LSC

America's Partner For Equal Justice

Legal Services Corporation

2009 Annual Report

LSC

35 Years as America's Partner For Equal Justice

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America's Partner For Equal Justice

Yvonne J. Robertson

This Annual Report is dedicated in memory of Yvonne J. Robertson, who died March 7, 2010. Since 1998, she had held the position of Accounting Manager in LSC's Office of Financial and Administrative Services. She is remembered after three decades of service at LSC as a dedicated employee and caring friend.

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….

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

Joining the Fight for Equal Justice

As the newly elected Chairman of the Board of Directors, it is my privilege to serve as the 11th head of the Board and to begin my service in the 35th year of the Legal Services Corporation. 2009 was an eventful year for LSC, marked by the impact of the nation's severe economic crisis on LSC programs, a transition in Board leadership, and the retirement of the longest-serving president in LSC's history.

We owe a great deal of thanks to the outgoing Board members who steadfastly supported increased funding for legal services during their tenure and who arranged for informative orientation briefings for new Board members. Thank you to LSC's immediate past Chairman, Frank B. Strickland; our former Vice Chairmen, Lillian R. BeVier and Michael D. McKay, and former members Herbert S. Garten, David Hall and Bernice Phillips-Jackson for their dedicated service to LSC.

I want to particularly thank Helaine M. Barnett for her service as LSC President from 2004 through 2009. As LSC President, Helaine emphasized the importance of high performance and quality in providing legal services throughout the country, oversaw the development of two major "justice gap" reports in 2005 and 2009, and championed equal access to justice on Capitol Hill, at law schools and at regional and national forums.

The LSC Board observed the 35th anniversary of its founding legislation on July 24, 2009, at its regular quarterly meeting in Topeka, Kansas, and the LSC staff gathered in celebration at the Corporation's Washington offices on July 28. The first Board of Directors took office on July 14, 1975, an occasion that our new Board will mark this year. The LSC mission was daunting then, and the magnitude of the challenge cannot be overstated today—54 million Americans, one-sixth of the population, are eligible for civil legal assistance.

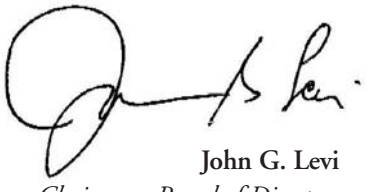
Throughout 2009, the Board heard first-hand about the effects of the economic downturn. During a visit to New Jersey, the six legal aid programs funded by LSC described a sharp decline in their state, local and charitable funding at a time when an increasing number of low-income individuals and families were seeking help with legal problems. In New Jersey and across the nation, funding provided by Interest on Lawyers' Trust Accounts (IOLTA) plummeted, and the outlook for IOLTA funding this year continues to be bleak. Federal funding is thus more critical than ever before in helping LSC programs maintain operations and provide essential legal services across the country.

As the Board conducts a search for a new LSC President, we will remain vigilant in our efforts to find ways to make our dollars go further while seeking even greater financial support. We will continue to encourage greater involvement in LSC programs by the private bar and we will expand the use of technology to better serve clients and train attorneys.

The legal services provided through LSC make a meaningful difference in the lives of tens of millions of low-income Americans. Every day, legal aid attorneys across the nation can be counted on to ensure their clients are treated with fairness in the resolution of their civil legal problems. I thank them for their invaluable service.

As Supreme Court Justice Lewis F. Powell Jr. said, "Equal justice under law is not merely a caption on the façade of the Supreme Court building, it is perhaps the most inspiring ideal of our society. It is one of the ends for which our entire legal system exists…it is fundamental that justice should be the same, in substance and availability, without regard to economic status."

There is no greater responsibility for the LSC Board than to uphold this ideal and fulfill our national pledge of equal justice for all.



John G. Levi
Chairman, Board of Directors
Legal Services Corporation
July 1, 2010

Helping the Most Vulnerable

As we know all too well, 2009 was a year of challenges, especially for low-income Americans who lost jobs, homes and health care because of the weak economy. Not surprisingly, 2009 also challenged legal services programs, which struggled to maintain funding in the face of soaring demand for civil legal assistance.

The clients who sought civil legal assistance from the 136 independent nonprofit legal services programs funded by LSC were victims of domestic violence, families trying to avoid unlawful eviction or fend off foreclosure, disabled persons wrongly denied benefits, and the newly unemployed in need of jobless benefits. Many were facing a life-changing legal problem that would determine their prospects for stability and self-sufficiency or propel them into a downward spiral with little hope of avoiding a grim future.

The attorneys, paralegals and administrative staff at LSC-funded programs are on the front lines of delivering desperately needed solutions to low-income Americans who often have no place else to turn for help. During my tenure at LSC, serving in different capacities including as General Counsel and now as President, I have been consistently impressed and profoundly moved by the selflessness and dedication of the staff of LSC programs.

Their critically important work and efforts have been significantly augmented by *pro bono* attorneys who generously volunteer their time and services to share in the work of our programs in providing civil legal assistance in matters of utmost importance to the poor and most vulnerable.

Notwithstanding these combined efforts, there remain enormous unmet legal needs in low-income communities all across our country, so we must redouble our efforts and commitment. We must continue to build on our work and support for the mission of LSC—especially on Capitol Hill.

In this weak economy, federal funding is ever more critical to LSC programs, which were hit with steep declines in funding from Interest on Lawyers' Trust Accounts and justifiably concerned that city and state revenue shortfalls will reduce support for legal aid. Without substantial increases in congressional appropriations, LSC programs will continue to turn away increasingly greater numbers of eligible clients.

It is vitally important that we live up to expectations of the public and the Congress, especially in our ability to faithfully and effectively discharge the mission with which we have been entrusted. To do so, we must steadfastly embrace basic principles of transparency and accountability.

I have always felt extraordinary pride in the genuine concern for those most in need and the selfless hard work of the legal services community, and I want very much to take this opportunity to express my enormous respect for and profound gratitude to each and every member of our community. Thank you one and all.

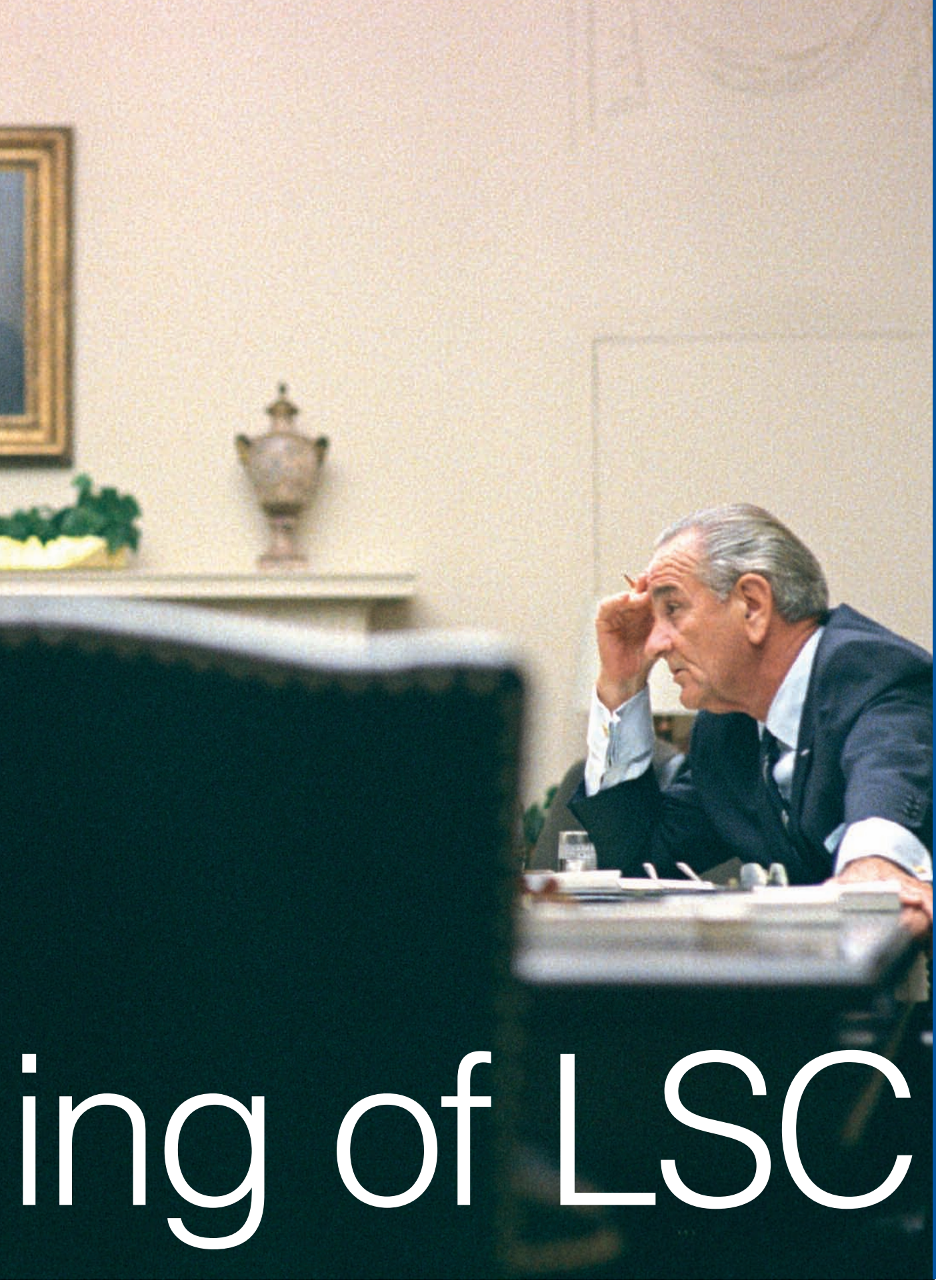
Let us never falter in giving true meaning to the promise of equal access to justice and in serving as a beacon of hope and inspiration.

Victor M. Fortuno
President
Legal Services Corporation
July 1, 2010

Then

The Found

YOICHI R. OKAMOTO / COURTESY OF THE LYNDON B. JOHNSON PRESIDENTIAL LIBRARY & MUSEUM



ing of LSC

1974

President Lyndon B. Johnson, right, meets with presidential candidate Richard M. Nixon on July 26, 1968 in the Cabinet Room at the White House.

On July 25, 1974, President Richard M. Nixon signed the law creating the Legal Services Corporation. The law gives strength and a never-ending commitment to America's promise of equal justice for all.

LSC today is the single largest source of funding for civil legal assistance to the nation's poor, an innovator in technology and a model for partnerships that help low-income Americans maintain livelihoods, keep a roof over their heads and escape violence.

"We have made great progress in protecting the legal rights of our citizens, and the Legal Services Corporation has played a vital role in this story for more than three decades. With continued support, it will serve those in need and help our Nation live out its highest ideals," President Obama said in a presidential proclamation marking LSC's 35th anniversary.

