	13,260	-	-	13,260
Litigation	7,768	-	-	7,768	7,327	-	-	7,327
Depreciation	-	642	-	642	-	1,932	-	1,932
Website development	-	-	10,000	10,000	-	-	-	-
Other	962	-	1,046	2,008	42,115	-	-	42,115
Total non-personnel costs	238,313	642	12,869	261,814	226,561	1,932	-	228,493
Total expenses	847,102	642	14,082	861,826	865,762	1,932	-	867,694
Support and revenue over (under) expenses	(26,207)	(642)	(14,082)	(40,931)	(62,673)	(1,932)	45,000	(19,605)
Change in net assets:								
Transfer from unrestricted	22,023	-	-	22,023	-	-	-	-
Acquisition of property	-	-	-	-	-	-	-	-
Net other changes	22,023	-	-	22,023	-	-	-	-
Total changes in net assets	(4,184)	(642)	(14,082)	(18,908)	(62,673)	(1,932)	45,000	(19,605)
Net assets at beginning of year	4,184	642	45,000	49,826	66,857	2,574	-	69,431
Net assets at end of year	\$ -	\$ -	\$ 30,918	\$ 30,918	\$ 4,184	\$ 642	\$ 45,000	\$ 49,826

See notes to financial statements.

Oklahoma Indian Legal Services, Inc.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Award Expenditures
Legal Services Corporation: Native American Grant	9.737018	\$ 839,803
U.S. Department of the Treasury: Low-income Taxpayer Clinic Grant	21.008	70,000
U.S. Department of Justice: Native American Rights Fund: Tribal Civil & Criminal Legal Assistance Grant	16.815	<u>42,875</u>
Total expenditures of federal awards		<u><u>\$ 952,678</u></u>

See notes to schedule of expenditures of federal awards.

Oklahoma Indian Legal Services, Inc.

**Notes to Schedules of Expenditures of Federal Awards
Year Ended December 31, 2015**

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Oklahoma Indian Legal Services, Inc. for the year ended December 31, 2015 and is presented on the accrual basis of accounting. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, and expended during the year are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of the OMB Compliance Supplement and Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from the amounts presented in or used in the preparation of the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures of federal awards are recognized in the accounting period when the liability is incurred and approved for reimbursement. Such expenditures are recognized following the cost principles contained in the OMB Circular 120, *Cost Principles for Not-for-Profit*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Oklahoma Indian Legal Services, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015**

Findings	Status	Corrective Action Plan or Other Explanation
Findings Related to Financial Statements:		
Material Weakness in Internal Controls over Financial Reporting Finding 2014-001		
Monthly and year-end closing procedures were not designed to prevent or detect certain misstatements in federal revenue.	Corrected	The Organization implemented procedures, including reviewing grant agreements against accounting standard and performing reconciliations, to ensure the federal revenue is properly recognized.
Findings Related to Federal Awards:		
Compliance Finding 2014-002		
The Organization improperly allocated excess employee benefits to the Legal Service Corporation (LSC) - Native American Grant.	Corrected	Management implemented procedures to ensure employee benefits are allocated to the proper program. The allocation is reviewed by the Executive Director before posting.
Compliance Finding 2014-003		
The amount of Legal Service Corporation (LSC) expenses reported by the Organization to LSC did not match the underlying audited accounting records.	Uncorrected	See similar finding and corrective action plan at 2015-001.



RSM US LLP

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Governmental Auditing Standards**

Independent Auditor's Report

To the Board of Directors
Oklahoma Indian Legal Services, Inc.
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oklahoma Indian Legal Services, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

RSM US LLP

Oklahoma City, Oklahoma
June 30, 2016



RSM US LLP

Report on Compliance For Each Major Federal Program; Report on Internal Control over Compliance And Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Oklahoma Indian Legal Services, Inc.
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Oklahoma Indian Legal Services, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oklahoma Indian Legal Services, Inc.'s major federal programs for the year ended December 31, 2015. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Oklahoma Indian Legal Services, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

RSM US LLP

Oklahoma City, Oklahoma
June 30, 2016

Oklahoma Indian Legal Services, Inc.

Summary of Findings and Questioned Costs

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- . Material weakness(es) identified? Yes No
- . Significant deficiencies identified? Yes None reported
- . Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- . Material weakness(es) identified? Yes No
- . Significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

- . Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200 516(a)? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
09.737018	Legal Services Corporation Native American Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

II. Financial Statement Findings:

No matters were reported.

III. Findings and Questioned Costs for Federal Awards:

See Finding 2015-001.

Oklahoma Indian Legal Services, Inc.

Summary of Findings and Questioned Costs

Finding 2015-001

09.737018

CFDA Program Title:

Legal Service Corporation (LSC)—Native American Grant

Federal Award Year:

December 31, 2015

Finding:

The amount of Legal Service Corporation (LSC) expenses reported by the Organization on the 2015 LSC GAR D-1 Actual Expenses Report was not consistent with the underlying audited accounting records.

Cause:

The Organization prepared and submitted the LSC GAR D-1 Actual Expenses Report before recording all necessary adjustments had been recorded.

Criteria:

The Organization should report actual calendar year expenditures of LSC and non-LSC funds, as applicable, in the proper columns of the GAR D-1 Actual Expenses Report.

Effect:

The LSC expenditures reported in the Organization's LSC GAR D-1 Actual Expenses Report were higher than actual LSC expenditures.

Context:

Amounts reported as expenditures of LSC funds totaled \$876,924, where actual expenditures of current year and carryover LSC awards totaled \$839,803.

Questioned Cost:

The result was \$37,121 in additional costs assigned to the LSC expenditure category rather than the non-LSC expenditure category.

Recommendation:

We recommend the Organization record all necessary adjustments before preparing and submitting reports to LSC.

Oklahoma Indian Legal Services, Inc.

**Corrective Action Plan
Year Ended December 31, 2015**

Current Finding Number	Comment and Corrective Action Plan	Anticipated Date of Completion	Contact Person
2015-001	Management will implement procedures to ensure all necessary adjustments have been recorded in the accounting records before Legal Services Corporation (LSC) reports are submitted. These procedures include having another member of management or financial professional review the reports with the accounting records before they are submitted to LSC. OILS will contact LSC and request permission to unsubmit the incorrect GAR D-1, Actual Expense Report and then submit a corrected report.	The Company will have procedures in place and the request made to LSC within 30 days (July 31, 2016).	Stephanie Hudson