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CAPITAL AREA LEGAL SERVICES CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2003

RECIPIENT NO. 619010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5.12.04

CAPITAL AREA LEGAL SERVICES CORPORATION

RECIPIENT NO. 619010

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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Capital Area Legal Services Corporation (a nonprofit organization) as of December 31, 2003, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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Donald W. Kelley, CPA*
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Kenneth R. Dugas, CPA*
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Joey L. Breaux, CPA*
Terrel P. Dressel, CPA*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation. 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 Capital Area Legal Services Corporation as of December 31, 2003, and the changes in its net assets and 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 April 9, 2004, on our consideration of Capital Area Legal Services Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 our audit.

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche', CPA 1984
James H. Breaux, CPA 1987
Emma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

Members of American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

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To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of Federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2002, from which the summarized information was derived.

BROUSSARD, POCHE, LEWIS & BREAUX, L.L.P.

Crowley, Louisiana
April 9, 2004

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 103,144	\$ 38,359
Grants and contracts receivable	13,977	6,975
Rent receivable	3,045	5,854
Pledges receivable - current portion	8,937	10,168
Other current receivables	4,910	8,940
Prepaid expenses	11,340	12,545
	<hr/>	<hr/>
Total current assets	\$ 145,353	\$ 82,841
	<hr/>	<hr/>
RESTRICTED ASSETS		
Cash and cash equivalents:		
Client trust accounts - active	\$ 35,598	\$ 22,790
Client trust accounts - inactive	25,731	39,751
	<hr/>	<hr/>
Total restricted assets	\$ 61,329	\$ 62,541
	<hr/>	<hr/>
NONCURRENT ASSETS		
Pledges receivable - noncurrent portion	\$ -	\$ 7,362
Utility deposits	253	253
	<hr/>	<hr/>
Total noncurrent assets	\$ 253	\$ 7,615
	<hr/>	<hr/>
FIXED ASSETS, at cost, net of accumulated depreciation of \$326,907 and \$293,288 for 2003 and 2002, respectively		
	\$ 530,921	\$ 564,540
	<hr/>	<hr/>
Total assets	\$ 737,856	\$ 717,537
	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

	<u>2003</u>	<u>2002</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 30,487	\$ 15,369
Accrued liabilities	5,115	7,631
Accrued annual leave	37,080	37,080
Deferred revenue	59,539	461
Notes payable - current portion	84,140	42,012
	<hr/>	<hr/>
Total current liabilities (payable from current assets)	\$ 216,361	\$ 102,553
	<hr/>	<hr/>
CURRENT LIABILITIES (payable from restricted assets)		
Client trust deposits - active	\$ 35,598	\$ 22,790
Client trust deposits - inactive	25,731	39,751
	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	\$ 61,329	\$ 62,541
	<hr/>	<hr/>
LONG-TERM LIABILITIES		
Notes payable - long-term portion	\$ 420,812	\$ 438,304
	<hr/>	<hr/>
Total liabilities	\$ 698,502	\$ 603,398
	<hr/>	<hr/>
NET ASSETS		
Temporarily restricted:		
Legal Services Corporation:		
Undesignated	\$ (137,247)	\$ (10,004)
Property	92,216	109,724
Non-LSC	84,385	14,419
	<hr/>	<hr/>
Total net assets	\$ 39,354	\$ 114,139
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 737,856</u>	<u>\$ 717,537</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended December 31, 2003
 With Comparative Totals for Year Ended December 31, 2002