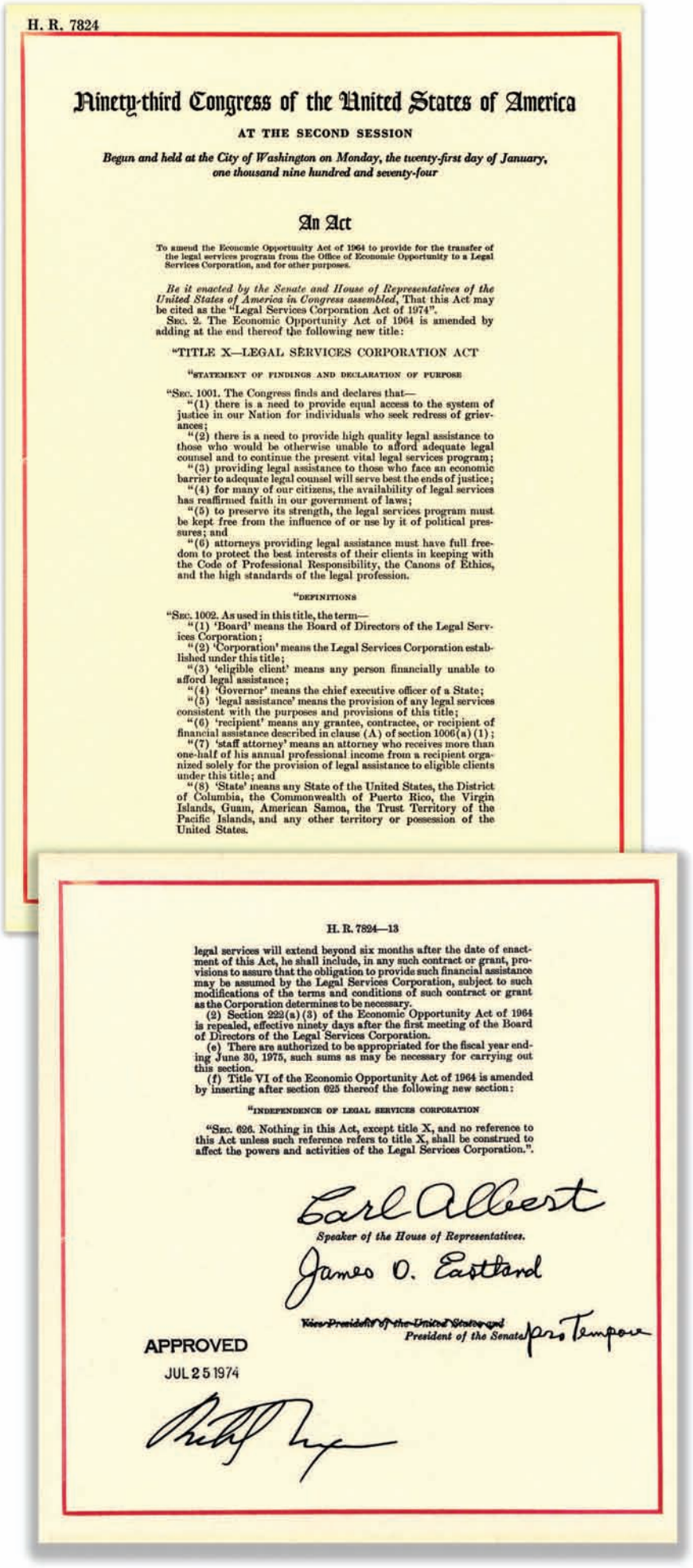
Sen. Tom Harkin of Iowa and Rep. Steve Cohen of Tennessee, staunch supporters of legal aid for the poor, noted the anniversary in commemorative statements in the Congressional Record. "Every day that a legal aid attorney protects the safety, security and health of our most vulnerable citizens, they bring this nation closer to living up to its commitment to equal justice for all," Sen. Harkin said.

The LSC Board of Directors marked the 35th anniversary of the law's enactment on July 24, 2009, at an observance at the Brown v. Board of Education National Historic Site in Topeka, Kansas. The surroundings evoked the importance of access to schools, to civil rights, and to the civil judicial system.

LSC's journey to permanence and independence began years before President Nixon signed the LSC legislation.

The government's quest to provide civil legal assistance to low-income Americans took shape during President Lyndon B. Johnson's "war on poverty" and the creation in 1964 of the Office of Economic Opportunity (OEO) as an executive agency. The president named Sargent Shriver, the director of the Peace Corps, to head the OEO. That year, Edgar and Jean Cahn wrote "The War on Poverty: A Civilian Perspective" in the Yale Law Journal, arguing that neighborhood law offices and neighborhood lawyers should be a part of an anti-poverty effort. Edgar Cahn worked as Shriver's executive assistant, and Jean Cahn joined the OEO staff as a consultant from the State Department.

A year later, OEO launched its Legal Services Program, which had won the support of the American Bar Association, led by Lewis F. Powell Jr., who would later serve on the United States Supreme Court. F. William McCalpin,



H. R. 7824

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To amend the Economic Opportunity Act of 1964 to provide for the transfer of the legal services program from the Office of Economic Opportunity to a Legal Services Corporation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Legal Services Corporation Act of 1974".

SEC. 2. The Economic Opportunity Act of 1964 is amended by adding at the end thereof the following new title:

"TITLE X—LEGAL SERVICES CORPORATION ACT

"STATEMENT OF FINDINGS AND DECLARATION OF PURPOSE

"SEC. 1001. 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;

"(4) for many of our citizens, the availability of legal services has reaffirmed faith in our government of laws;

"(5) to preserve its strength, the legal services program must be kept free from the influence of or use by it of political pressures; and

"(6) attorneys providing legal assistance must have full freedom to protect the best interests of their clients in keeping with the Code of Professional Responsibility, the Canons of Ethics, and the high standards of the legal profession.

"DEFINITIONS

"SEC. 1002. As used in this title, the term—

"(1) 'Board' means the Board of Directors of the Legal Services Corporation;

"(2) 'Corporation' means the Legal Services Corporation established under this title;

"(3) 'eligible client' means any person financially unable to afford legal assistance;

"(4) 'Governor' means the chief executive officer of a State;

"(5) 'legal assistance' means the provision of any legal services consistent with the purposes and provisions of this title;

"(6) 'recipient' means any grantee, contractee, or recipient of financial assistance described in clause (A) of section 1006(a)(1);

"(7) 'staff attorney' means an attorney who receives more than one-half of his annual professional income from a recipient organized solely for the provision of legal assistance to eligible clients under this title; and

"(8) 'State' means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

H. R. 7824—13

legal services will extend beyond six months after the date of enactment of this Act, he shall include, in any such contract or grant, provisions to assure that the obligation to provide such financial assistance may be assumed by the Legal Services Corporation, subject to such modifications of the terms and conditions of such contract or grant as the Corporation determines to be necessary.

(2) Section 222(a)(3) of the Economic Opportunity Act of 1964 is repealed, effective ninety days after the first meeting of the Board of Directors of the Legal Services Corporation.

(e) There are authorized to be appropriated for the fiscal year ending June 30, 1975, such sums as may be necessary for carrying out this section.

(f) Title VI of the Economic Opportunity Act of 1964 is amended by inserting after section 625 thereof the following new section:

"INDEPENDENCE OF LEGAL SERVICES CORPORATION

"SEC. 626. Nothing in this Act, except title X, and no reference to this Act unless such reference refers to title X, shall be construed to affect the powers and activities of the Legal Services Corporation.".

Carl Albert

Speaker of the House of Representatives.

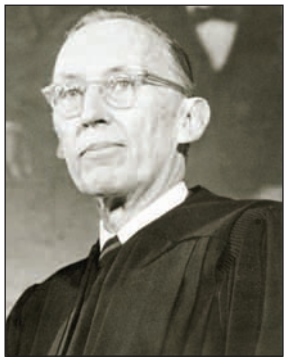
James O. Eastland

~~Vice President of the United States and~~ *President of the Senate pro tempore*

APPROVED

JUL 25 1974

who was appointed to the LSC Board of Directors in 1977, recalled the importance of Powell's support for legal aid in an oral history on file at the National Equal Justice Library, a part of the Georgetown University Law Library. "Everybody from Sargent Shriver down thought that it was extraordinarily important that the American Bar Association get behind the legal services program, that it would give it a credibility and an acceptance around the country that it wouldn't otherwise have…. There isn't any question that while, I guess, the Cahns and Shriver can claim to be the parents of the federal legal services program, Lewis Powell has certainly got to be the godfather."



The OEO program provided a testing period to learn about funding legal services for the poor. As with many new federal initiatives, the OEO Legal Services Program weathered skepticism and encountered controversy. Within nine months, 130 OEO legal services programs were being funded and many had the support of state and local bar associations.

However, actions by local legal services programs also generated complaints in cities and states during the late 1960s, and *continued on page 10*

TOP: Sargent Shriver, seated center, led the "war on poverty" for President Johnson; ABOVE: Lewis F. Powell Jr., was a key early supporter of legal services.

COURTESY OF THE NATIONAL EQUAL JUSTICE LIBRARY; PAUL CONKLIN/GETTY IMAGES (TOP)

The Path to Independence

February 1964—President Lyndon B. Johnson appoints Sargent Shriver to chair task force on poverty.

March 1964—President Johnson proposes a nationwide war on the sources of poverty.

August 1964—Economic Opportunity Act becomes law, launching the "war on poverty."

October 1964—President Johnson swears in Sargent Shriver as director of the Office of Economic Opportunity (OEO), to administer most initiatives for the war on poverty.

November 1964—Sargent Shriver reads draft of Edgar and Jean Cahn's article, "The War on Poverty: A Civilian Perspective," and decides to include legal services as part of the OEO programs.

February 1965—With ABA President Lewis F. Powell Jr.'s strong support, the ABA House of Delegates unanimously endorses the OEO Legal Services Program.

September 1965—E. Clinton Bamberger named first director of OEO Legal Services Program.

June 1966—OEO-Legal Services Program Deputy Director Earl Johnson Jr. succeeds Bamberger as the program's director and serves until July 1968.

March 1968—OEO staff drafts position paper on possible transfer of Legal Services Program to another part of the government. Legal aid supporters seek to preserve program's independence as actions by local legal services programs generate complaints in cities and states. Controversy continues into the 1970s.

February 1969—Earl Johnson Jr., chairman of the OEO Legal Services Program National Advisory Committee's legislative subcommittee, proposes creation of an independent "National Justice Foundation" to take over the legal services program from OEO.

September 1970—American Bar Association (ABA) undertakes feasibility study of foundation proposal.

November 1970—President's Advisory Council on Executive Organization, known as the Ash Council, studies government reorganization and sends memo to President Nixon recommending creation of an independent corporation to receive funds from Congress and distribute funding to local legal aid groups.

January 1971—ABA recommends transforming the program into a public corporation, patterned after the Corporation for Public Broadcasting.

February 1971—Action for Legal Rights formed by a coalition of legal services supporters. Mickey Kantor, as ALR's executive director, heads lobbying effort for legislation to create a corporation.

March 1971—Bipartisan legislation, known as the Mondale-Steiger bill, is introduced to create an independent Legal Services Corporation.

May 1971—Nixon Administration introduces its LSC bill.

December 1971—After Congress passes a compromise Legal Services Corporation act, President Richard M. Nixon vetoes the bill, which contains a package of OEO-related programs, including legal services. Congress takes up a new version in 1972, but legal aid supporters ask sponsors to withdraw the legislation after it emerges from the Senate-House conference committee, because of concerns over several provisions.

