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May 9, 2008

Board of Directors
Legal Aid Society of Evansville, Inc.
1 NW Martin Luther King, Jr. Blvd., Room 105
Evansville, IN 47708-1828

We have reviewed the audit report prepared by Kemper CPA Group, LLP, Independent Public Accountants, for the period January 1, 2003 to December 31, 2003. 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, 2003, 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.

STATE BOARD OF ACCOUNTS

**LEGAL AID SOCIETY OF
EVANSVILLE, INC.**

EVANSVILLE, INDIANA

**AUDITED MODIFIED CASH BASIS
FINANCIAL STATEMENTS**

December 31, 2003 and 2002



LEGAL AID SOCIETY OF EVANSVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Legal Aid Society of Evansville, Inc.
105 Administration Building
1 NW Martin Luther King, Jr. Blvd.
Evansville, Indiana 47708

We have audited the accompanying statements of assets, liabilities, and net assets – modified cash basis of Legal Aid Society of Evansville, Inc. (a nonprofit organization) as of December 31, 2003 and 2002 and the related statements of support, revenues, and expenses – modified cash basis and functional expenses – modified cash basis for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

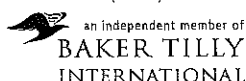
As described in Note 1, the Society prepares its financial statements on the cash basis of accounting except that the statements include a provision for depreciation of equipment. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2003 and 2002 and its support, revenues, and expenses for the years then ended, on the basis of accounting described in Note 1.

May 20, 2004

Kemper CPA Group, LLP
Certified Public Accountants and Consultants

221 N.W. 5th Street ■ P.O. Box 52 ■ Evansville, IN 47701-0052
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LEGAL AID SOCIETY OF EVANSVILLE, INC.

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS –
MODIFIED CASH BASIS**

ASSETS	December 31, 2003		
	Unrestricted	Temporarily Restricted	Total
Current Assets			
Checking	\$ 14,168	\$ 328	\$ 14,496
Savings	15,687	0	15,687
Certificates of Deposit	37,228	5,020	42,248
Total Current Assets	67,083	5,348	72,431
Property and Equipment			
Furniture and fixtures	102,744	0	102,744
Less accumulated depreciation	62,931	0	62,931
	39,813	0	39,813
TOTAL ASSETS	\$106,896	\$ 5,348	\$112,244
LIABILITIES AND NET ASSETS			
Liabilities	\$ 0	\$ 0	\$ 0
Net Assets	106,896	5,348	112,244
TOTAL LIABILITIES AND NET ASSETS	\$106,896	\$5,348	\$112,244

ASSETS	December 31, 2002		
	Temporarily		Total
	Unrestricted	Restricted	
Current Assets			
Checking	\$ 9,650	\$ 541	\$ 10,191
Savings	10,434	0	10,434
Certificates of Deposit	36,416	4,945	41,361
Total Current Assets	<u>56,500</u>	<u>5,486</u>	<u>61,986</u>
Property and Equipment			
Furniture and fixtures	102,641	0	102,641
Less accumulated depreciation	55,853	0	55,853
	46,788	0	46,788
TOTAL ASSETS	<u>\$103,288</u>	<u>\$5,486</u>	<u>\$108,774</u>
LIABILITIES AND NET ASSETS			
Liabilities	\$ 0	\$ 0	\$ 0
Net Assets	103,288	5,486	108,774
TOTAL LIABILITIES AND NET ASSETS	<u>\$103,288</u>	<u>\$5,486</u>	<u>\$108,774</u>

LEGAL AID SOCIETY OF EVANSVILLE, INC.

STATEMENTS OF SUPPORT, REVENUES, AND
EXPENSES – MODIFIED CASH BASIS

	December 31, 2003		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Public Support			
City/County funding	\$289,627	\$ 0	\$289,627
United Way of Southwestern Indiana – allocations and designations	66,285	0	66,285
Grants	<u>18,716</u>	<u>0</u>	<u>18,716</u>
Total Public Support	<u>374,628</u>	<u>0</u>	<u>374,628</u>
Revenues			
Other	3,469	0	3,469
Client fees	0	7,029	7,029
Interest and dividend income	883	74	957
Loss on disposal of assets	<u>(2,277)</u>	<u>0</u>	<u>(2,277)</u>
Total Revenue	<u>2,075</u>	<u>7,103</u>	<u>9,178</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions (net)	<u>7,241</u>	<u>(7,241)</u>	<u>0</u>
Total Public Support and Revenue	<u>383,944</u>	<u>(138)</u>	<u>383,806</u>
Expenses			
Program Services	304,268	0	304,268
Supporting Services			
Management and general	<u>76,068</u>	<u>0</u>	<u>76,068</u>
Total Expenses	<u>380,336</u>	<u>0</u>	<u>380,336</u>
INCREASE (DECREASE) IN NET ASSETS	3,608	(138)	3,470
Net Assets at Beginning of Year	103,288	5,486	108,774
NET ASSETS AT END OF YEAR	<u><u>\$106,896</u></u>	<u><u>\$5,348</u></u>	<u><u>\$112,244</u></u>