	Temporarily Restricted				
	Legal Services Corporation	Non-LSC	Property	Total - All Funds	
				2003	2002
Support and revenues:					
Legal Services Corporation	\$1,381,598	\$ -	\$ -	\$1,381,598	\$1,495,638
Louisiana Bar Foundation:					
IOLTA Grant	-	99,339	-	99,339	105,533
Elderly Protective Services	-	148,613	-	148,613	146,266
Councils on Aging:					
Capital Area Agency on Aging, Inc.	-	14,326	-	14,326	18,617
Various Councils on Aging	-	23,594	-	23,594	15,620
Parish Governments:					
Ascension Parish Government	-	15,000	-	15,000	15,000
Assumption Parish Police Jury	-	4,200	-	4,200	4,200
City of Baton Rouge - Parish of East Baton Rouge	-	39,290	-	39,290	39,290
Iberville Parish Government	-	10,000	-	10,000	10,000
Pointe Coupee Parish Police Jury	-	5,800	-	5,800	5,800
St. James Parish Government	-	5,800	-	5,800	5,800
St. John the Baptist Parish Government	-	5,000	-	5,000	10,000
Terrebonne Parish Gonsolidated Government	-	15,000	-	15,000	15,000
West Feliciana Parish Police Jury	-	6,030	-	6,030	6,030
Entergy Charitable Foundation	-	25,000	-	25,000	25,000
State of Louisiana:					
Computer Upgrade Assistance	-	-	-	-	58,060
Merger Assistance	-	-	-	-	13,500
Department of Justice	-	15,461	-	15,461	-
Gillis W. Long Poverty Law Center	-	-	-	-	4,000
Court Filing Fees:					
Baton Rouge City Court 19th Judicial District Court	-	15,180	-	15,180	15,706
Family Court	-	10,800	-	10,800	11,290
Baton Rouge Area Foundation	-	3,337	-	3,337	10,708
Louisiana Justice Community	-	10,000	-	10,000	-
Rental income	-	15,475	-	15,475	-
Donated services	-	51,921	-	51,921	54,866
Investment income	-	35,084	-	35,084	62,743
Miscellaneous income	1,568	24	-	1,592	1,866
	2,515	25,869	-	28,384	4,436
Total support and revenues (forward)	\$1,385,681	\$ 600,143	\$ -	\$1,985,824	\$2,154,969

(Continued)

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year Ended December 31, 2003

With Comparative Totals for Year Ended December 31, 2002

	Temporarily Restricted			Total - All Funds	
	Legal Services Corporation	Non-LSC	Property	2003	2002
Total support and revenues (forwarded)	\$1,385,681	\$ 600,143	\$ -	\$1,985,824	\$2,154,969
Expenses:					
Salaries and wages:					
Lawyers	\$ 425,387	\$ 40,767	\$ -	\$ 466,154	\$ 453,376
Non-lawyers	479,939	187,600	-	667,539	683,232
Employee benefits	192,983	44,468	-	237,451	244,086
Space cost and renovations	68,928	58,769	-	127,697	119,091
Equipment rentals and maintenance	46,976	345	-	47,321	36,421
Office supplies and expenses	34,899	4,413	-	39,312	43,156
Travel and training	30,095	16,765	-	46,860	79,062
Utilities	30,261	1,520	-	31,781	28,929
Telephone	46,307	5,673	-	51,980	58,682
Insurance	17,383	7,157	-	24,540	26,114
Depreciation	-	-	33,619	33,619	34,586
Donated services	-	35,084	-	35,084	62,743
Contractual services	53,728	19,971	-	73,699	94,940
Membership fees	2,245	7,506	-	9,751	10,921
Litigation costs	1,091	1,512	-	2,603	1,978
Baton Rouge Bar Foundation	38,000	-	-	38,000	29,997
Louisiana Justice Community	-	12,865	-	12,865	-
Interest expense	999	36,165	-	37,164	38,013
Property management fees	-	8,400	-	8,400	4,800
Other supplies	6,131	819	-	6,950	20,768
Access to Justice	-	4,515	-	4,515	6,884
Staff parking	12,000	4,857	-	16,857	20,235
Audit fees	13,950	5,550	-	19,500	38,550
Fundraising expenses	26	1,067	-	1,093	12,797
Miscellaneous	11,596	8,278	-	19,874	17,078
Total expenses	\$1,512,924	\$ 514,066	\$ 33,619	\$2,060,609	\$2,166,439
Change in net assets before other changes	\$ (127,243)	\$ 86,077	\$ (33,619)	\$ (74,785)	\$ (11,470)
Other changes:					
Equipment purchases and payments on fixed asset debt	-	(16,111)	16,111	-	-
Change in net assets	\$ 127,243	\$ (69,966)	\$ 17,508	\$ 74,785	\$ 11,470
Net assets, beginning	(10,004)	14,419	109,724	114,139	125,609
Net assets, ending	\$ (137,247)	\$ 84,385	\$ 92,216	\$ 39,354	\$ 114,139

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (74,785)	\$ (11,470)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	33,619	34,586
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants and contracts receivable	(7,002)	31,720
Rent receivable	2,809	471
Pledges receivable	8,593	24,790
Other current receivables	4,030	(9,065)
Prepaid expenses	1,205	7,579
Increase (decrease) in liabilities:		
Accounts payable	15,118	(17,528)
Accrued liabilities	(2,516)	(323)
Undistributed State grant funds to other LSC Recipients	-	(20,500)
Deferred revenue	59,078	(124,173)
Client trust deposits	<u>(1,212)</u>	<u>894</u>
Net cash provided (used) by operating activities	<u>\$ 38,937</u>	<u>\$ (83,019)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of fixed assets	<u>\$ -</u>	<u>\$ (41,085)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of debt	\$ 66,247	\$ 25,500
Principal payments on long-term debt	<u>(41,611)</u>	<u>(54,631)</u>
Net cash provided (used) by financing activities	<u>\$ 24,636</u>	<u>\$ (29,131)</u>
Net increase (decrease) in cash and cash equivalents	\$ 63,573	\$ (153,235)
Cash and cash equivalents, beginning	<u>100,900</u>	<u>254,135</u>
Cash and cash equivalents, ending	<u>\$ 164,473</u>	<u>\$ 100,900</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	<u>\$ 37,164</u>	<u>\$ 38,013</u>

