

**Legal Services of North Louisiana, Inc.
Shreveport, Louisiana**

**Financial Statements
As of and for the Year Ended December 31, 2006
With Comparative Totals for 2005 and
Supplemental Information Schedules
LSC Grant Recipient Number 619061**

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 5-23-07

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

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Independent Auditors' Report

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Legal Services of North Louisiana, Inc., as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2007, on our consideration of Legal Services of North Louisiana, 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 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Legal Services of North Louisiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*, and is 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 accompanying supplemental schedules, listed as "Supplemental Information Schedules For Grants and Contract Analysis" in the table of contents and shown on pages 14 – 15, are presented for the purpose of providing the various funding sources of Legal Services of North Louisiana, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the funding sources of Legal Services of North Louisiana, Inc. The schedules are not presented in accordance with generally accepted accounting principles. Accordingly, the schedules mentioned previously and shown on pages 14 – 15 are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion they are fairly stated on the basis of accounting practices prescribed by the funding sources.

Cook + Morehart

Cook and Morehart
Certified Public Accountants
April 16, 2007

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Statement of Financial Position
 December 31, 2006, with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets		
Cash	\$ 432,855	\$ 280,267
Client escrow funds	4,619	3,614
Grants receivable	58,497	52,219
Accounts receivable	<u>946</u>	<u>1,760</u>
Total current assets	<u>496,917</u>	<u>337,860</u>
Property and equipment	1,362,602	1,349,259
Accumulated depreciation	<u>(872,366)</u>	<u>(815,712)</u>
Net property and equipment	<u>490,236</u>	<u>533,547</u>
Deposits	<u>1,715</u>	<u>1,715</u>
Total assets	<u>\$ 988,868</u>	<u>\$ 873,122</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 52,712	\$ 45,197
Accrued liabilities	90,991	79,428
Current portion of long-term debt	5,595	46,183
Refundable advances	128,685	
Client trust deposits	<u>4,619</u>	<u>3,614</u>
Total current liabilities	<u>282,602</u>	<u>174,422</u>
Long-term debt, less current portion	<u>304</u>	<u>5,892</u>
Total liabilities	<u>282,906</u>	<u>180,314</u>
Net assets		
Unrestricted	81,961	71,604
Temporarily restricted		
Legal services corporation-grant	607,045	606,353
Non-LSC	<u>18,958</u>	<u>14,851</u>
Total temporarily restricted	<u>624,001</u>	<u>621,204</u>
Total net assets	<u>705,962</u>	<u>692,808</u>
Total liabilities and net assets	<u>\$ 988,868</u>	<u>\$ 873,122</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Statement of Activities

For the Year Ended December 31, 2006, with Comparative Totals for 2005

	Unrestricted	Temporarily Restricted		2006 Total	2005 Total
		LSC	Non-LSC		
Revenue and support					
Grants and Contracts	\$ 1,748,235	\$ 429,098	\$ 2,177,333	\$ 2,177,333	\$ 2,152,838
Interest Income	9,979		9,979	9,979	4,579
Other	173,642			173,642	157,762
Net assets released from restrictions:					
Satisfaction of program restrictions	2,184,515	(1,757,522)	(426,993)	(2,184,515)	
Total revenues and other support	2,358,157	692	2,797	2,360,954	2,315,179
Expenses:					
Program Services	1,943,786			1,943,786	1,764,996
Management and General	404,014			404,014	463,093
Total expenses	2,347,800			2,347,800	2,228,089
Change in net assets	10,357	692	2,105	13,154	87,090
Net assets at beginning of year	71,604	606,353	14,851	692,808	605,718
Net assets at end of year	\$ 81,961	\$ 607,045	\$ 16,956	\$ 705,962	\$ 692,808

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Statement of Functional Expenses
 For the Year Ended December 31, 2006, with Comparative Totals for 2005

