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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, 2004 to December 31, 2004. 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, 2004, 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**

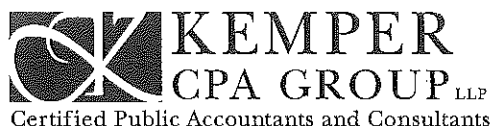
December 31, 2004 and 2003



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, 2004 and 2003 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, 2004 and 2003 and its support, revenues, and expenses for the years then ended, on the basis of accounting described in Note 1.

June 9, 2005

Kemper CPA Group, LLP
Certified Public Accountants and Consultants

111 S.E. Third 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, 2004		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Checking	\$ 22,769	\$ 247	\$ 23,016
Savings	18,645	0	18,645
Certificates of Deposit	<u>37,955</u>	<u>5,038</u>	<u>42,993</u>
Total Current Assets	<u>79,369</u>	<u>5,285</u>	<u>84,654</u>
Property and Equipment			
Furniture and fixtures	109,305	0	109,305
Less accumulated depreciation	<u>77,051</u>	<u>0</u>	<u>77,051</u>
	32,254	0	32,254
TOTAL ASSETS	<u>\$111,623</u>	<u>\$ 5,285</u>	<u>\$116,908</u>
LIABILITIES AND NET ASSETS			
Liabilities	\$ 0	\$ 0	\$ 0
Net Assets	111,623	5,285	116,908
TOTAL LIABILITIES AND NET ASSETS	<u>\$111,623</u>	<u>\$5,285</u>	<u>\$116,908</u>

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

LEGAL AID SOCIETY OF EVANSVILLE, INC.

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

	December 31, 2004		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support			
City/County funding	\$296,128	\$ 0	\$296,128
United Way of Southwestern Indiana -- allocations and designations	69,367	0	69,367
Grants	18,606	0	18,606
Total Public Support	<u>384,101</u>	<u>0</u>	<u>384,101</u>
Revenues			
Other	3,077	0	3,077
Client fees	0	1,927	1,927
Interest and dividend income	811	19	830
Loss on disposal of assets	0	0	0
Total Revenue	<u>3,888</u>	<u>1,946</u>	<u>5,834</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions (net)	<u>2,009</u>	<u>(2,009)</u>	<u>0</u>
Total Public Support and Revenue	<u>389,998</u>	<u>(63)</u>	<u>389,935</u>
Expenses			
Program Services	308,215	0	308,215
Supporting Services			
Management and general	<u>77,056</u>	<u>0</u>	<u>77,056</u>
Total Expenses	<u>385,271</u>	<u>0</u>	<u>385,271</u>
INCREASE (DECREASE) IN NET ASSETS	4,727	(63)	4,664
Net Assets at Beginning of Year	106,896	5,348	112,244
NET ASSETS AT END OF YEAR	<u>\$111,623</u>	<u>\$5,285</u>	<u>\$116,908</u>

	December 31, 2003		
	Temporarily		
	<u>Unrestricted</u>	<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 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>

LEGAL AID SOCIETY OF EVANSVILLE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

Year Ended December 31, 2004

Program Activities

Supporting Services:

Program Services Management & General Total

EXPENSES:

Salaries and wages	\$212,955	\$53,239	\$266,194
Pension plan contributions	12,074	3,019	15,093
Payroll taxes	15,925	3,981	19,906
Professional fees	2,664	666	3,330
Supplies	3,379	845	4,224
Telephone	1,492	373	1,865
Postage and shipping	2,400	600	3,000
Occupancy	18,980	4,745	23,725
Equipment rental and maintenance	3,322	831	4,153
Printing publications	2,489	622	3,111
Publications legal notices	0	0	0
Advertising	5,588	1,397	6,985
Conferences, conventions, and meetings	0	0	0
Dues and subscriptions	2,430	608	3,038
Law books	2,036	509	2,545
Miscellaneous	1,793	448	2,241
Licenses and fees	0	0	0
Continuing education	1,699	425	2,124
Insurance	3,479	870	4,349
Depreciation	11,296	2,824	14,120
Client services	2,294	574	2,868
Travel	0	0	0
Video production	0	0	0
Internship stipend	1,920	480	2,400

TOTAL

\$308,215

\$77,056

\$385,271

Year Ended December 31, 2003

	Program Activities		
	Supporting Services:		
	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
EXPENSES:			
Salaries and wages	\$204,044	\$51,011	\$255,055
Pension plan contributions	10,533	2,633	13,166
Payroll taxes	15,405	3,851	19,256
Professional fees	2,480	620	3,100
Supplies	3,176	794	3,970
Telephone	1,455	364	1,819
Postage and shipping	3,152	788	3,940
Occupancy	19,130	4,783	23,913
Equipment rental and maintenance	2,018	505	2,523
Printing publications	3,339	835	4,174
Publications legal notices	1,074	268	1,342
Advertising	9,346	2,336	11,682
Conferences, conventions, and meetings	515	129	644
Dues and subscriptions	2,634	659	3,293
Law books	1,235	309	1,544
Miscellaneous	1,128	282	1,410
Licenses and fees	0	0	0
Continuing education	2,224	556	2,780
Insurance	3,346	837	4,183
Depreciation	12,489	3,122	15,611
Client services	4,800	1,200	6,000
Travel	745	186	931
Video production	0	0	0
Internship stipend	0	0	0
TOTAL	<u>\$304,268</u>	<u>\$76,068</u>	<u>\$380,336</u>

LEGAL AID SOCIETY OF EVANSVILLE, INC.

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2004 and 2003

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, 2004 and 2003

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 2004 and 2003 was \$14,120 and \$15,611, 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, 2004 and 2003

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 \$6,985 and \$11,682 for the years ended December 31, 2004 and 2003, respectively.

Note 2 – Property and Equipment

Property and equipment for December 31, 2004, consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture and equipment	\$ 94,979	\$66,906	\$28,073
Law library	5,835	5,835	0
Leasehold improvements	8,491	4,310	4,181
	<u>\$109,305</u>	<u>\$77,051</u>	<u>\$32,254</u>

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>

LEGAL AID SOCIETY OF EVANSVILLE, INC.

NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS

December 31, 2004 and 2003

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 2004 and 2003 was \$15,093 and \$13,166, 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, 2004 and 2003 was \$23,725 and \$23,913, respectively.

Note 5 – Related Party Transaction

Legal Aid Society of Evansville, Inc. paid \$0 and \$525 for the years ending December 31, 2004 and 2003, respectively, for computer software, installation, and support to a computer consulting firm associated with a member of the Society's board of directors.