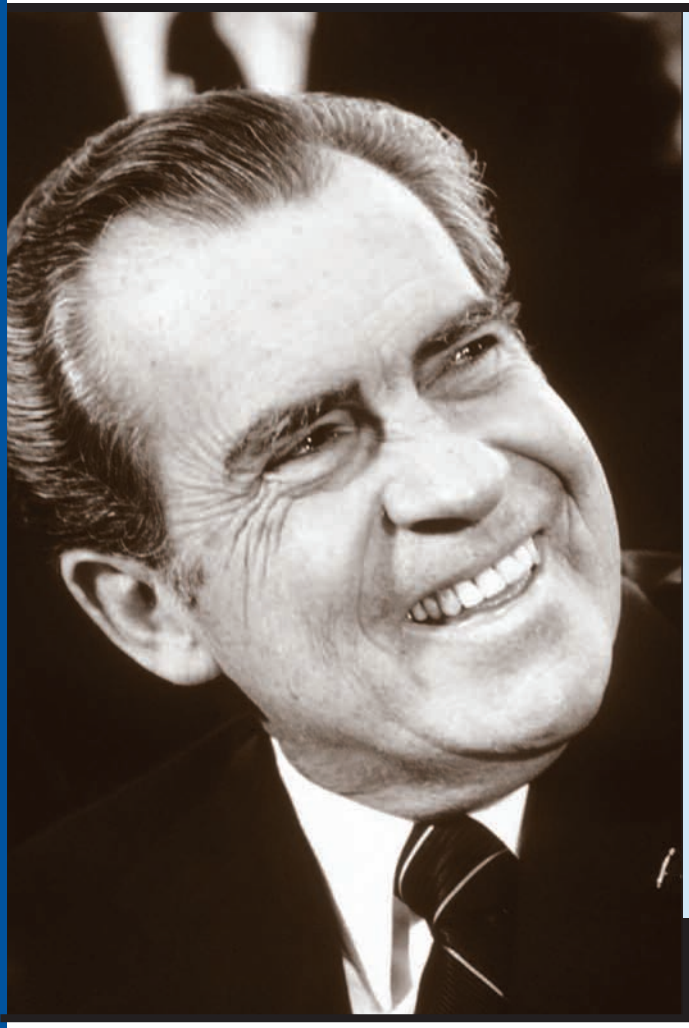
February 1973—H. Michael Bennett becomes executive director of Action for Legal Rights and renews push for LSC legislation.

May 1973—Members of Congress undertake effort to write the Legal Services Corporation Act. They include Sens. Walter F. Mondale, Alan Cranston, Edward M. Kennedy, Robert Taft Jr., Jacob K. Javits, Gaylord Nelson, Jennings Randolph, Harold E. Hughes, William D. Hathaway, Richard Schweiker, Peter H. Dominick and J. Glenn Beall Jr., and Reps. William A. Steiger, John Erlenborn, Albert H. Quie, Carl D. Perkins, Augustus F. Hawkins, Patsy T. Mink, Lloyd Meeds and John M. Ashbrook.

July 16, 1974—House approves LSC Act on a vote of 265 to 136.

July 18, 1974—Senate approves LSC Act, 77 to 19.

July 25, 1974—President Nixon signs the LSC Act.



"For many of our citizens, legal services has reaffirmed faith in our government of laws. However, if we are to preserve the strength of the program, we must make it immune to political pressures and make it a permanent part of our system of justice."

—President Nixon,
Special Message to the Congress, May 5, 1971

the OEO program was up for White House review in 1969, in part because the legislative authorization for appropriations for OEO was running out and the underlying Economic Opportunity Act was scheduled to expire in 1970. President Nixon, who took office in January 1969, sent a special message to Congress in February, saying that "the blight of poverty requires priority attention" and asking Congress to extend appropriations for OEO.

Out of public view, an advisory group, known as the Ash Council, had sent President Nixon a memo recommending creation of an independent corporation to receive funds from Congress to distribute to local legal aid organizations. The president made the memo public in February 1971 and in May sent a special message to Congress proposing establishment of the Legal Services Corporation.

President Nixon's message described the federal legal services program as "a workhorse" in the effort to secure equal rights in America. The neighborhood law office was the crux of the program, the president wrote.

"Here each day the old, the unemployed, the *continued on page 12*

TOP: President Nixon, citing "the blight of poverty," introduced his first LSC bill in 1971.
ABOVE: F. William McCalpin served on an early LSC Board.

COURTESY OF THE NATIONAL EQUAL JUSTICE LIBRARY; DAVID HUME KENNERLY/GETTY IMAGES (TOP)

An Epic and Most Worthwhile Struggle

By Earl Johnson Jr.

When President Nixon's second term started in 1973, it appeared unlikely anyone would make another attempt to create a Legal Services Corporation to take over funding of the grantees supported by the Office of Economic Opportunity (OEO) Legal Services Program. But the prevailing view changed when President Nixon named a declared opponent to the Legal Services Program as the acting director of OEO and when subsequent events called into question the survival of OEO. By the spring of 1973, a renewed effort to create LSC began. As with any legislative drama, key figures took center stage.

They came from the American Bar Association (ABA), the National Legal Aid & Defender Association (NLADA) and Action for Legal Rights, formed as part of the effort to enact legal services legislation. Mickey Kantor, director and chief lobbyist at Action for Legal Rights in 1971 and 1972, had left to run Sen. Alan Cranston's re-election campaign in California. Michael "Mickey" Bennett of California Rural Legal Assistance, who had Washington experience, took leave from CRLA to replace Kantor. Other key figures involved in legislative strategy included Alan W. Houseman, who took leave from the program he headed in Michigan; John Tracey, a member of the ABA's Washington staff, and James Flug, a former legislative director to Sen. Edward M. Kennedy who was the NLADA's executive director.

Unknown to the legal services coalition, Leonard Garment, special consultant to the president in the White House, was receiving expert assistance from two volunteer advisers—Ted Voorhees, a former NLADA president, and Howard Westwood, the NLADA's former *pro bono* Washington counsel. They helped develop the Nixon Administration's positions as the LSC legislation worked its way through Congress. Their presence in the West Wing undoubtedly contributed to the White House's generally favorable posture toward many legal services issues.

On Capitol Hill, the House Education and Labor Committee began considering LSC legislation. Republican Reps. John Erlenborn and William Steiger were pivotal players in negotiating with the White House. In the Senate, the proposed LSC had the support of several Republican Senators, including Jacob K. Javits and Robert Taft Jr., and Democratic Senators, particularly Walter F. Mondale, Edward M. Kennedy and Alan Cranston. The senators worked closely with Melvin Laird at the White House, a longtime GOP congressman and former Nixon Defense Secretary, who was an influential adviser to the President on domestic policy.

Congress moved steadily toward completion of a bill, encountering objections and critical amendments from both sides of the aisle, including from Republicans Sen. Jesse Helms and Rep. John M. Ashbrook and Democratic Rep. Edith Green, who sought to close national and state backup centers that provided advice and litigation strategies to local legal aid offices. After the legislation passed both houses, President Nixon's chief of staff, Alexander M. Haig, warned the President would veto the legislation if Rep. Green's amendment on backup centers was not part of the final bill. The Congress agreed to add the amendment, approved the compromise bill and moved it to the President's desk for his approval.

Like many others, I was part of this legislative intrigue, first as chair of an OEO advisory subcommittee that suggested the possibility of an independent home for the Legal Services Program and as a member of the ABA's study group that proposed a Legal Services Corporation, and then later on the efforts to enact legislation. I recruited Mickey Kantor as the first director at Action for Legal Rights and worked closely with him in the first two attempts to enact the bill, and I also served throughout the legislative effort as an adviser to Congressman Steiger, a pivotal legal services supporter.

By the spring of 1973, a renewed effort to create LSC began. As with any legislative drama, key figures took center stage.

But it is the research on the history of civil legal aid that has taught me how many people—some of them far behind the scenes—made vital contributions to what was an epic and most worthwhile struggle. The end result is what we all sought—a permanent institution capable of providing the nation's poor with the independent and competent counsel they deserve. ■

The Honorable Earl Johnson Jr. is a retired justice of the California Courts of Appeal, a former federal prosecutor, and a former law professor at the University of Southern California. From June 1966 to July 1968, he served as director of the Office of Economic Opportunity Legal Services Program. He is the author of "Justice and Reform: The Formative Years of the American Legal Services Program" and is currently writing a history of civil legal aid.

underprivileged, and the largely forgotten people of our Nation may seek help. Perhaps it is an eviction, a marital conflict, repossession of a car, or misunderstanding over a welfare check—each problem may have a legal solution. These are small claims in the Nation's eye, but they loom large in the hearts and lives of poor Americans."

President Nixon's message also sounded the theme of independence for LSC. The proposed legislation sent to Congress had three major objectives. "First, that the Corporation itself be structured and financed so that it will be assured of independence; second, that the lawyers in the program have full freedom to protect the best interests of their clients in keeping with the Canons of Ethics and the high standards of the legal profession; and third, that the Nation be encouraged to continue giving the program the support it needs in order to become a permanent and vital part of the American system of justice."

Bipartisan legislation, called the Mondale-Steiger bill, had been introduced in March 1971 to create a legal services entity. "If the poor and the powerless do not have free access to our legal system, government by law is a failure," Democratic Sen. Walter F. Mondale *continued on page 14*

Almost 19 million children are eligible for legal services provided by LSC programs.

JIM SUMMARIA PHOTOGRAPHY

The LSC Act—A Transformative Step

By Alan W. Houseman

The passage of the Legal Services Corporation Act of 1974 and the establishment of the Corporation in 1975 were transformative steps in the evolution of civil legal aid in the United States.

In the months leading up to passage of the Act, the Nixon Administration, the House and the Senate had offered competing versions of the legislation and much of the congressional debate focused on the role and independence of LSC. The 1973 floor debate in the House, for instance, included passage of 24 amendments addressing several issues, including the kinds of cases that legal services attorneys could handle.

In 1973, I was running a statewide program and support center in Michigan, funded through the Community Services Administration, the predecessor to the Office of Economic Opportunity, and was asked to spend some time in Washington, D.C., helping Mickey Bennett, who was the lobbyist for the legal aid community on the legislation that would create LSC. As it turned out, I spent half my time in Washington in 1973, 1974 and 1975, working with Mickey Bennett and bipartisan supporters in the Congress on what would become the LSC Act. It was a great experience.

The LSC Act instituted a long-term commitment by the federal government to ensuring access to justice for those unable to afford adequate legal counsel. LSC quickly grew from a relatively small federal investment of $71.5 million in 1975 to $321 million in 1981, and during that period expanded from a limited program serving primarily urban populations on the East and West coasts and in the Midwest to a nationwide program serving poor people in every county in the United States and its territories. Today, LSC is an essential element of our justice system. ■

Alan W. Houseman is director of the Center for Law & Social Policy. In 1973, while serving as executive director of Michigan Legal Services, a statewide program, he was asked to also work for the Action for Legal Rights coalition, which was urging passage of the law that established LSC.

The Makings of a Coalition

By Gregory Dallaire

Sargent Shriver, as director of the Office of Economic Opportunity, established a division of legal services that was initially led by Clint Bamberger and his deputy Earl Johnson Jr. They encouraged local bar associations to apply for funding that would provide civil legal services to low-income residents in communities across the country. Upon approval of a grant application, the federal funds usually passed through the local Community Action Program (CAP) to the local nonprofit corporation that provided the legal services.

