



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35579

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 21, 2010

Board of Directors
Legal Aid Society of Evansville, Inc.
1 NW Martin Luther King, Room 105
Evansville, IN 47708

We have reviewed the audit report prepared by Timothy J. Otte CPA, PC, Independent Public Accountant, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Legal Aid Society of Evansville, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. Page 9 contains one current audit finding.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

LEGAL AID SOCIETY OF EVANSVILLE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008

4266 Bell Road, Suite 11 • P.O. Box 308 • Newburgh IN. 47629
Phone: 812.490.8600 • Fax: 812.490.8601

Member of American Institute of Certified Public Accountants

LEGAL AID SOCIETY OF EVANSVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Legal Aid Society of Evansville, Inc.

We have audited the accompanying statement of assets, liabilities and net assets- modified cash basis of the Legal Aid Society of Evansville, Inc. (a nonprofit organization) as of December 31, 2008, and the related statements of support, revenue, expenses, and functional expenses- modified cash basis for the year then ended. These financial statements are the responsibility of Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Legal Aid Society of Evansville, Inc. as of December 31, 2008 and its support, revenue, expenses and functional expenses for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009, on our consideration of the Legal Aid Society of Evansville, Inc.'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 should be an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Timothy J. Otte CPA PC
Newburgh, IN
July 31, 2009

LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS-
MODIFIED CASH BASIS
DECEMBER 31, 2008

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>
Current Assets			
Cash- Checking	\$ 16,616	\$ 140	\$ 16,756
Cash- Savings	12,668	-	12,668
Cash- Certificates of Deposit	84,493	5,176	89,668
Total Current Assets	<u>113,777</u>	<u>5,315</u>	<u>119,092</u>
Property and Equipment			
Furniture and Equipment	68,885	-	68,885
Library	5,835	-	5,835
Leasehold Improvements	11,704	-	11,704
Less Accumulated Depreciation	<u>(71,921)</u>	<u>-</u>	<u>(71,921)</u>
Total Property and Equipment	<u>14,504</u>	<u>-</u>	<u>14,504</u>
 Total Assets	 <u>\$ 128,280</u>	 <u>\$ 5,315</u>	 <u>\$ 133,596</u>
 LIABILITIES AND NET ASSETS			
Liabilities	\$ -	\$ -	\$ -
 Net Assets	 <u>128,280</u>	 <u>5,315</u>	 <u>133,596</u>
 Total Liabilities and Net Assets	 <u>\$ 128,280</u>	 <u>\$ 5,315</u>	 <u>\$ 133,596</u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES-
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008**

SUPPORT AND REVENUE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>
City & County Funds	\$ 347,712	\$ -	\$ 347,712
United Way Funds	61,736	-	61,736
Grant Funds	25,149	-	25,149
Interest Income	3,413	189	3,603
Client Funds	-	1,514	1,514
Other Income	8,475	-	8,475
Net Assets Relaeased from Restrictions	2,108	(2,108)	-
Total Support and Revenue	<u>448,593</u>	<u>(404)</u>	<u>448,189</u>

EXPENSES

Program Services	351,813	-	351,813
Supporting Services	87,953	-	87,953
Total Expenses	<u>439,766</u>	<u>-</u>	<u>439,766</u>

CHANGE IN NET ASSETS	8,827	(404)	8,423
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NET ASSETS- BEGINNING OF YEAR	<u>119,453</u>	<u>5,720</u>	<u>125,173</u>
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NET ASSETS- END OF YEAR	<u>\$ 128,280</u>	<u>\$ 5,315</u>	<u>\$ 133,596</u>
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See notes to financial statements

LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES- MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services	2008 Total
Salaries	\$ 249,697	\$ 62,424	\$ 312,121
Payroll Taxes	18,430	4,607	23,037
Retirement	17,142	4,285	21,427
Office Supplies	6,622	1,656	8,278
Other Insurance	673	168	841
Meetings/Conferences	60	15	75
Postage	800	200	1,000
Telephone	1,360	340	1,700
Law Books	2,587	647	3,233
Professional Fees	2,880	720	3,600
Printing	1,532	383	1,915
Publications	538	134	672
Advertising	1,123	281	1,404
Contractual Services	4,799	1,200	5,999
Maintenance Contracts	4,603	1,151	5,754
Rent	19,465	4,866	24,331
Malpractice Insurance	3,410	853	4,263
Dues & Subscriptions	2,454	614	3,068
Continuing Education	1,107	277	1,384
Miscellaneous	8,553	2,138	10,692
Depreciation	3,978	995	4,973
	<u>\$ 351,813</u>	<u>\$ 87,953</u>	<u>\$ 439,766</u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission - The Organization was founded in 1958 to provide free legal advice and representation to qualifying low income residents of Vanderburgh County in select civil matters. Approximately 700-800 cases are handled each year.