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Capital Area Legal Services Corporation (the "Corporation") is a nonprofit organization created in 1974 to provide legal assistance in non-criminal proceedings or matters to persons financially unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The Corporation provides legal assistance to residents in the following parishes in the State of Louisiana: Ascension, Assumption, East Baton Rouge, East Feliciana, Iberville, LaFourche, Pointe Coupee, St. Charles, St. James, St. John the Baptist, Terrebonne, and West Feliciana Parishes. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America and the requirements of Legal Services Corporation. The more significant accounting policies of the Corporation are described below:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements are classified as temporarily restricted.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

Buildings and improvements	40 Years
Furniture and equipment	3 - 10 Years
Library	5 Years

Compensated absences:

Full time employees earn vacation leave at a rate of 10 hours per month. Employees with three to five years of service earn 12 hours per month and employees with five or more years of service earn 14 hours per month of vacation leave. Maximum annual leave that can be carried over to subsequent years is 80 hours. Accrued annual leave at December 31, 2003, totaled \$37,080.

Deferred revenue:

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

Capital Area Legal Services Corporation received funding from the following Council on Aging Agencies: Capital Area Agency on Aging, Inc., East Baton Rouge Council on Aging, Inc., LaFourche Council on Aging, Inc., St. Charles Council on Aging, Inc., St. James Area Agency on Aging, St. John Council on Aging, Inc., and Terrebonne Council on Aging, Inc. to provide legal services to elderly citizens under Title III of the Older Americans' Act of 1965.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

The Corporation also received funds from the following governmental entities: Ascension Parish Government, Assumption Parish Police Jury, City of Baton Rouge - Parish of East Baton Rouge, Iberville Parish Government, Pointe Coupee Parish Police Jury, St. James Parish Government, St. John the Baptist Parish Government, Terrebonne Parish Consolidated Government, and West Feliciana Parish Police Jury to provide civil legal services to low-income and elderly citizens.

The Corporation also received funds from the following:

- Louisiana Bar Foundation, Interest on Lawyers Trust Accounts (IOLTA) Program - to provide free legal assistance in civil matters according to the eligibility standards approved by the Board of Directors in accordance with LSC regulations;
- State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program - to provide legal services to citizens under elderly protective services;
- State of Louisiana, Department of Justice - to provide civil legal services for the poor; and
- Baton Rouge Area Foundation - to provide civil legal services for the poor.

Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period.

Income taxes:

Capital Area Legal Services Corporation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Private attorney involvement (PAI):

Legal Services Corporation requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

At December 31, 2003, the carrying amount of the Corporation's deposits totaled \$164,048, and the bank balances totaled \$177,551. Bank balances are fully covered by Federal Deposit Insurance Corporation (FDIC) coverage and collateral held by the custodial bank in the bank's name (Category 3).

Note 3. Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2003, consisted of the following:

Ascension Parish Government	\$ 2,250
Assumption Parish Police Jury	1,050
Terrebonne Parish Consolidated Government	5,189
Capital Area Agency on Aging, Inc.	915
East Baton Rouge Council on Aging, Inc.	3,661
St. James Area Agency on Aging	125
St. John Council on Aging, Inc.	787
Total grants and contracts receivable	<u>\$ 13,977</u>

Note 4. Unconditional Promises to Give

Pledges receivable represent promises to give which have been made by donors but not yet received by the Corporation. Pledges that will be received in the subsequent year have been discounted using an estimated rate of return that could be earned if such contributions had been made in the current year. The Corporation considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been provided.