In many places, tensions existed between the CAP and the legal services program because the independent legal services nonprofit set its own priorities, had its own board of directors and had staff lawyers who conducted intake and directly interviewed potential clients. Many CAPs wanted to control who received legal services, who interviewed potential clients, and the location where services were provided. More importantly, local legal services programs began to draw criticism and became engulfed in local, state and national political controversies that arose from representing persons who had previously been unable to have access to the justice system.

These controversies and bureaucratic tensions underscored the importance of ensuring independent status for legal services, and the Project Advisory Group, the American Bar Association and others joined in discussions on how to create what became LSC. It was decided to pursue a Corporation for Public Broadcasting (CPB) model for civil legal services. CPB was an independent corporation directly funded by Congress but governed by a board of presidentially appointed directors. This approach seemed tailor-made for advocates and their clients.

The Project Advisory Group worked with the American Bar Association, the National Legal Aid & Defender Association and others to get legislation through the Congress. The Project Advisory Group also organized an effort to help develop the draft regulations that would be important to implementing the legislation.

It was a worthwhile investment. LSC has grown and flourished, in large part because it operates as an independent nonprofit corporation focused on funding local programs that directly serve the poor. ■

Gregory Dallaire is a member of the Washington State Access to Justice Board. A former director of the Georgia Legal Services Program and Evergreen Legal Services, he chaired the Project Advisory Group for the OEO legal services program from 1973-75.

said during a September 8, 1971 floor debate.

In that debate, Republican Sen. Robert Taft Jr. said in support of the proposal, "I feel that our society today has come to recognize, on a far broader basis than ever before, the desirability and necessity of providing adequate legal remedies to all our citizens for wrongs, real or imagined, for the full exercise of rights they have under the law; and I think the bill goes a long way in that direction."

Before the year ended, however, the president decided to veto a large package of legislation that Congress had approved that would have established LSC. The veto was aimed at a national child care program, which the

"The truth of the matter is that our country has never really faced up to the problem of poverty in all its dimensions, with all of its complexities."

—Sargent Shriver, in remarks to the American Public Welfare Association, Dec. 2, 1965

Civil legal services programs help parents obtain and keep custody of their children.

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Recollections of a Reggie Fellow

By Henry A. Freedman

My life-long career in legal services began with the first class of Reggie Fellows. I was a second-year associate in a mid-sized Manhattan firm when I read the notice of the fellowship program. What good news—it offered both a month of intensive training at the University of Pennsylvania and a $10,000 stipend that exceeded my $8,800 second-year associate salary. During a hot August in 1968, joined by my wife and 10 month-old daughter (the only child among the 50 trainees), I spent many long and exciting days learning from a fabulous faculty, including Ed Sparer, the founder of "welfare law," Anthony Amsterdam, the outstanding litigator, and James Friedman, later President of Dartmouth College.

Since the opening of the New York City legal services program was delayed pending approval by the courts, I was assigned "temporarily" to Ed Sparer's organization, the Center on Social Welfare Policy and Law at Columbia University. Our job was to help legal services lawyers around the country understand the law of government public benefits programs. I brought the great asset of an instant network of Reggie Fellows around the country.

The most notable case I worked on during the Fellowship was *Goldberg v. Kelly*, 397 U.S. 254 (1970). That landmark decision held that public agencies could not terminate vital public benefits until they had provided a fair hearing consistent with the due process requirements of the United States Constitution. Legal services advocates continue to rely upon and enforce this decision to this day. David Diamond, a first-year Reggie Fellow at Mobilization for Youth Legal Services, and I drew up the original papers. I also collaborated with Peter Sitkin, a first-year Fellow in San Francisco who had the rare opportunity to argue *Wheeler v. Montgomery*, 397 U.S. 280 (1970), a companion case to *Goldberg*, before the Supreme Court. And to bring us up to the present, in recent years my office has co-counseled with Steve Ronfeldt, another first-year Reggie, who directs the Public Interest Law Project in Oakland, California.

I witnessed the birth of the Legal Services Corporation, and am thrilled that it has continued to provide access to justice for people in need. I cannot think of a happier way to spend my life than working with legal services lawyers as they work so selflessly for the sake of their clients. For me, it all started with the opportunity provided by the Reggie program. ■

Henry A. Freedman was a first-year Reginald Heber Smith Community Lawyer Fellow, named after the author of the 1919 book, "Justice and the Poor," which is often credited with starting the national legal aid movement in the United States. Since 1971, Mr. Freedman has served as Executive Director of the Center on Social Welfare Policy and Law, now the National Center for Law and Economic Justice.

president opposed, but President Nixon also signaled that he strongly disagreed with a legal services provision that would have limited his power over appointments to the LSC Board.

The veto set off months of behind-the-scenes negotiations. The legislative effort to establish LSC was pursued again in 1972 but was dropped because an agreement could not be reached between Congressional supporters and the President over the selection of the Board. The effort was renewed in May 1973, when President Nixon proposed a bill and when members of Congress came together to resolve their differences. "It is significant to note that Time magazine stated the President personally labored over the language of this bill for four hours before it was submitted to Congress," Rep. Earl F. Landgrebe wrote in the June 1973 "minority views" section of the House report on the LSC legislation.

Leaders in the effort to resolve differences over the legislation included Democratic Sens. Mondale, Alan Cranston and Edward M. Kennedy and Republican Sens. Taft and Jacob K. Javits and Republican Rep. William A. Steiger.

"The establishment of the Corporation will mark a new, sincere, nonpartisan dedication to the provision of equal access to justice for all our citizens," Sen. Kennedy said during floor debate in December 1973.

Sen. Charles McC. Mathias Jr. added, "The bill in short provides assurance to the low-income community of a meaningful commitment by our government to the principle equal justice under law."

"Far too often," Sen. Hubert H. Humphrey said, "living in poverty means not having access to information about the legal system."

"Poverty is not a simple or an easy enemy. It cannot be driven from the land by a single attack on a single front. Were this so we would have conquered poverty long ago."

—President Lyndon B. Johnson, Special Message to the Congress, March 16, 1964

Victims of natural disasters turn to legal aid lawyers for help in rebuilding their lives.

JIM SUMMARIA PHOTOGRAPHY

The legal services program, Sen. Mondale said, "is designed to assert the rights of the poor under the Constitution and under the law before the courts of the land. It is undeniable that those whom it serves, the nation's poor, have often been denied many adequate opportunities to assert their legal rights before the courts and under the law of the land."

By summer of 1974, the legislation was ready for a vote.

"This bill is the result of carefully extended bipartisan consideration within the committees in the Senate and in the House. It represents three years of effort and compromise," Sen. Gaylord Nelson said on July 10.

Six days later, Sen. Javits said, "We at least now have a bill which is as close to anything the President has ever asked for as any person, including the President, could require. So we are voting on the merits."

The House approved the LSC legislation on July 16 and the Senate gave its approval on July 18. President Nixon signed the LSC Act on July 25, 1974.

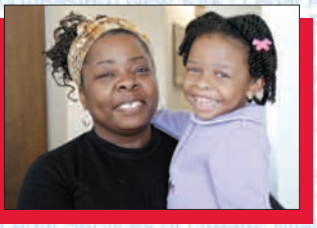
The new law declared that Congress had found "there is a need to provide equal access to the system of justice in our Nation" and that "there is a need to provide high quality legal assistance to those who would be otherwise unable to afford adequate legal counsel." ■

LSC-funded programs close nearly one million cases per year nationwide and provide other assistance and legal information to more than five million people.

COURTESY OF THE NATIONAL EQUAL JUSTICE LIBRARY

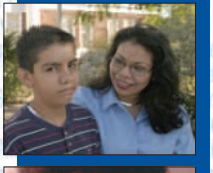
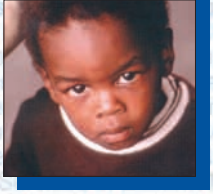
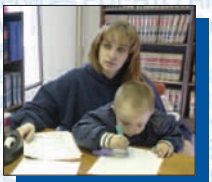
2009 A Remarkable Year

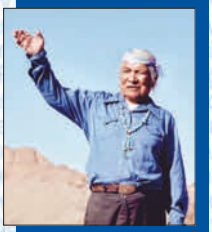


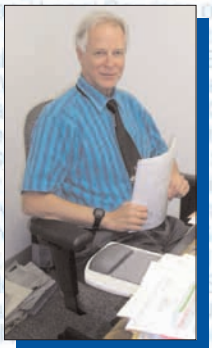






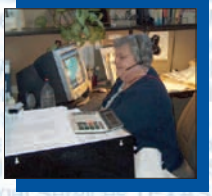
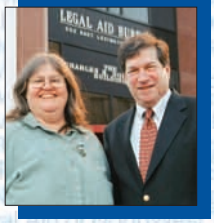





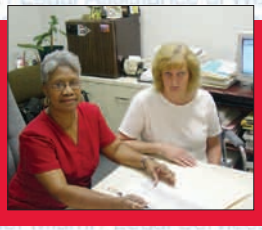











LSC

2009 LSC 2009 Annual Report

2009 was a remarkable year. LSC received a $30 million budget increase for Fiscal Year 2010, bringing the LSC appropriation to $420 million, a record for annual funding.

These additional funds were critical to the success of the 136 LSC programs, which were overwhelmed with requests for help from low-income Americans, often because of hardships suffered because of the weak economy.

The 136 programs that receive LSC funding operate as independent nonprofits with their own boards of directors. Substantially all of LSC's funds come from the Congress, and more than 95 percent of the annual congressional appropriation is distributed to these programs through competitive grants.

In 1974, Congress and the Nixon Administration established LSC as a private, nonprofit, federally funded corporation, governed by an 11-member Board appointed by the President and confirmed by the Senate. LSC provides funding, guidance, training and oversight to programs that provide legal services and helps ensure their compliance with congressional funding restrictions and rules and regulations promulgated by LSC.

Despite additional funding and despite 35 years of progress in meeting the needs of low-income Americans, many LSC programs felt the impact of the economic downturn, in terms of rising caseloads and uncertain financial support at the local and state levels.

In 2009, LSC programs closed 31,000 more cases than during the previous year, for a 4 percent increase. Much of the growth can be attributed to the economic downturn. The number of unemployment compensation cases grew by nearly 10,000, for a 63 percent increase. Food-stamp cases jumped 37 percent. Requests for assistance with foreclosure actions soared, and LSC programs closed more than twice as many foreclosure cases as in 2008.

Family law matters, a substantial part of the work at LSC programs, remained fairly constant. Family law, which includes domestic violence cases, adoptions and child support, represented nearly 35 percent of the total cases closed by LSC programs.

Private attorneys who volunteer their services on behalf of the clients of LSC-funded programs are key partners in the effort to close the justice gap. LSC requires its programs to expend 12.5 percent of their grants on activities that seek to enhance the involvement of private attorneys in their work. In

35th Anniversary of the Legal Services Corporation, 2009

By the President of the United States of America

A Proclamation

Every day the Legal Services Corporation (LSC) breathes life into the timeless ideal, "equal justice under law." It reaches those who cannot afford the assistance they need and those who would otherwise go without vital representation. Today we recognize the 35 years during which the LSC has moved our Nation and our legal system towards greater equality.

The LSC brings legal counsel to every corner of the Nation. As the largest provider of civil legal aid to the poor, it supports programs that touch families in every State. Persons of all ethnic and racial backgrounds know its great work, and women, who represent 75 percent of LSC-supported clients, especially benefit from its expertise.