	Program	Management & General	2006 Total	2005 Total
Personnel Expenses				
Lawyers	\$ 672,949	\$ 94,200	\$ 767,149	\$ 763,089
Paralegals	106,235		106,235	87,694
Other	361,145	142,795	503,940	496,306
Employee Benefits	328,181	68,221	396,402	338,653
Total Personnel Expenses	<u>1,468,510</u>	<u>305,216</u>	<u>1,773,726</u>	<u>1,685,742</u>
Other Expenses				
Space and Occupancy	58,023	12,062	70,085	56,009
Equipment Rental	12,883	2,678	15,561	14,219
Office Supplies and Expenses	56,319	11,707	68,026	57,929
Telephone	35,990	7,481	43,471	47,119
Travel	15,541	3,230	18,771	15,668
Training	59,561	12,381	71,942	40,254
Library	28,955	6,019	34,974	37,302
Insurance	33,279	6,918	40,197	44,644
Dues and Fees	11,562	2,403	13,965	13,154
Interest	1,452	302	1,754	7,374
Litigation	10,438	2,170	12,608	10,727
Contract Services to Clients	27,103	5,634	32,737	32,312
Depreciation	46,903	9,750	56,653	63,149
Other	77,268	16,062	93,330	102,487
Total Other Expenses	<u>475,276</u>	<u>98,798</u>	<u>574,074</u>	<u>542,347</u>
TOTAL EXPENSES	<u>\$ 1,943,786</u>	<u>\$ 404,014</u>	<u>\$ 2,347,800</u>	<u>\$ 2,228,089</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Statement of Cash Flows
 For the Year Ended December 31, 2006, with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Operating Activities:		
Change in net assets	\$ 13,154	\$ 87,090
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,653	63,149
(Increase) decrease in:		
Client escrow funds	(1,005)	(897)
Grants receivable	(6,278)	32,375
Accounts receivable	814	3,369
Increase (decrease) in:		
Accounts payable	7,515	(26,220)
Accrued expenses	11,563	(10,181)
Client Trust Deposits	1,005	897
Deferred revenue	128,685	
Net cash provided by operating activities	<u>212,106</u>	<u>149,582</u>
Investing Activities:		
Purchase of property and equipment	<u>(13,342)</u>	<u>(7,842)</u>
Net cash (used) by investing activities	<u>(13,342)</u>	<u>(7,842)</u>
Financing Activities:		
Payments of long-term debt	<u>(46,176)</u>	<u>(87,856)</u>
Net cash (used) by financing activities	<u>(46,176)</u>	<u>(87,856)</u>
Net increase (decrease) in cash	152,588	53,884
Cash as of beginning of year	<u>280,267</u>	<u>226,383</u>
Cash as of end of year	<u>\$ 432,855</u>	<u>\$ 280,267</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 1,734</u>	<u>\$ 7,177</u>

The accompanying notes are an integral part of the financial statements.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2006, with Comparative Totals for 2005

(1) Summary of Significant Accounting Policies

Legal Services of North Louisiana, Inc. (LSNL) is a private nonprofit corporation incorporated under the laws of the State of Louisiana and is governed by a Board of Directors composed of 15 members.

A. Nature of Activities

LSNL administered various federal, state, and miscellaneous grants during the year ended December 31, 2006. The grants are designed to provide eligible individuals with free legal services. The following programs, with their approximate percentage of total revenues indicated, are administered by LSNL :

Legal Services Corporation (LSC) – 74%
Interest on Lawyers' Trust Accounts (IOLTA) – 9%
United Way – 1%
Local Councils on Aging – 1%
Violence Against Women – 2%
Other – 13%

B. Basis of Accounting

The financial statements of LSNL have been prepared on the accrual basis of accounting.

C. Basis of Presentation

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 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.

D. Income Tax Status

LSNL is a nonprofit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from activities not directly related to LSNL's tax-exempt purpose is subject to taxation as unrelated business income. LSNL had no such income for this audit period.

E. Property and Equipment

It is the policy of the agency to capitalize all fixed assets with a unit cost of \$1000 or more. All fixed assets are valued at historical cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations.

F. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending of the existence and/or nature of any donor restrictions.

(Continued)

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2006, with Comparative Totals for 2005
 (Continued)

Federal and state grant revenue and all other donor-restricted support are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 as net assets released from restrictions.

G. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

H. Compensated Absences -- Accrued Leave

Employees of LSNL accrue leave at a rate based upon their length of service. Employees may not carry forward leave in excess of 75 hours from one year to the next. Employees leaving employment whether voluntarily or involuntary will be paid for all accrued annual leave. Employees may also accrue health leave, but accumulated health leave is forfeited upon separation of employment.

At December 31, 2006, the approximate amount of accumulated and vested employee leave benefits accrued was \$39,458.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, LSNL considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

J. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and management and general services.

K. Reclassifications

The following amounts have been reclassified from temporarily restricted net assets to unrestricted net assets by expending funds which satisfied the restricted purposes specified by the donors:

LSC	\$ 1,757,522
United Way	26,145
Councils on Aging	29,999
IOLTA	207,289
VAWA	44,019
AARP	82,837
Community Foundation	36,588
Other	116
Total	<u>\$ 2,184,515</u>

(Continued)

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2006, with Comparative Totals for 2005
 (Continued)

L. Comparative Financial Statements

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject LSNL to concentrations of credit risk consist principally of temporary cash investments and grants receivable. Concentrations of credit risk with respect to grants receivable are limited due to the majority of these amounts being due from governmental agencies under contractual terms. As of December 31, 2006, LSNL had no significant concentrations of credit risk in relation to grants receivable. LSNL maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2006 total cash balances held at the financial institution was \$456,734. Of this amount, \$376,737 was secured by FDIC and the remaining \$79,997 was unsecured.