Unconditional promises to give at December 31, 2003, consisted of the following:

Pledges receivable - current portion	\$ 11,742
Less: discount to present value	<u>(2,805)</u>
Net unconditional promises to give	<u>\$ 8,937</u>

Note 5. Rental Property

In 2001, the Corporation purchased an office building in Gonzales, Louisiana. The Corporation uses approximately 17% of the building to provide legal services to the residents of Ascension, Assumption, St. James, and St. John the Baptist Parishes and leases out approximately 83% of the building to three businesses as follows:

- Lessee 1: \$800 per month for the period 01/16/03 - 01/15/04.
- Lessee 2: \$1,440 per month on a month-to-month basis.
- Lessee 3: \$1,500 per month on a month-to-month basis.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Minimum future rentals to be received under these leases are as follows:

Year Ending December 31, 2004 \$ 800

Total rental income recognized for the years ended December 31, 2003 and 2002, totaled \$51,921 and \$54,866, respectively. Rental income receivable at December 31, 2003, totaled \$3,045.

Note 6. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. Legal Services Corporation has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

Buildings and improvements	\$ 513,167
Furniture and equipment	306,104
Library	<u>38,557</u>
Total fixed assets	\$ 857,828
Less: accumulated depreciation	<u>(326,907)</u>
Net fixed assets	<u>\$ 530,921</u>

Depreciation expense for the years ended December 31, 2003 and 2002, totaled \$33,619 and \$34,586, respectively. Of the total assets, \$30,547 of assets was acquired in prior years through capital leases.

Note 7. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2003:

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Legal Services Corporation:		
Basic Field - General Grant	01/01/03 - 12/31/03	<u>\$1,381,598</u>
Louisiana Bar Foundation:		
IOLTA Grant	01/01/03 - 12/31/03	<u>\$ 99,339</u>
Subtotal (forward)		<u>\$1,480,937</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Subtotal (forwarded)		<u>\$1,480,937</u>
State of Louisiana, Governor's Office of Elderly Affairs, Elderly Protective Services Program:		
2002 - 2003 Grant	07/01/02 - 06/30/03	\$ 73,808
2003 - 2004 Grant	07/01/03 - 06/30/04	73,142
Professional services contract	07/01/02 - 06/30/03	1,663
Subtotal		<u>\$ 148,613</u>
Capital Area Agency on Aging, Inc.:		
2002 - 2003 Grant	07/01/02 - 06/30/03	\$ 4,054
2003 - 2004 Grant	07/01/03 - 06/30/04	10,272
Subtotal		<u>\$ 14,326</u>
East Baton Rouge Parish Council on Aging, Inc.	07/01/03 - 06/30/04	<u>\$ 7,322</u>
LaFourche Council on Aging, Inc.:		
2002 - 2003 Grant	07/01/02 - 06/30/03	\$ 2,536
2003 - 2004 Grant	07/01/03 - 06/30/04	2,536
Subtotal		<u>\$ 5,072</u>
St. Charles Council on Aging, Inc.	07/01/99 - 06/30/03	<u>\$ 1,727</u>
St. James Area Agency on Aging:		
2002 - 2003 Grant	07/01/02 - 06/30/03	\$ 750
2003 - 2004 Grant	07/01/03 - 06/30/04	750
Subtotal		<u>\$ 1,500</u>
St. John Council on Aging, Inc.:		
1999 - 2003 Grant	07/01/99 - 06/30/03	\$ 1,196
2003 - 2007 Grant	07/01/03 - 06/30/07	787
Subtotal		<u>\$ 1,983</u>
Terrebonne Council on Aging, Inc.:		
2002 - 2003 Grant	07/01/02 - 06/30/03	\$ 2,764
2003 - 2004 Grant	07/01/03 - 06/30/04	3,226
Subtotal		<u>\$ 5,990</u>
Ascension Parish Government	01/01/03 - 12/31/03	<u>\$ 15,000</u>
Assumption Parish Police Jury	01/01/03 - 12/31/03	<u>\$ 4,200</u>
City of Baton Rouge - Parish of East Baton Rouge	01/01/03 - 12/31/03	<u>\$ 39,290</u>
Iberville Parish Government	01/01/03 - 12/31/03	<u>\$ 10,000</u>
Subtotal (forward)		<u>\$1,735,960</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Subtotal (forwarded)		<u>\$1,735,960</u>
Pointe Coupee Parish Police Jury	01/01/03 - 12/31/03	<u>\$ 5,800</u>
St. James Parish Government	01/01/03 - 12/31/03	<u>\$ 5,800</u>
St. John the Baptist Parish Government	01/01/03 - 12/31/03	<u>\$ 5,000</u>
Terrebonne Parish Consolidated Government	01/01/03 - 12/31/03	<u>\$ 15,000</u>
West Feliciana Parish Police Jury	01/01/03 - 12/31/03	<u>\$ 6,030</u>
Entergy Charitable Foundation, Utility Advocacy Project	06/01/03 - 12/31/03	<u>\$ 25,000</u>
State of Louisiana - Department of Justice	11/14/03 - 06/30/04	<u>\$ 15,461</u>
Baton Rouge Area Foundation	01/01/03 - 12/31/03	<u>\$ 10,000</u>
Total grants and contracts		\$1,824,051
Other revenue sources		<u>161,773</u>
Total support and revenues		<u>\$1,985,824</u>