The Legal Services Corporation's work helps improve lives. It allows more people to access the public benefits they deserve, more domestic violence victims to secure the protections they desperately need, and more workers to receive the compensation they have been promised and earned.

During an economic crisis, the work of the LSC is especially important. When families face foreclosure, eviction, or bankruptcy, or when communities are targeted by predatory lenders, they need the help of legal professionals. These scenarios are far too common today. Fortunately, the LSC stands ready to meet these demands.

Because economically vulnerable communities continue to face an unmet need for legal services, my Administration has supported increased funding for the LSC. I have also recommended lifting several unnecessary restrictions on funding so that more people can receive assistance. These changes are critical to the organization's mission and work.

We have made great progress in protecting the legal rights of our citizens, and the Legal Services Corporation has played a vital role in this story for more than 3 decades. With continued support, it will serve those in need and help our Nation live out its highest ideals.

NOW, THEREFORE, I, BARACK OBAMA, President of the United States of America, by virtue of the authority vested in me by the Constitution and the laws of the United States, do hereby proclaim July 25, 2009, as the 35th Anniversary of the Legal Services Corporation. I call upon legal professionals and the people of the United States to honor the contributions of this vital organization.

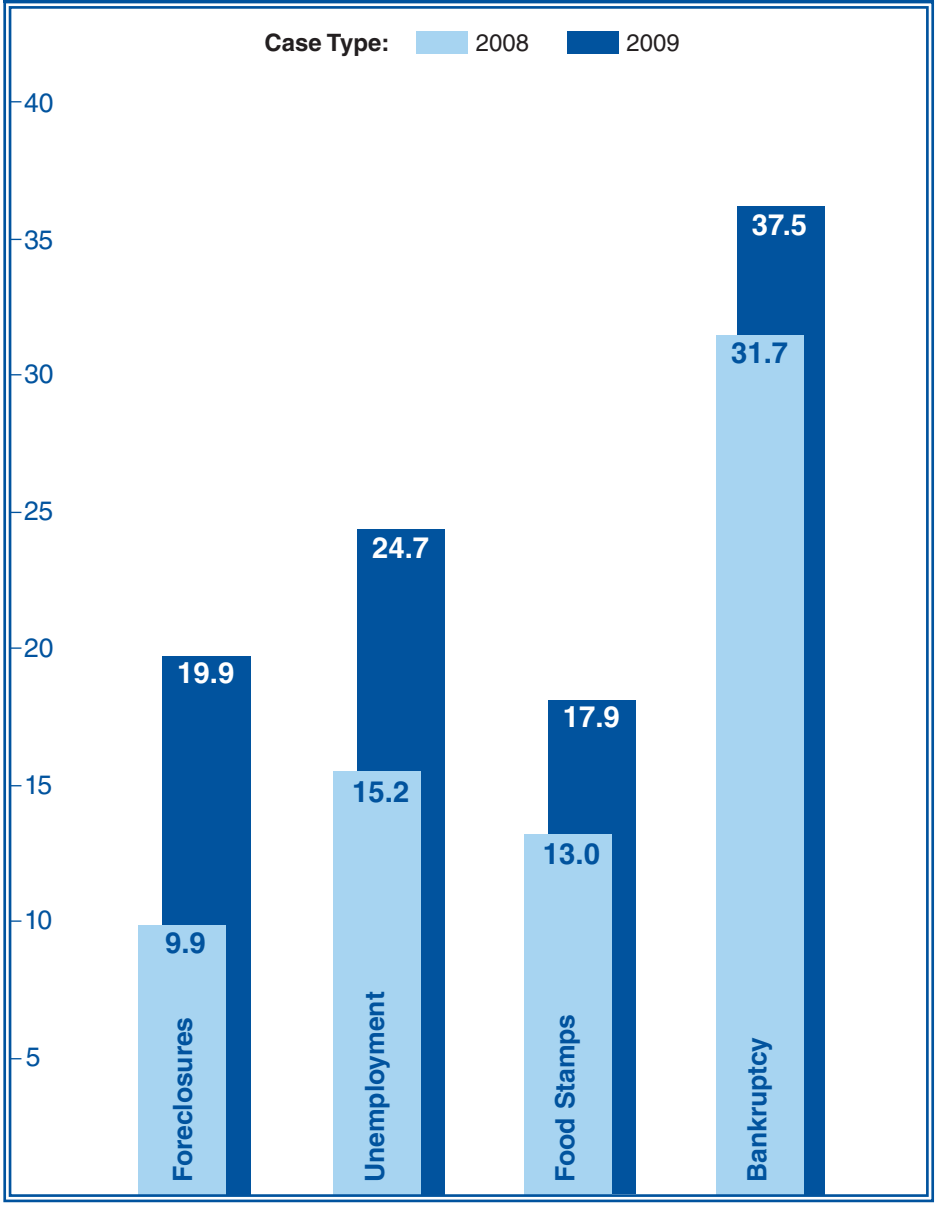
IN WITNESS WHEREOF, I have hereunto set my hand this twenty-third day of July, in the year of our Lord two thousand nine, and of the Independence of the United States of America the two hundred and thirty-fourth.

2009, despite a 5 percent decrease in the number of private attorneys agreeing to work with LSC programs, the number of cases closed by volunteer attorneys increased. More than 11 percent of all cases closed in 2009 involved private attorneys working with LSC programs.

The cases handled by LSC programs, while a primary focus, are not the only services provided to low-income Americans. Technology permits people to help themselves and better navigate through the judicial system.

LSC helps fund a nationwide network of state websites that provide free legal information and connect low-income Americans to local legal aid programs. The websites have become a major means of accessing information, as demonstrated by the increased use of Internet-based services in 2009. Web-related services grew by 37 percent and community legal education, referrals and other services increased by 4 percent. Millions of Americans are provided with self-help information and court forms through websites

Recession-Related Cases on the Rise (in thousands)

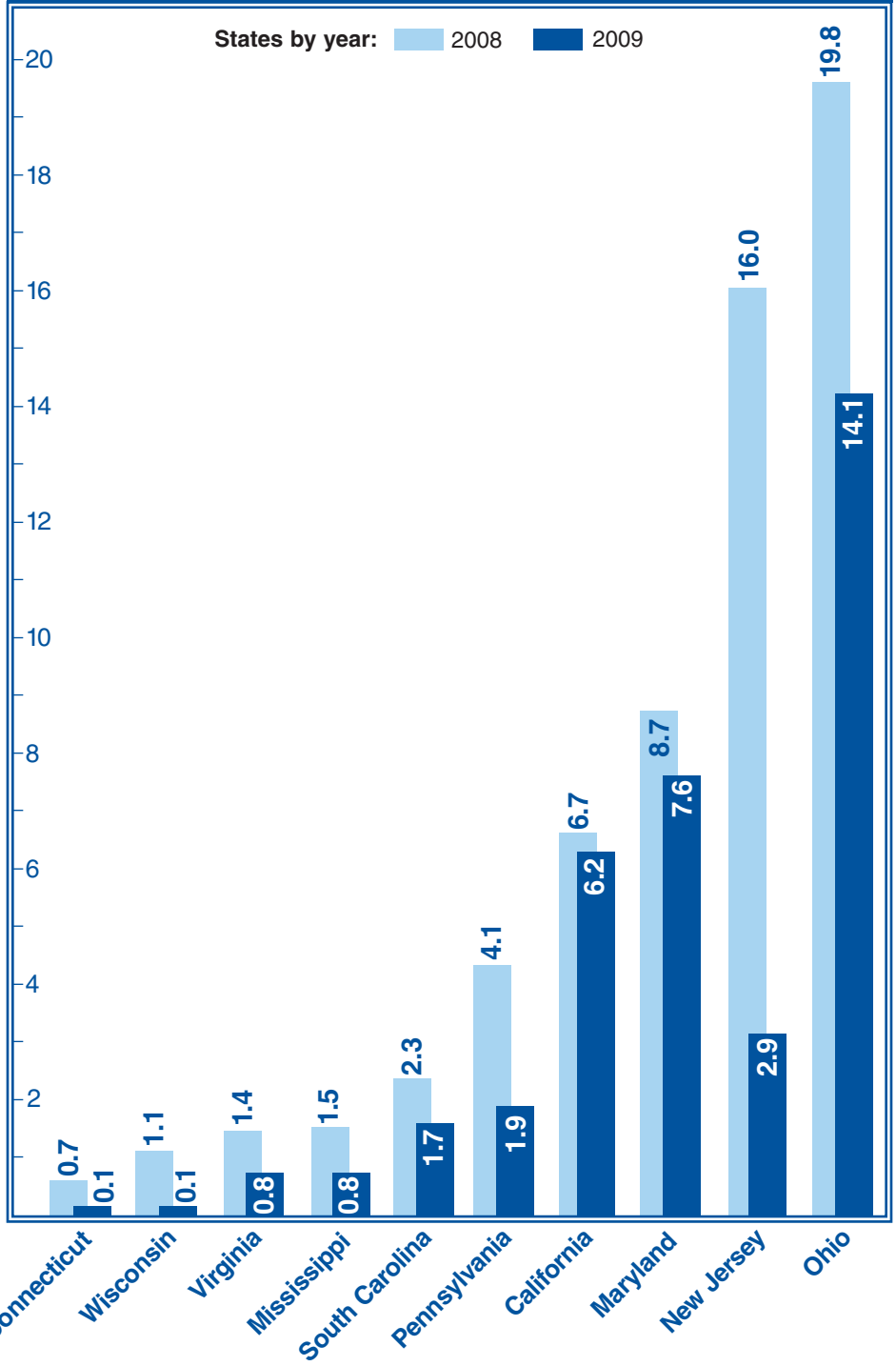


that are fully or partially funded by the LSC Technology Grants Initiative, known as TIG.

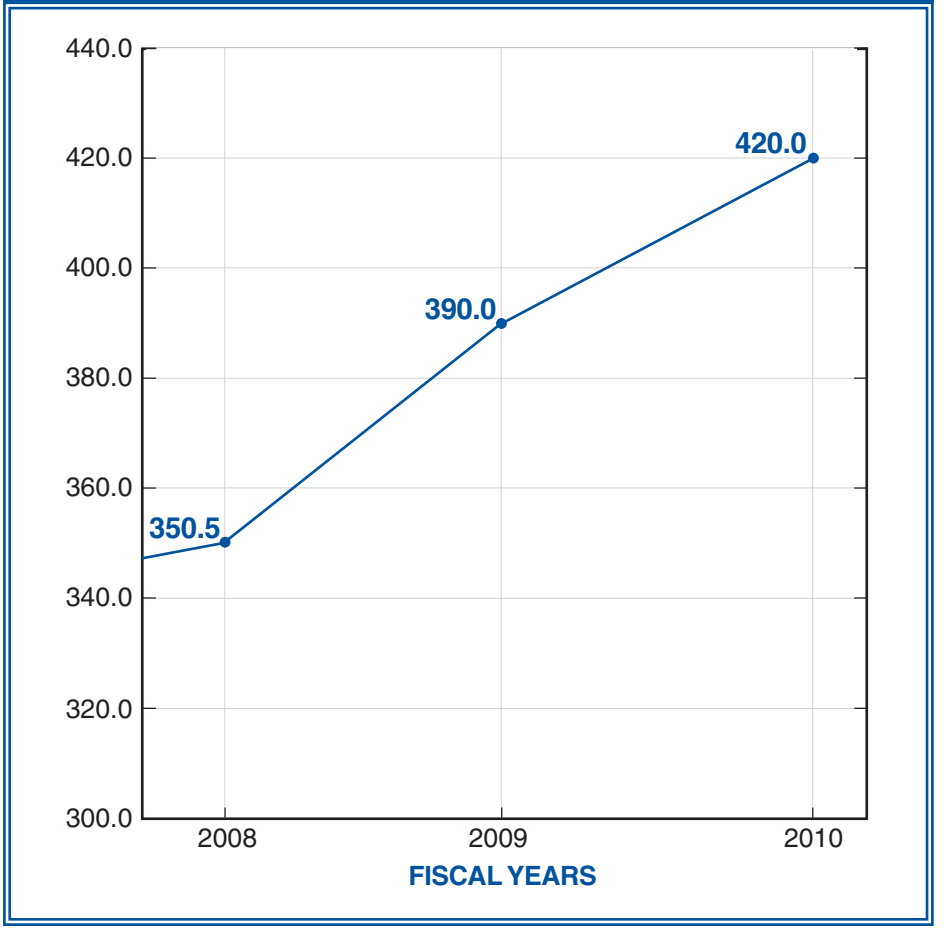
The annual appropriation also includes funding for a loan repayment program that helps new lawyers burdened with education-related debt, and for improved oversight of legal aid grants.