	December 31, 2002		
	Temporarily		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Public Support			
City/County funding	\$275,184	\$ 0	\$275,184
United Way of Southwestern Indiana – allocations and designations	63,967	0	63,967
Grants	20,504	0	20,504
Total Public Support	<u>359,655</u>	<u>0</u>	<u>359,655</u>
Revenues			
Other	1,518	0	1,518
Client fees	0	1,273	1,273
Interest and dividend income	1,926	209	2,135
Loss on disposal of assets	0	0	0
Total Revenue	<u>3,444</u>	<u>1,482</u>	<u>4,926</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions (net)	751	(751)	0
Total Public Support and Revenue	<u>363,850</u>	<u>731</u>	<u>364,581</u>
Expenses			
Program Services	293,894	0	293,894
Supporting Services			
Management and general	73,477	0	73,477
Total Expenses	<u>367,371</u>	<u>0</u>	<u>367,371</u>
INCREASE IN NET ASSETS	(3,521)	731	(2,790)
Net Assets at Beginning of Year	106,809	4,755	111,564
NET ASSETS AT END OF YEAR	<u>\$103,288</u>	<u>\$5,486</u>	<u>\$108,774</u>

Year Ended December 31, 2002

	Program Activities		
	Supporting Services:		
EXPENSES:	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Salaries and wages	\$199,926	\$49,981	\$249,907
Pension plan contributions	9,651	2,413	12,064
Payroll taxes	15,140	3,785	18,925
Professional fees	1,600	400	2,000
Supplies	5,465	1,366	6,831
Telephone	1,655	414	2,069
Postage and shipping	880	220	1,100
Occupancy	18,219	4,555	22,774
Equipment rental and maintenance	3,079	770	3,849
Printing publications	3,695	924	4,619
Publications legal notices	292	73	365
Advertising	7,754	1,938	9,692
Conferences, conventions, and meetings	0	0	0
Dues and subscriptions	1,599	400	1,999
Law books	1,647	412	2,059
Miscellaneous	2,191	550	2,741
Licenses and fees	28	7	35
Continuing education	2,107	527	2,634
Insurance	3,063	766	3,829
Depreciation	12,226	3,057	15,283
Client services	741	185	926
Travel	0	0	0
Video production	1,400	350	1,750
Internship stipend	1,536	384	1,920
TOTAL	<u>\$293,894</u>	<u>\$73,477</u>	<u>\$367,371</u>

See accompanying notes.

LEGAL AID SOCIETY OF EVANSVILLE, INC.

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Legal Aid Society of Evansville, Inc. is a not-for-profit corporation whose purpose is to provide legal assistance to the needy and underprivileged citizens of Vanderburgh County. The Society received approximately 75% of its funding from the City of Evansville and Vanderburgh County.

Federal Income Tax Status

The Society is qualified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended; accordingly, there is no provision for income taxes.

Basic Accounting Policy

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from generally accepted accounting principles because certain revenue and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Noncash transactions are not recognized. The accompanying financial statements do include a provision for depreciation of property and equipment.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Society 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.

LEGAL AID SOCIETY OF EVANSVILLE, INC.

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 1 – Summary of Significant Accounting Policies (Continued)

Support

Cash contributions received are measured at their fair values and are reported as an increase in net assets. The Society reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donations, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities – modified cash basis as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Fixed Assets and Depreciation

Furniture and fixtures and leasehold improvements are carried at cost. Depreciation is calculated on the straight-line method based on estimated useful lives ranging from three to twenty years. Depreciation expense for 2003 and 2002 was \$15,611 and \$15,283, respectively.

The cost of repairs, maintenance, and replacements, which do not significantly improve or extend the life of the respective assets are charged to expense.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses, and other changes in net assets – modified cash basis and in the statements of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

LEGAL AID SOCIETY OF EVANSVILLE, INC.

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 1 – Summary of Significant Accounting Policies (Continued)

Advertising

Advertising costs, which are principally included in operating expenses, are expensed as incurred. Advertising expense was \$11,682 and \$9,692 for the years ended December 31, 2003 and 2002, respectively.

Note 2 – Property and Equipment

Property and equipment for December 31, 2003, consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture and equipment	\$ 88,418	\$53,210	\$35,208
Law library	5,835	5,835	0
Leasehold improvements	8,491	3,886	4,605
	<u>\$102,744</u>	<u>\$62,931</u>	<u>\$39,813</u>

Property and equipment for December 31, 2002, consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture and equipment	\$ 88,315	\$46,556	\$41,759
Law library	5,835	5,835	0
Leasehold improvements	8,491	3,462	5,029
	<u>\$102,641</u>	<u>\$55,853</u>	<u>\$46,788</u>

LEGAL AID SOCIETY OF EVANSVILLE, INC.

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 3 – Employee Benefit Plan

Legal Aid Society of Evansville, Inc. provides retirement benefits to substantially all employees through individual annuities with the Public Employees Retirement Fund. It is the Society's policy to fund pension costs annually. Pension costs for 2003 and 2002 was \$13,166 and \$12,064, respectively.

Note 4 – Lease Agreement

Legal Aid Society of Evansville, Inc. leases its facilities located in the Civic Center under a year by year lease agreement. This agreement is renewable each year on January 1. The lease expense for the years ended December 31, 2003 and 2002 was \$23,913 and \$22,774, respectively.

Note 5 – Related Party Transaction

Legal Aid Society of Evansville, Inc. paid \$525 and \$8,085 for the years ending December 31, 2003 and 2002, respectively, for computer software, installation, and support to a computer consulting firm associated with a member of the Society's board of directors.