Note 8. Lease of Facilities

The Corporation leases various buildings to serve as branch offices. For the years ended December 31, 2003 and 2002, the Corporation expended \$84,682 and \$84,888, respectively on lease payments. The following details the written lease agreements in effect for the year ended December 31, 2003:

- Houma office: \$1,050 per month, automatically renews each year.
- Baton Rouge office: \$5,000 - \$5,849 per month for the period 12/01/01 - 11/30/06.

Minimum future lease payments required under the Baton Rouge office operating lease agreement for each of the next three years is as follows:

Years Ending
December 31,

2004	\$ 65,112
2005	67,717
2006	<u>64,342</u>
Total minimum future lease payments	<u>\$ 197,171</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 9. Grants to Other Agencies

For the years ended December 31, 2003 and 2002, the Corporation granted \$38,000 and \$29,997, respectively, of LSC funds to the Baton Rouge Bar Foundation. This subgrantee is a pro bono program, which uses the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2003, this subgrantee had expended the entire 2003 grant award.

Note 10. Donated Services

Donated services are recognized both as support and expenses and therefore do not affect the Corporation's net assets. Donated services, from a variety of unpaid volunteers assisting the Corporation, are valued at the rate normally charged for similar services in the surrounding area.

Donated services received for the years ended December 31, 2003 and 2002, totaled \$35,084 and \$62,743, respectively.

Note 11. Notes Payable

Notes payable at December 31, 2003, consisted of the following:

Note payable, Whitney National Bank, 7.25% interest, secured by a mortgage on the Corporation's Gonzales building, note dated November 15, 2001, monthly principal and interest payments of \$3,187, final payment due November 15, 2006.	\$ 380,038
Note payable, Hibernia National Bank, 9.50% interest, secured by a mortgage on the Corporation's Donaldsonville building, note dated June 6, 2000, monthly principal and interest payments of \$1,015, final payment due June 6, 2010.	58,667
Note payable, Hancock Bank of Louisiana, 6.00% interest, secured by the Corporation's accounts receivable, note dated November 4, 2003, due on demand, if no demand is made, one principal payment of \$66,247 due on November 4, 2004, monthly interest payments due beginning December 4, 2003.	<u>66,247</u>
Total notes payable	\$ 504,952
Less: current portion of notes payable	<u>(84,140)</u>
Long-term notes payable	<u>\$ 420,812</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Maturities of long-term notes payable for each of the next five years and in aggregate thereafter are as follows:

<u>Years Ending December 31,</u>	<u>Whitney</u>	<u>Hibernia</u>	<u>Hancock</u>	<u>Total</u>
2004	\$ 38,241	\$ 12,182	\$ 69,601	\$ 120,024
2005	38,241	12,182	-	50,423
2006	381,909	12,182	-	394,091
2007	-	12,182	-	12,182
2008	-	12,182	-	12,182
2009 - 2010	-	6,091	-	6,091
Totals	\$ 458,391	\$ 67,001	\$ 69,601	\$ 594,993
Less: interest	(78,353)	(8,334)	(3,354)	(90,041)
Present value	<u>\$ 380,038</u>	<u>\$ 58,667</u>	<u>\$ 66,247</u>	<u>\$ 504,952</u>

Interest expense for the years ended December 31, 2003 and 2002, totaled \$37,164 and \$38,013, respectively.

Note 12. Contingent Liabilities

A legal malpractice claim has been filed against the Corporation that alleges that the Corporation failed to properly represent a client. Counsel representing Capital Area Legal Services Corporation have taken the position that the plaintiff has no desire to pursue the claim since there has been no movement in the case since March 2000.

Note 13. Federal and State Grants

The Corporation participates in a number of Federal and State grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material to the overall financial position of the Corporation.