(3) Accrued Liabilities

An analysis of LSNL's accrued liabilities at December 31, 2006 is as follows:

Payroll taxes	\$ 2,203
Insurance / benefits	12,518
Accrued leave	39,457
Accrued payroll	<u>36,813</u>
Total	<u>\$ 90,991</u>

(4) Property and Equipment

Property and equipment at December 31, 2006 consisted of the following:

	Estimated Depreciable Life	Purchased With LSC Funds	Purchased With Non-LSC Funds	Total
Land	20-30 years	\$ 137,100	\$ -	\$ 137,100
Buildings	20-30 years	461,588	-	461,588
Leasehold Improvements	20-30 years	26,889	-	26,889
Furniture, Fixtures, and Equipment	5-10 years	612,667	55,679	668,346
Law Library	5 years	66,635	2,044	68,679
Accumulated depreciation		<u>(828,523)</u>	<u>(43,843)</u>	<u>(872,366)</u>
Net investment in property and equipment		<u>\$ 476,356</u>	<u>\$ 13,880</u>	<u>\$ 490,236</u>

Depreciation expense for the year ended December 31, 2006 was \$56,653.

(Continued)

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2006, with Comparative Totals for 2005
 (Continued)

(5) Leases

LSNL leases postage machines, a security system, and copiers under operating leases. The rental cost on the equipment paid during the year ended December 31, 2006 was \$15,233.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

For the Year Ending December 31,		
2007	\$	7,705
2008		7,705
2009		5,108
Total minimum future rentals		20,518

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2005 were available for the following purposes:

LSC Grant – Operating	\$	136,588
LSC – Property		470,457
Non-LSC Property		13,880
Miscellaneous Grant		3,076
	\$	624,001

(7) Refundable Advances

LSNL records funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(8) Contractual Revenue – Grants

During the year ended December 31, 2006, LSNL received contractual revenue from federal, state, and miscellaneous grants in the amount of \$2,177,333. The continued existence of these funds is based on annual contract renewals with various funding sources.

(9) Client Trust Funds

Client trust funds are funds received by LSNL from or on behalf of a client. A separate escrow bank account is maintained, as well as separate client trust records for each client. Client trust funds are not the property of LSNL, and, as a result, are reported as both an asset and a liability in the Statement of Financial Position.

(Continued)

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2006, with Comparative Totals for 2005
 (Continued)

(10) Private Attorney Involvement

The following details the private attorney involvement (PAI) activity for the year ended December 31, 2006:

	<u>LSC</u>	<u>Other</u>	<u>Total</u>
Lawyers	\$ 27,370	\$ -	\$ 27,370
Paralegals	39,413	14,500	53,913
Other	31,789	-	31,789
Employee Benefits	32,790	-	32,790
Space and occupancy	7,944	-	7,944
Equipment rental	1,374	-	1,374
Office supplies and expenses	5,444	-	5,444
Telephone	3,501	-	3,501
Travel	1,274	-	1,274
Training	10,865	-	10,865
Library	2,976	-	2,976
Insurance	2,814	-	2,814
Dues & fees	1,064	-	1,064
Litigation	2,698	-	2,698
Contract services to clients	32,737	-	32,737
Other	<u>7,953</u>	<u>-</u>	<u>7,953</u>
Total	<u>\$ 212,006</u>	<u>\$ 14,500</u>	<u>\$ 226,506</u>

(11) Long-Term Debt

Long-term debt at December 31, 2006, consisted of the following:

Promissory note to AmSouth Bank, in the original amount of \$20,146 dated February 11, 2004, due in forty-eight (48) monthly payments of \$466 including interest, with final payment due February 11, 2008, with interest rate 5.25%, secured by vehicle	\$ 5,899
Less current portion	(5,595)
Long-term portion	<u>\$ 304</u>

Approximate maturities of long-term debt are summarized as follows:

<u>For the Year Ending December 31,</u>	<u>Approximate Amount</u>
2007	\$ 5,595
2008	304
	<u>\$ 5,899</u>

(Continued)

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2006, with Comparative Totals for 2005
 (Continued)

(12) Retirement Plan

LSNL contributes to an annuity program on behalf of its employees. LSNL changed its contribution during 2003 from 7.65% to 5% of the employees' annual compensation. An employee must contribute three years of employment in order to be vested in the plan. Contributions made by the employer are returned to the employer if the employee leaves before becoming vested. Employees may contribute up to twenty-five per cent of their annual compensation. The employee contributions are tax-deferred to the employee. Total employer contributions for the year ended December 31, 2006, were \$66,027.