However, the impact of the extra millions in federal funding was offset to a large degree by the tumbling economy. LSC programs spent much of 2009 grappling with an uncertain economic future, worried about the stability of their state and local funding, foundation and bar association grants and

IOLTA Funding Declines at LSC Programs (dollars in millions)



LSC Appropriations (dollars in millions)



individual charitable contributions. A major source of funding, Interest on Lawyers' Trust Accounts, decreased by nearly $27 million, or 24 percent in 2009, compared to 2008.

Even as LSC programs closed more cases, they estimated that nearly 1 million low-income Americans were turned away because of insufficient resources. LSC published an updated analysis in September 2009 of the "justice gap"—the difference between the level of civil legal assistance available and the level that is necessary to meet the legal needs of low-income individuals and families. For every client served by LSC programs, another person who qualifies for assistance and seeks help is turned away, the analysis found.

"Every day that a legal aid attorney protects the safety, security and health of our most vulnerable citizens, they bring the nation closer to living up to its commitment to equal justice for all."

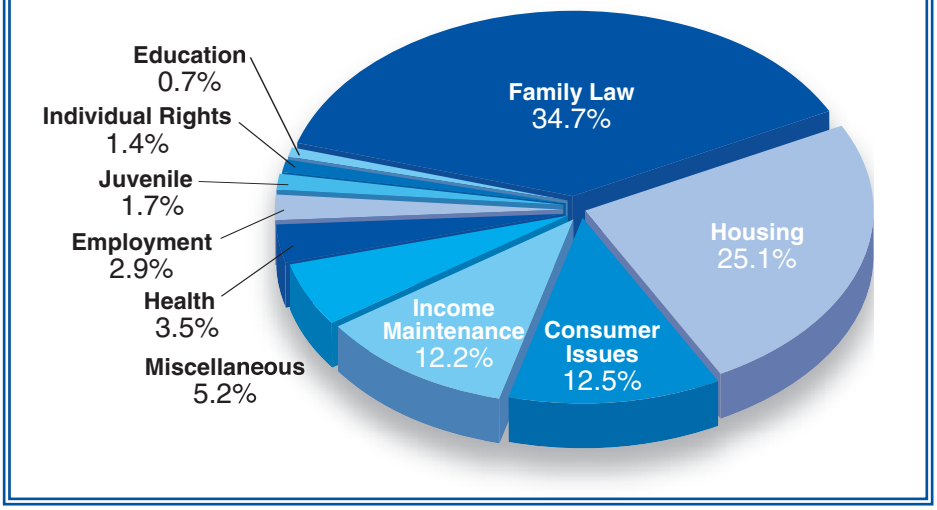
—Senator Tom Harkin of Iowa, *Congressional Record, July 23, 2009*

TOM WOLFF

Twenty-five percent of cases at LSC programs involve housing. Requests for help with foreclosures increased, with programs turning away two for every client served.

Nearly 35 percent of LSC-funded cases involve family law, such as helping family members obtain guardianship for children without parents.

Cases Closed by LSC-Funded Programs in 2009



At least 54 million Americans are eligible for civil legal assistance under LSC's income guidelines, which establish maximum income eligibility for legal assistance at $13,538 for individuals and $27,563 for a family of four.

To bolster LSC efforts to ensure equal access to justice and to provide for civil legal assistance, Sen. Tom Harkin of Iowa and Rep. Robert C. Scott of Virginia introduced matching bills known as the Civil Access to Justice Act of 2009. The legislation would strengthen the LSC budget by authorizing $750 million as a new, annual funding level. That level is approximately the amount appropriated in 1981, when adjusted for inflation, and reflects a time when LSC programs were recognized as being as close as they ever have been to meeting the demand for civil legal services by the poor. The legislation also includes provisions that would improve governance and accountability at the Corporation and its 136 grantees.

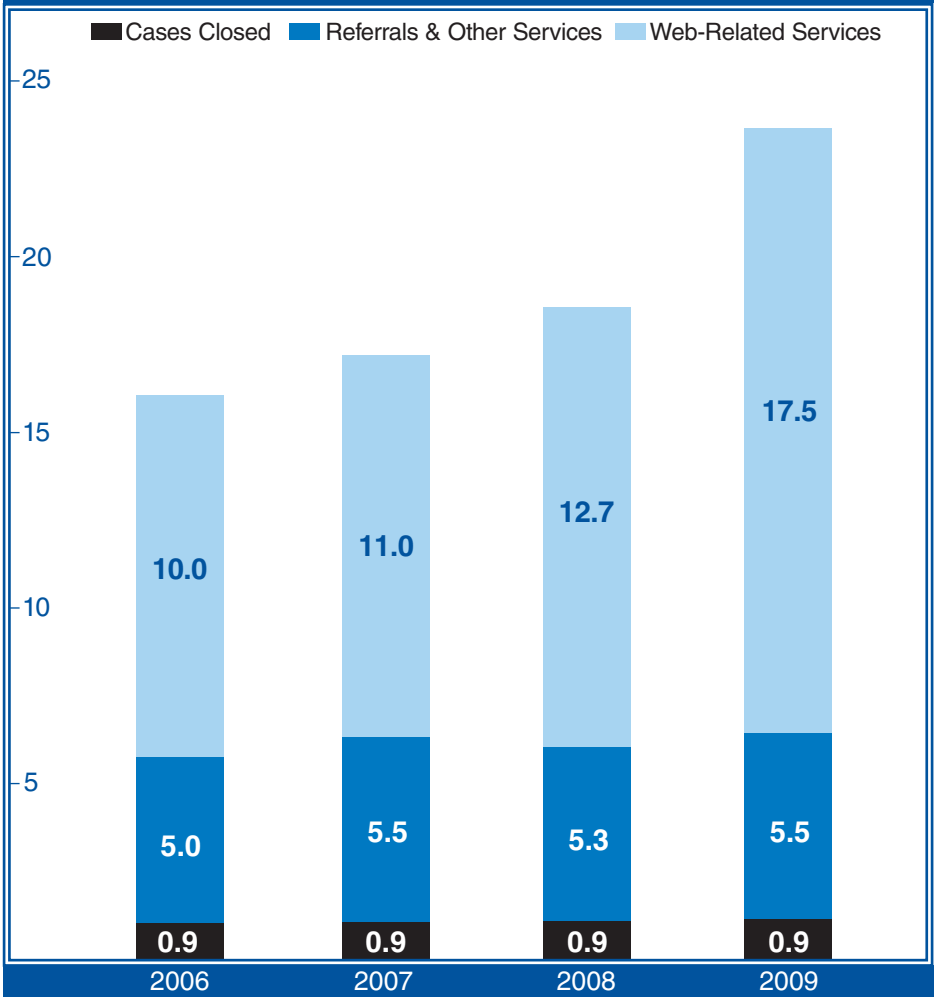
2009 also marked a milestone for the Corporation—35 years of steady progress toward the nation's goal of equal justice for all. Congress approved and President Nixon signed LSC's legislative charter in 1974, and the LSC Board of Directors celebrated the LSC Act with a birthday cake in Topeka, Kansas, at an evening reception sponsored by Kansas Legal Services at the Brown v. Board of Education National Historic Site. Ramona Shump, who served on one of LSC's first Boards of Directors, was on hand to cut the birthday cake.

Sen. Harkin and Rep. Steve Cohen of Tennessee placed commemorative statements in the Congressional Record to celebrate the milestone. "On this anniversary, I salute the Legal Services Corporation and LSC-funded attorneys for the vital work they do every day on behalf of Americans who need qualified counsel. Every day that a legal aid attorney protects the safety, security and health of our most vulnerable citizens, they bring the nation closer to living up to its commitment to equal justice for all," Sen. Harkin said.

President Obama issued a Presidential Proclamation for the 35th anniversary, saying that LSC "breathes life into the timeless ideal, 'equal justice under law.' It reaches those who cannot afford the assistance they need and

HUGH WILLIAMS

Cases Closed and Other Client Services (in millions)



those who would otherwise go without vital representation. Today we recognize the 35 years during which the LSC has moved our Nation and our legal service towards greater equality." ■

"At a time when poor Americans are struggling to keep their jobs, homes, and basic necessities for their families, it is crucial for the federal government to continue to address the civil legal needs of these vulnerable people as a national priority. Fortunately, LSC has broad bipartisan support for a strong federal role in access to equal justice efforts."

—Representative Steve Cohen of Tennessee, *Congressional Record, July 24, 2009*

PETER CUTTS

Across the nation, legal services programs protect families—whether the case involves adoption, divorce, custody and visitation rights or parental rights.

Improving Accountability

Congress enacted the Inspector General Act to establish independent offices to help protect taxpayer funds from fraud and abuse and to improve the economy and efficiency of government agencies and federally funded programs. At LSC, these objectives are especially important as dollars lost to fraud or waste cost LSC-funded programs critically needed resources and can deprive clients of services they need to protect their rights in areas often vital to their personal and economic security.

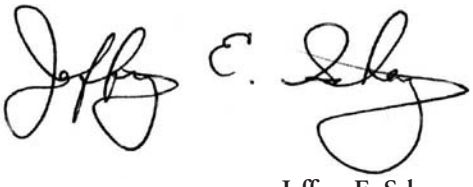
At the Office of Inspector General (OIG) at LSC, much of our daily work involves audits, investigations and program analysis – all designed to help improve or protect LSC's programs and activities. While maintaining the independence of the OIG, our staff of approximately 25 professionals works in close coordination with the Board of Directors, LSC management and staff to further the Corporation's mission.

As I enter my third year serving as LSC's Inspector General, I am pleased to report that our office has made substantial contributions in helping to improve and protect LSC's programs. We have focused our audit efforts on improving governance practices and internal controls. During 2009 our audits identified more than $582,000 in questioned costs involving LSC grantees, and resulted in improved procedures and practices at the Corporation and at many LSC-funded programs. We completed a multi-year series of audits following up on the Government Accountability Office's review of LSC controls over grants management and oversight, and referred the identified questioned costs to LSC management for action. Also, as part of our oversight role with respect to the grantee audit process, the OIG conducted in-depth reviews of 100 percent of grantees' audit reports and onsite quality reviews of selected independent public accountants' (IPAs) audit work. We also focused our audit resources on key areas of the Corporation's management and grants oversight and made a number of recommendations for improvements in internal controls and policies.