Note 14. Deferred Compensation Plan

In 1997, the Corporation established a 403(b)(7) tax-sheltered annuity plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors; the Board of Directors has established a 3% employer matching contribution rate. The Corporation's matching contributions to the Plan for the years ended December 31, 2003 and 2002, totaled \$23,545 and \$29,472, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 15. Classification of Expenses

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Expenses:			
Salaries and wages:			
Lawyers	\$ 370,162	\$ 95,992	\$ 466,154
Non-lawyers	533,291	134,248	667,539
Employee benefits	191,367	46,084	237,451
Space cost and renovations	112,373	15,324	127,697
Equipment rentals and maintenance	41,642	5,679	47,321
Office supplies and expenses	33,022	6,290	39,312
Travel and training	39,032	7,828	46,860
Utilities	27,967	3,814	31,781
Telephone	50,990	990	51,980
Insurance	17,917	6,623	24,540
Depreciation	27,812	5,807	33,619
Donated services	35,084	-	35,084
Contractual services	58,699	15,000	73,699
Membership fees	3,023	6,728	9,751
Litigation costs	2,193	410	2,603
Baton Rouge Bar Foundation	38,000	-	38,000
Louisiana Justice Community	12,865	-	12,865
Interest expense	6,978	30,186	37,164
Property management fees	-	8,400	8,400
Other supplies	6,950	-	6,950
Access to Justice	4,515	-	4,515
Staff parking	11,497	5,360	16,857
Audit fees	7,800	11,700	19,500
Fundraising expenses	26	1,067	1,093
Miscellaneous	14,437	5,437	19,874
	<u>\$1,647,642</u>	<u>\$ 412,967</u>	<u>\$2,060,609</u>
Total expenses			

SUPPLEMENTARY INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES AND EXPENSES -
 LEGAL SERVICES CORPORATION
 Year Ended December 31, 2003

	Basic Field		
	General	Private Attorney Involvement	Total
Support and revenues:			
Legal Services Corporation	\$ 1,205,085	\$ 176,513	\$ 1,381,598
Interest income	1,568	-	1,568
Miscellaneous income	2,515	-	2,515
Total support and revenues	<u>\$ 1,209,168</u>	<u>\$ 176,513</u>	<u>\$ 1,385,681</u>
Expenses:			
Salaries and wages:			
Lawyers	\$ 419,252	\$ 6,135	\$ 425,387
Non-lawyers	413,285	66,654	479,939
Employee benefits	178,036	14,947	192,983
Space cost and renovations	65,827	3,101	68,928
Equipment rentals and maintenance	45,717	1,259	46,976
Office supplies and expenses	33,755	1,144	34,899
Travel and training	27,562	2,533	30,095
Utilities	29,382	879	30,261
Telephone	45,230	1,077	46,307
Insurance	16,523	860	17,383
Contractual services	17,413	36,315	53,728
Membership fees	2,245	-	2,245
Litigation costs	709	382	1,091
Baton Rouge Bar Foundation	-	38,000	38,000
Interest expense	999	-	999
Other supplies	6,109	22	6,131
Staff parking	11,400	600	12,000
Audit fees	11,700	2,250	13,950
Fundraising expenses	26	-	26
Miscellaneous	11,241	355	11,596
Total expenses	<u>\$ 1,336,411</u>	<u>\$ 176,513</u>	<u>\$ 1,512,924</u>
Change in net assets	<u>\$ (127,243)</u>	<u>\$ -</u>	<u>\$ (127,243)</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF REVENUES AND EXPENSES -
LOUISIANA BAR FOUNDATION - IOLTA GRANT
Year Ended December 31, 2003

Support and revenues:	
Louisiana Bar Foundation - IOLTA	<u>\$ 99,339</u>
Expenses:	
Salaries and wages:	
Lawyers	\$ 27,500
Non-lawyers	48,891
Employee benefits	11,270
Travel and training	4,395
Telephone	703
Membership fees	265
Access to Justice	4,515
Audit fees	<u>1,800</u>
Total expenses	<u>\$ 99,339</u>
Change in net assets	<u>\$ -</u>

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation:		
Basic Field - General	09.619010	<u>\$1,381,598</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1996
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

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

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

We have audited the financial statements of Capital Area Legal Services Corporation (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation.

Compliance

As part of obtaining reasonable assurance about whether Capital Area Legal Services Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Capital Area Legal Service Corporation's ability to record, process,

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

summarize, and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item #2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Legislative Auditor, Federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poche, Lewis & Breaux, L.L.P.

Crowley, Louisiana
April 9, 2004



BROUSSARD, POCHE', LEWIS & BREAU, L.L.P.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Capital Area Legal Services Corporation (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation, that are applicable to each of its major Federal programs for the year ended December 31, 2003. Capital Area Legal Services Corporation's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Capital Area Legal Services Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the *Audit Guide for Recipients and Auditors* and the *Compliance Supplement for Audits of LSC Recipients*, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Capital Area Legal Services Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Capital Area Legal Services Corporation's compliance with those requirements.