Basis of Accounting – The Organization maintains its records on the modified cash basis of accounting which recognizes income when cash is received and recognizes expenses when cash is disbursed. This basis differs from generally accepted accounting principles primarily because the Organization has not recognized accounts receivable from grantors, prepaid expenses, accounts payable, accrued expenses and related effects on earnings.

Basis of Presentation – The Organization reports in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

Federal Income Taxes- The Organization is recognized as a non-profit organization, under Section 501(c)(3) of the Internal Revenue Code, by both federal and state taxing authorities and is exempt from income taxes.

Concentration of Credit Risk – The Organization receives 78% of its funding from the City of Evansville and Vanderburgh County.

Use of Estimates- The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment - Building additions and equipment with an estimated useful life of greater than one year are recorded at cost. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized. The organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,000. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes.

Functional Allocation of Expenses – The costs of providing the various services, programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among services benefited.

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

NOTE 2- TEMPORARILY NET ASSETS

Temporarily restricted net assets consist of funds restricted by donors to be used to pay publication costs, costs of DNA testing, etc. of which is to be reimbursed by the client at a future date.

NOTE 3 - EMPLOYEE BENEFIT PLAN

The Organization provides retirement benefits to substantially all employees through individual annuities with the Public Employees Retirement Fund. It is the Organization's policy to fund pension costs annually. Pension costs for 2008 were \$21,427.

NOTE 4- DISBURSEMENTS

The Organization disburses a majority of funds utilizing a process whereby a voucher is submitted to the Vanderburgh County Auditor and Treasurer for payment.

NOTE 5- LEASE AGREEMENTS

The Organization leases office space under an annually renewable lease agreement. The lease agreement is renewable on January 1st of each year. The lease expense for 2008 was \$24,331.

In addition, the Organization also leases a copier for an annual rental of \$2,988.

NOTE 6- OPERATING AGREEMENT

The Organization operates under an Interlocal Governmental Agreement dated April 9, 1986 with the City of Evansville and Vanderburgh County. The Original agreement had a three year term and a provision whereby it is automatically renewed for successive terms of three years each, unless notice to terminate is given by either party.

SUPPLEMENTARY INFORMATION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Legal Aid Society of Evansville, Inc

We have audited the financial statements of Legal Aid Society of Evansville, Inc (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued or report thereon dated July 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described in the schedule of findings and responses, we consider it to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Aid Society of Evansville, Inc's financial statements are free of material misstatements, 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*.

Legal Aid Society, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Legal Aid Society, Inc.'s response and, accordingly, we express no opinion on it.

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

Timothy J. Otte, C.P.A., P.C.



Newburgh, Indiana

July 31, 2009

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2008**

SIGNIFICANT DEFICIENCIES- MATERIAL WEAKNESS

- . **Condition:** Account balances have not been adjusted to reflect appropriate year-end balances.

Criteria: Preparation of the financial statements is a vital part of an effective internal control structure.

Effect of condition: Financial statements are not fairly stated.

Cause of condition: Risk of misstatements to the financial statements by not adjusting account balances at year-end is considered an acceptable risk by management because of the likelihood and magnitude of a misstatement of financial statements is considered low.

Recommendation: As part of the audit, management has requested us to prepare a draft of the Organization's financial statements, including the notes to the financial statements. During the performance of our audit engagement procedures, we noted that management had not adjusted all account balances to reflect appropriate year-end balances. This is a necessary step to ensure the financial statements are fairly stated. We recommend that management reconcile general ledger amounts to the draft financial statements.

However, due to the small size of the staff, we believe that the cost of implementing procedures to provide appropriate oversight to the note disclosures outweigh the potential benefits that might be obtained. Although a significant deficiency will still exist because of the remote likelihood that a misstatement of the financial statements could occur and not be prevented or detected, we consider it to be an acceptable risk. We do not consider it to be a material weakness because the likelihood and magnitude of a potential misstatement is considered inconsequential.

Response: The Organization agrees with the finding, and recommended procedures are in the process of being implemented.