The OIG conducted more than 40 investigations during the year. Convictions were obtained in two significant cases following OIG investigations: one case involved a former acting executive director of an LSC grantee, convicted of theft of more than $31,000 in federal grant funds; the other involved a former grantee employee, convicted of mail fraud for making more than $134,000 in fraudulent reimbursement claims. Another investigation resulted in a grantee being ordered to divest more than $2 million in attorneys' fees and agreeing not to seek LSC funding for five years.

We also continued to emphasize prevention and deterrence with a variety of educational and other efforts, including fraud alerts advising executive directors of issues and vulnerabilities identified in the course of OIG investigations or audits (e.g., control breakdowns that permitted a $200,000 embezzlement at one grantee), fraud awareness briefings, vulnerability assessments, and onsite work with individual grantees.

By continuing to press forward with these and similar activities, the LSC OIG is helping to root out 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 continuing to do all that we can to help improve and protect LSC's programs.



Jeffrey E. Schanz
Inspector General
Legal Services Corporation
July 1, 2010

Financials

Financial Statements and Independent Auditor's Report For The Year Ended September 30, 2009

Financials

Financial Statements and Independent Auditor's Report For The Year Ended September 30, 2009

THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

Certified Public Accountants and Management, Systems, and Financial Consultants

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INDEPENDENT AUDITOR'S REPORT

To The Inspector General and the Board of Directors
Legal Services Corporation
Washington, DC

We have audited the accompanying statement of financial position of Legal Services Corporation ("LSC") as of September 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of LSC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSC as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2010 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 the 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 read in conjunction with this report in considering the results of the audit.

Washington, DC
January 13, 2010 Thompson, Cobb, Bazilio & Associates, PC

A Professional Corporation
www.tcba.com

Financial Statements

Statement of Financial Position

September 30, 2009

ASSETS	
Cash and cash equivalents	$ 77,940,065
Accounts receivable	625,342
Prepaid expenses and deposits	178,663
Fixed assets, net	395,244
Total Assets	$ 79,139,314
LIABILITIES	
Grants and contracts payable	$ 68,335,697
Accounts payable	302,383
Accrued vacation and other liabilities	1,236,290
Deferred revenue	2,800,129
Total Liabilities	72,674,499
NET ASSETS	
Unrestricted net assets:	
Designated	835,863
Undesignated	5,233,708
Net investment in fixed assets	395,244
Total unrestricted net assets	6,464,815
Total liabilities and unrestricted net assets	$ 79,139,314

Financial Statements (cont.)

Statement of Activities

Year Ended September 30, 2009

SUPPORT AND REVENUE	
Federal appropriations	$ 390,000,000
Grant revenue	2,034,086
Interest	39,379
Other income	6,598
Change in deferred revenue	(1,370,641)
Total support and revenue	390,709,422
EXPENSES	
Program activities:	
Grants, contracts and reimbursable expenses	371,257,115
Supporting activities:	
Management and grants oversight	13,845,616
Office of Inspector General	3,270,879
Herbert S. Garten Loan Repayment Assistance Program	279,400
Total supporting activities	17,395,895
Total expenses	388,653,010
Change in net assets	2,056,412
Unrestricted net assets, beginning of year	4,408,403
Unrestricted net assets, end of year	$ 6,464,815

Financial Statements (cont.)

Statement of Cash Flows

Year Ended September 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,056,412
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amoritzation	215,810
Loss on disposal of assets	583
Increase in accounts receivable	(31,106)
Increase in LRAP receivable	(249,480)
Decrease in prepaid expenses and deposits	53,560
Increase in grants and contracts payable	6,822,430
Increase in vouchers payable	76,049
Increase in salaries payable and other payroll liabilities	270,493
Increase in deferred revenue	1,366,555
Net cash and cash equivalents provided by operating activities	$ 10,581,306
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(93,347)
Net increase in cash and cash equivalents	10,487,959
Cash and cash equivalents, beginning of year	67,452,106
Cash and cash equivalents, ending of year	$ 77,940,065

Notes To Financial Statements

September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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.

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.

As discussed in more detail in Note 12, LSC has elected to follow 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 Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under 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 does not have temporarily restricted or permanently restricted net assets.

Estimates

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

Cash and Cash Equivalents

LSC considers all money market funds and instruments with a maturity date of less than 90 days to be cash equivalents.

Support and Revenue

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

Grantee Receivables and Grant Refunds

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.

Notes To Financial Statements (cont.)

September 30, 2009

NOTE 1 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.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets of five and ten years.

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.

Classification of 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.

Concentration of Revenue

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

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit at financial institutions and undisbursed appropriations, which constitute spending authority remaining available in LSC's account held by the U.S. Treasury. Cash and cash equivalents as of September 30, 2009 consisted of the following:

Cash in U.S. Treasury	$ 41,663,198
Cash in financial institution	36,274,867
Petty cash	2,000
Total cash and cash equivalents	$ 77,940,065

Notes To Financial Statements (cont.)

September 30, 2009

NOTE 3 FIXED ASSETS

Fixed assets as of September 30, 2009 consisted of the following:

Furniture	$	1,824,982
Software		341,201
Leasehold improvements		321,687
Subtotal		2,487,870
Less: accumulated depreciation/ amoritization		2,092,626
Fixed assets, net	$	395,244

NOTE 4 GRANT REVENUE

LSC was awarded a grant from the U.S. Court of Veterans Appeals for the purpose of furnishing legal assistance to veterans in non-criminal proceedings.

Additionally, LSC was awarded a grant from the State Justice Institute, a nonprofit organization established by federal law, for the purpose of expanding the number of LSC technology initiative grants.

Grant revenue for the year ended September 30, 2009 consisted of the following:

U.S. Court of Veterans Appeals grant	$	1,700,000
Veterans reimbursable expenses		4,086
State Justice Institute		330,000
Total grant revenue	$	2,034,086

NOTE 5 GRANT AND CONTRACT EXPENSES

Grant and contract expenses in fiscal year 2009 were as follows:

Basic Field Programs	$ 365,745,172
U.S. Court of Veterans Appeals Funds	1,704,086
Technology Initiatives	3,705,628
Grants From Other Funds	283,734
Grant Recoveries	(181,505)
Total grant and contract expenses	$ 371,257,115

Notes To Financial Statements (cont.)

September 30, 2009

NOTE 6 MANAGEMENT AND GRANTS OVERSIGHT

Management and grants oversight expenses in fiscal year 2009 were as follows:

Compensation and benefits	$ 9,917,209
Temporary employee pay	67,549
Consulting	686,858
Travel and transportation	494,432
Communications	132,567
Occupancy cost	1,654,289
Printing and reproduction	50,659
Other operating expenses	625,184
Capital expenditures	61,435
Total	13,690,182
Depreciation and amoritization	215,810
Loss on disposal of assets	584
Less: capitalized assets	(60,960)
Total management and grant oversight expenses	$ 13,845,616

NOTE 7 HERBERT S. GARTEN LOAN REPAYMENT ASSISTANCE PROGRAM

LSC initiated the Herbert S. Garten Loan Repayment Assistance Program in 2006 and loans were provided up to $5,000 annually for participating attorneys. In 2007, loans increased to $5,600 annually. For the year ended September 30, 2009, participating attorneys received loans totaling $569,023, which have been reflected as receivables.

The loans forgiven in fiscal year 2009 totaled $279,400. Each loan and the related interest are to be forgiven provided that the participating attorneys successfully complete employment within the loan terms. No provision has been made in the accompanying financial statements to reflect any loss that may occur and no interest on the loans has been accrued as management has deemed these amounts to be immaterial.

Notes To Financial Statements (cont.)

September 30, 2009

NOTE 8 OFFICE OF INSPECTOR GENERAL

LSC's Office of Inspector General expenses in fiscal year 2009 were as follows:

Compensation and benefits	$	2,977,165
Temporary employee pay		9,531
Consulting		65,570
Travel and transportation		145,626
Communications		22,138
Printing and reproduction		3,109
Other operating expenses		47,740
Capital expenditures		32,387
Total		3,303,266
Less: capitalized assets		(32,387)
Total Office of Inspector General expenses	$	3,270,879

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 employees salary regardless of their participation to the maximum permitted under federal income tax rules

NOTE 9 RETIREMENT PLANS (Continued)

LSC's contributions to these plans for the year ended September 30, 2009 were $858,469. These amounts are included in compensation and benefits for management and administration expenses. LSC also offers a tax deferred annuity savings plan for eligible employees. No contributions are made to this plan by LSC.

NOTE 10 LEASES

Related Party Lease

On June 1, 2003, LSC commenced an operating lease agreement for office space with the Friends of Legal Services Corporation ("FoLSC"), a nonprofit corporation whose primary purpose is to carry out activities that benefit LSC. Although LSC does not exert control or significant influence over the management or operations of FoLSC, the relationship of the two organizations is such that arms-length transactions may not be achieved.

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

	Amount
September 30,	
2010	$ 1,710,000
2011	1,710,000
2012	1,710,000
2013	1,140,000
Total	$ 6,270,000

Rental expense for the year ended September 30, 2009 was $1,710,000. No amounts were due to or due from FoLSC as of September 30, 2009.

Sublease

During fiscal year 2005, LSC entered into a five-year sublease to lease a portion of its space, expiring in fiscal year 2010. The lease agreement provides for an annual base rent of $53,415 with a 2% annual increase. The total minimum payments required under this sublease are as follows:

	Amount
2010	$ 50,648

Total sublease income in fiscal year 2009 was approximately $57,883 and is reported as a reduction of rental expense in the accompanying financial statements.

Notes To Financial Statements (cont.)

September 30, 2009

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 several 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 three cases in litigation involving challenges to LSC regulations, two of which have been consolidated. In the consolidated cases, plaintiffs are seeking injunctive relief but no monetary damages, except for attorneys' fees. The third case (LASO), involves a claim for injunctive relief but no monetary damages except for costs. Prior to 2008, the fees in these cases were paid by LSC's insurance carriers, but one carrier disputed coverage. LSC sued the carriers and settled in fiscal year 2008 for approximately $400,000. All future legal fees in these cases will be paid directly by LSC out of normal operating funds, and not be reimbursed by insurance carriers. No funds have been recorded in the financial statements for any contingent liability associated with future legal fees.

There is one further case, which was filed in December 2008 but which has never been served. In that case, plaintiff claims wrongful denial of legal representation by a LSC grantee. The suit appears to be entirely without merit as to former President Barnett and LSC, neither of whom play any role in a given LSC grantee's decision regarding the acceptance of cases within the scope of LSC's rules and restrictions. No outside counsel has been retained and no attorneys' fees or costs have been incurred.