In our opinion, Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2003.

To the Board of Directors
Capital Area Legal Services Corporation
Baton Rouge, Louisiana

Internal Control over Compliance

The management of Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Capital Area Legal Services Corporation's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Capital Area Legal Services Corporation's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items #2003-2 and 2003-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Legislative Auditor, Federal awarding agencies, and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poché, Lewis & Breaux, L.L.P.

Crowley, Louisiana
April 9, 2004

CAPITAL AREA LEGAL SERVICES CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended December 31, 2003

We have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2003, and have issued our report thereon dated April 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of Legal Services Corporation's *Accounting Guide for LSC Recipients and Compliance Supplement for Audits of LSC Recipients*. Our audit of the financial statements as of December 31, 2003, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No

Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No

Reportable Conditions Yes No

Type of Opinion on Compliance
 For Major Programs

Unqualified Qualified
 Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)? Yes No

c. Identification of Major Programs

CDFA Number

Name of Federal Program

09.619010

Basic Field - General

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?
 Yes No

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2003

Section II. Financial Statement Findings

#2003-1 - Controls Over Payroll

Finding: We noted the following inaccuracies while performing audit procedures relating to payroll checks selected for testing in our examination of controls over disbursements:

- Seven of the 19 timesheets examined contained clerical errors.
- Three of the 19 timesheets examined did not contain the total number of hours worked.
- One of the 19 timesheets examined had incorrect.

Recommendation: Although none of the inaccuracies described above resulted in incorrect pay to any employee, it feasibly could have with these kinds of errors. We recommend the following relating to the above inaccuracies:

- All timesheets should be reviewed for clerical accuracy to ensure proper pay.
- All timesheets should be filled out completely and accurately and reviewed by management for missing or incorrect information.

Response: Management will continue to strive to eliminate all clerical errors. However, management contends that the number of hours on a salaried employee's time card has no relation to what that employee is paid. Time is not entered for payment from the salaried employee's time cards. The Corporation has only two hourly employees. Their time cards are checked and reviewed prior to submission for payroll. Therefore, no employee could have been over or under paid as a result of the inaccuracy of the salaried employee's time cards. (See FLSA, 29 U.S.C. 201 et seq.) Management will continue to explain to staff the importance of completing their time cards properly.

Section III. Federal Award Findings and Questioned Costs

#2003-2 - Subgrant Agreement - Monitoring

Finding: The subgrant agreement between the Corporation and the Baton Rouge Bar Foundation requires that the subgrantee, "perform quarterly monitoring, management, and reporting to [the Corporation] on all open case files referred by [the Corporation]." The subgrantee is also required to, "provide [the Corporation] with copies of [their] internal status reports used in the monitoring of open case files." We discussed this requirement of the subgrant agreement with the Pro Bono Coordinator, who informed us that the subgrantee is working to provide the Corporation with the required reports and internal status reports.

Recommendation: We recommend that the Corporation continue working with the Baton Rouge Bar Foundation in an effort to obtain all reports and internal status reports required by the subgrant agreement.

Response: Capital Area Legal Services Corporation concurs with the recommendation. On April 7, 2004, the Pro Bono Coordinator conducted a quarterly review of Baton Rouge Bar case management. At that time new monitoring procedures were introduced.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2003

Section III. Federal Award Findings and Questioned Costs (continued)

#2003-3 - LSC Reporting Requirements

Finding: While performing our compliance testing relating to case files, we noted that two of the four cases randomly selected for testing that should have been reported on the Corporation's Semiannual Case Disclosure Reports were not.

Recommendation: We recommend that the reason for this error be researched and a revised Semiannual Case Disclosure Report for the period July 1 - December 31, 2003, be submitted to LSC that includes the two cases referred to above.

Response: Management concurs with this recommendation. A revised Semiannual Case Disclosure Report for the period July 1 - December 31, 2003, has been submitted to LSC.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2003

Section I. Internal Control and Compliance Material to the Financial Statements

#2002-1 - Controls Over Payroll

We noted numerous inaccuracies while performing audit procedures relating to payroll checks selected for testing in our examination of controls over disbursements.

STATUS: UNRESOLVED - Similar inaccuracies were noted while performing audit procedures relating to payroll checks selected for testing in our examination of controls over disbursements in the current year; therefore, this finding is repeated in the current year report in the schedule of findings and questioned costs at #2003-1.

#2002-2 - Controls Over Purchasing

STATUS: RESOLVED - The Corporation received a full refund of the overpayment made in the prior year and no similar instances were noted in the current year.