NOTE 12 PRIOR YEAR RESTATEMENT

LSC has followed generally accepted accounting principles (GAAP) for state and local governments since 2002. Prior to 2002, LSC followed GAAP for nongovernmental entities promulgated by the Financial Accounting Standards Board (FASB). The Governmental Accounting Standards Board (GASB) is the source of GAAP for state and local governments. As LSC is not a part of a state or local government unit and does not meet GASB criteria, LSC elected to revert to GAAP for nongovernmental entities. Beginning net assets have been restated to conform with accounting principles generally accepted in the United States of America for not-for-profit organizations. Net assets at the beginning of the year were restated as follows:

	As Previously Reported	As Restated
Restricted net assets	$ 3,890,113	$ -
Unrestricted net assets - designated	$ -	$ 1,318,805
Unrestricted net assets - undesignated	$ -	$ 2,571,308

Notes To Financial Statements (cont.)

September 30, 2009

NOTE 13 TAX STATUS

Under Section 501(c)(3) of the Internal Revenue Code, LSC is exempt from the payment of taxes on income other than net unrelated business income. No provision for income taxes is required for the years ended September 30, 2009 and 2008 as LSC had no net unrelated business income.

In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation No. 48 (Interpretation No. 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. LSC has elected to defer the application of Interpretation No. 48 for the year ended September 30, 2009. LSC evaluates its uncertain tax positions using the provision of FASB Statement No. 5, *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, 2009.

NOTE 14 SUBSEQUENT EVENTS

In preparing these financial statements, LSC has evaluated events and transactions for potential recognition or disclosure through January 13, 2010, the date the financial statements were issued.

In December 2009, the House and Senate approved a consolidated appropriations bill that included $420 million in funding for LSC. President Obama signed the appropriations bill into law on December 16, 2009.

Other reports issued by the auditor are available online at:

http://oig.lsc.gov/reports/corp/fy%202009%20LSC%20Corporate%20Audit.pdf

Thank You

This Annual Report would not have been possible without the help and support of numerous people who truly care about civil legal assistance for low-income Americans.

They include the Honorable Earl Johnson Jr., Alan W. Houseman, Gregory Dallaire and Henry A. Freedman, who graciously offered insights during interviews and volunteered to write for this Annual Report. This project also could not have succeeded without the support of Anne Mar, who provided oral history transcripts and photographs from the National Equal Justice Library, a part of the Special Collections department of the Georgetown Law Library; Dianne Rouse and staff at the LSC Library, who provided valuable research, and the LSC Office of Legal Affairs, which provided files on the congressional debate that led to the 1974 LSC Act.

The LSC Office of Government Relations and Public Affairs is responsible for any errors in this Annual Report.

Where it was possible to provide photo credit for images used, we did so. Unfortunately, sometimes space in the page design—as with the cover, for instance—did not allow for it. Here, in alphabetical order, are those we wish to credit for the useage of their art in this annual report:

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LSC
America's Partner For Equal Justice

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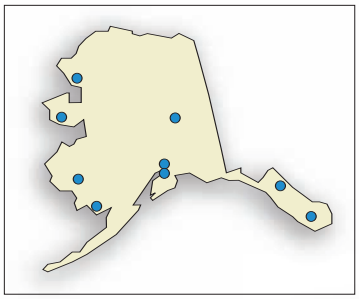
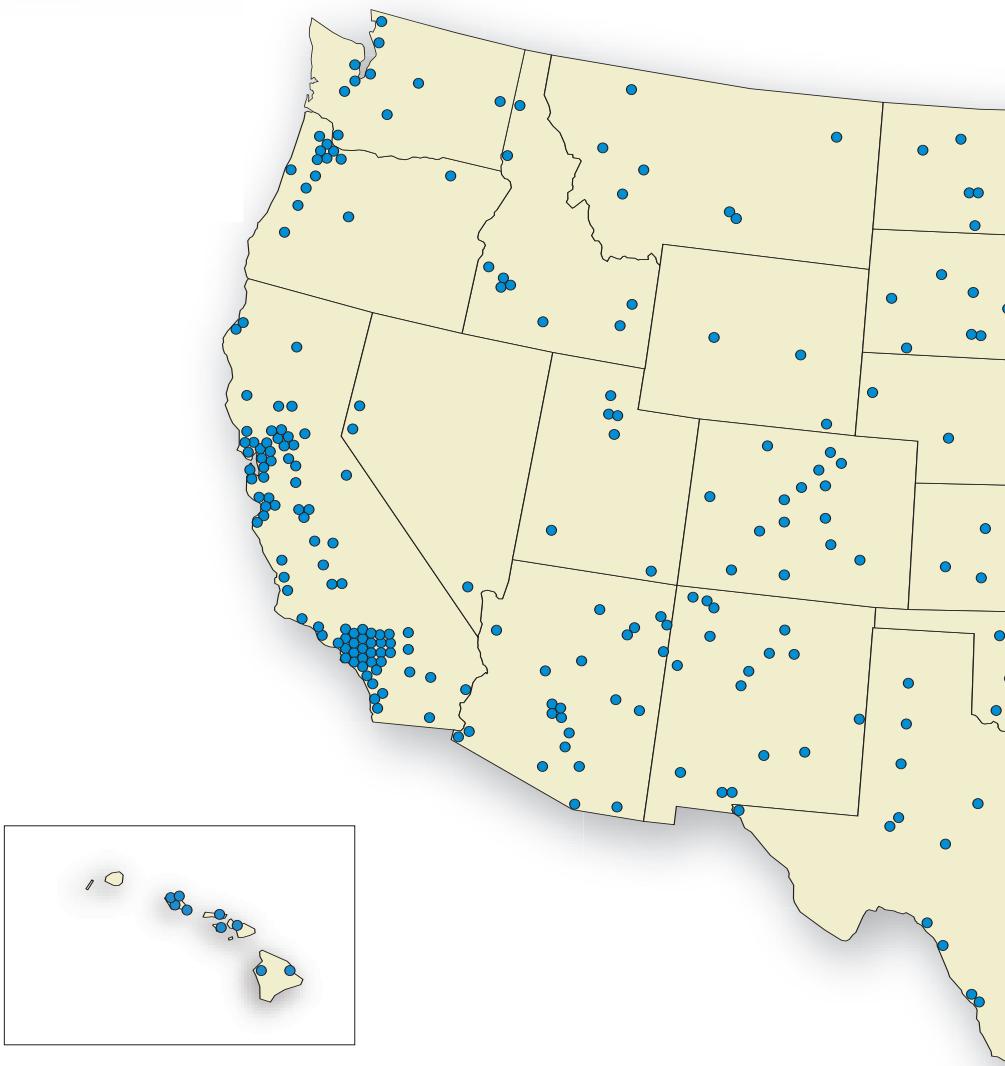


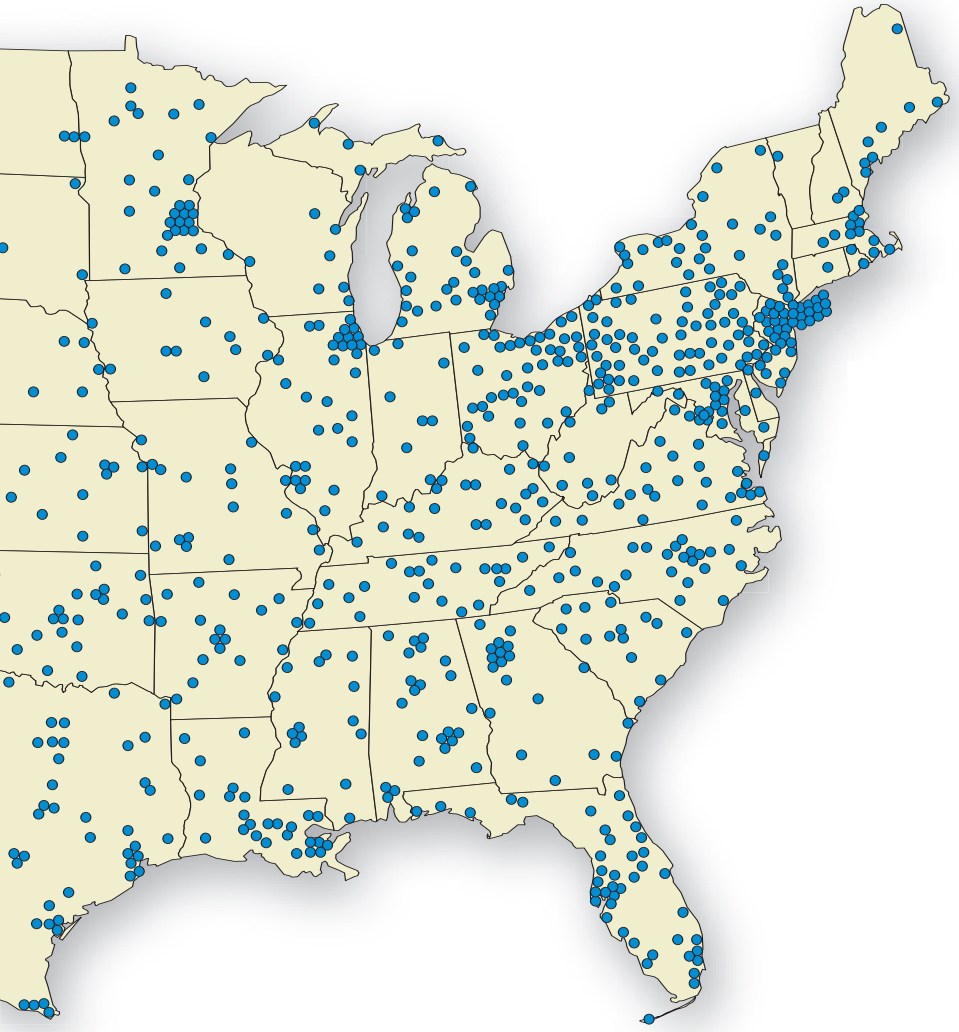


ALABAMA
Legal Services Alabama
ALASKA
Alaska Legal Services Corporation
ARIZONA
Community Legal Services
DNA-Peoples Legal Services
Southern Arizona Legal Aid
ARKANSAS
Center for Arkansas Legal Services
Legal Aid of Arkansas
CALIFORNIA
Bay Area Legal Aid
California Indian Legal Services
California Rural 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
Capital Area Legal Services Corporation
Legal Services of North Louisiana
Southeast Louisiana Legal Services Corporation

MAINE
Pine Tree Legal Assistance
MARYLAND
Legal Aid Bureau
MASSACHUSETTS
Massachusetts Justice Project
Merrimack Valley Legal Services
New Center for Legal Advocacy
Volunteer Lawyers Project of the Boston Bar Association
MICHIGAN
Legal Aid and Defender Association
Legal Aid of Western Michigan
Legal Services of Eastern Michigan
Legal Services of Northern Michigan
Legal Services of South Central Michigan
Michigan Indian Legal Services

MINNESOTA
Anishinabe Legal Services
Central Minnesota Legal Services
Legal Aid Service of Northeastern Minnesota
Legal Services of Northwest Minnesota Corporation
Southern Minnesota Regional Legal Services
MISSISSIPPI
Choctaw Legal Defense
Mississippi Center for Legal Services
North Mississippi Rural Legal Services
MISSOURI
Legal Aid of Western Missouri
Legal Services of Eastern Missouri
Legal Services of Southern Missouri
Mid-Missouri Legal Services Corporation

rovides grants to 136 independent, nonprofit
il legal services to low-income Americans from
the District of Columbia and the territories of



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
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Northwestern Legal Services
North Penn Legal Services
Philadelphia Legal Assistance Center
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SOUTH DAKOTA
Dakota Plains Legal Services
East River Legal Services
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