#2002-3 - Monthly St. John Council on Aging Reports

STATUS: RESOLVED - While examining the monthly reports submitted to the St. John Council on Aging we did not note any of the problems reported in the prior year.

#2002-4 - Quarterly IOLTA Project Reports

STATUS: RESOLVED - While reviewing the quarterly reports submitted by the Louisiana Bar Foundation we did not note any of the problems reported in the prior year.

Section II. Internal Control and Compliance Material to Federal Awards

#2002-5 - Case Service Reporting

STATUS: RESOLVED - While performing audit procedures relative to the review of sampled case files we did not note any of the inaccuracies reported in the prior year.

#2002-6 - Eligibility - Authorized Exceptions

STATUS: RESOLVED - While performing audit procedures relative to the review of sampled files of over income clients served we did not note any of the inaccuracies reported in the prior year.

#2002-7 - Eligibility - Maximum Income Level

STATUS: RESOLVED - While reviewing the Corporation's eligibility guidelines for 2003 we did not note any of the problems reported in the prior year.

#2002-8 - Eligibility - Retainer Agreement

STATUS: RESOLVED - While performing audit procedures relative to the review of sampled case files we did not note any of the inaccuracies reported in the prior year.

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
Year Ended December 31, 2003

Section II. Internal Control and Compliance Material to Federal Awards (continued)

#2002-9 - LSC Grant Assurances

STATUS: RESOLVED - The Corporation had its Equal Opportunity Policy and Sexual Harassment Policy reviewed and approved by the Board of Directors for submission to LSC. Capital Area Legal Services Corporation also placed the three (3) year review and approval date calendared in its automated calendar system

#2002-10 - Subgrant Agreement - Case Handling

STATUS: RESOLVED - While performing audit procedures relative to the review of sampled case files we did not note any deficiencies related to cases referred to the Baton Rouge Bar Foundation reported in the prior year.

#2002-11 - Subgrant Agreement - General

STATUS: RESOLVED - While reviewing the subgrant agreement between the Corporation and the Baton Rouge Bar Foundation we did not note any of the problems reported in the prior year.

#2002-12 - Subgrant Agreement - Monitoring

The subgrant agreement between the Corporation and the Baton Rouge Bar Foundation requires that the subgrantee, "perform quarterly monitoring, management, and reporting to [the Corporation] on all open case files referred by [the Corporation]." The subgrantee is also required to, "provide [the Corporation] with copies of [their] internal status reports used in the monitoring of open case files."

STATUS: UNRESOLVED - The Corporation is in the process of implementing the system; on April 7, 2004, the Pro Bono Coordinator conducted a quarterly review of Baton Rouge Bar case management. At that time new monitoring procedures were introduced; however, the system will not be fully operational until 2004; therefore, this finding is repeated in the current year report in the schedule of findings and questioned costs at #2003-2.

#2002-13 - Policies and Procedures

STATUS: RESOLVED - The Corporation reviewed all of LSC's regulations to ensure that all requirements, conditions, prohibitions, and restrictions of those regulations were incorporated into their internal policies and procedures and adopted revised policies and procedures as necessary.

#2002-14 - Use of Non-LSC Funds

STATUS: RESOLVED - Capital Area Legal Services Corporation provided written notification to all funding sources of the prohibitions and conditions which apply to the use of non-LSC funds as required by 45 CFR \$1610.5 during 2003.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2002.



LAW OFFICES OF
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JAMES A. WAYNE, SR., Executive Director

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2003

Section I. Internal Control and Compliance Material to the Financial Statements

#2003-1 - Controls Over Payroll

Management will continue to strive to eliminate all clerical errors. However, management contends that the number of hours on a salaried employee's time card has no relation to what that employee is paid. Time is not entered for payment from the salaried employee's time cards. The Corporation has only two hourly employees. Their time cards are checked and reviewed prior to submission for payroll. Therefore, no employee could have been over or under paid as a result of the inaccuracy of the salaried employee's time cards. (See FLSA, 29 U.S.C. 201 et seq.) Management will continue to explain to staff the importance of completing their time cards properly.

Section II. Internal Control and Compliance Material to Federal Awards

#2003-2 - Subgrant Agreement - Monitoring

Capital Area Legal Services Corporation concurs with the recommendation. On April 7, 2004, the Pro Bono Coordinator conducted a quarterly review of Baton Rouge Bar case management. At that time new monitoring procedures were introduced.

#2003-3 - LSC Reporting Requirements

A revised Semiannual Case Disclosure Report for the period July 1 - December 31, 2003, has been submitted to LSC.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2003.

Responsible Party: James A. Wayne, Sr., Executive Director