(13) Buildings – Property Costs

The following details costs directly related to the purchase and/or maintenance of property paid out of LSC funds:

	Central Office Building	Monroe Building	Natchitoches Building	Total
Derivative income	\$ –	\$ –	\$ –	\$ –
Paid in principal	–	31,922	–	31,922
Interest expense	–	1,007	–	1,007
Building maintenance	8,160	4,439	3,700	16,299
Insurance	6,124	1,766	1,514	9,404
Taxes	–	–	–	–
Improvements	–	–	–	–
	<u>\$ 14,284</u>	<u>\$ 39,134</u>	<u>\$ 5,214</u>	<u>\$ 58,632</u>

(14) Contingency

LSNL is currently the defendant in a lawsuit, the ultimate outcome of which is unknown at this time. In the opinion of legal counsel, the amount of any damages awarded in excess of LSNL's current insurance coverage cannot be reasonably estimated at this time.

(15) Subsequent Event

LSNL ordered three new vehicles in 2007 at a total cost of approximately \$51,611. Financing for the vehicle purchases will be provided by a local bank, interest at 8%, for 36 months.

**Supplemental Information Schedules Prepared
For Grants and Contracts Analysis**

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Schedule of Support, Revenue, and Expenses and Changes in Net Assets for LSC Funds
 For the Year Ended December 31, 2006, with Comparative Totals for 2005

	Basic Field Grant	Private Attorney Involvement	Total	Property	2006 Grand Total	2005 Grand Total
Support and Revenue						
Grants and Contracts	\$ 1,538,229	\$ 212,006	\$ 1,748,235	\$	\$ 1,748,235	\$ 1,770,839
Interest Income	9,979		9,979		9,979	4,579
Other						
Total	<u>1,546,208</u>	<u>212,006</u>	<u>1,758,214</u>		<u>1,758,214</u>	<u>1,775,418</u>
Personnel Expenses						
Lawyers	385,761	27,370	413,131		413,131	449,705
Paralegals	29,247	39,413	68,660		68,660	74,277
Other	472,151	31,789	503,940		503,940	496,305
Employee Benefits	275,117	32,790	307,907		307,907	270,691
Total	<u>1,162,276</u>	<u>131,362</u>	<u>1,293,638</u>		<u>1,293,638</u>	<u>1,290,978</u>
Other Expenses						
Space and Occupancy	45,018	3,738	48,756		48,756	48,659
Equipment Rental	14,187	1,374	15,561		15,561	14,219
Office Supplies and Expenses	50,688	5,444	56,112		56,112	49,256
Telephone	29,115	3,501	31,616		31,616	38,783
Travel	15,622	1,274	16,896		16,896	15,668
Training	48,634	10,865	59,499		59,499	29,850
Library	31,998	2,976	34,974		34,974	37,302
Insurance	32,632	2,814	35,446		35,446	38,644
Dues and fees	2,375	1,054	3,439		3,439	3,585
Litigation	6,043	2,698	8,741		8,741	8,728
Contract Services to Clients		32,737	32,737		32,737	36,799
Other	58,006	7,761	65,767		65,767	61,399
Interest expense	1,562	192	1,754		1,754	7,374
Depreciation				52,586	52,586	59,406
Total	<u>334,860</u>	<u>76,438</u>	<u>411,298</u>	<u>52,586</u>	<u>463,884</u>	<u>449,672</u>
Total Expenses	<u>1,497,136</u>	<u>207,800</u>	<u>1,704,936</u>	<u>52,586</u>	<u>1,757,522</u>	<u>1,740,650</u>
Support and Revenue Over (Under) Expenses and losses	49,072	4,206	53,278	(52,586)	692	34,768
Other Changes in Net Assets:						
Note Payments	(41,970)	(4,206)	(46,176)	46,176		
Acquisition of property	(10,247)		(10,247)	10,247		
Total Other Changes	(52,217)		(56,423)	56,423		
Total Changes in Net Assets	(3,145)		(3,145)	3,837	692	34,768
Net Assets at beginning of year	<u>139,733</u>		<u>139,733</u>	<u>466,620</u>	<u>606,353</u>	<u>571,585</u>
Net Assets at end of year	<u>\$ 136,588</u>	<u>\$</u>	<u>\$ 136,588</u>	<u>\$ 470,457</u>	<u>\$ 607,045</u>	<u>\$ 606,353</u>

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Schedule of Interest on Lawyers Trust Accounts (IOLTA) Grant Activity
 Grant No. 2006-0024 and Grant No. 2006-0025
 For the Year Ended December 31, 2006, with Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Revenue Received - IOLTA Grant	<u>\$ 207,289</u>	<u>\$ 174,997</u>
Personnel Expenses		
Lawyers	121,698	104,724
Paralegals	14,500	13,417
Employee Benefits	<u>33,744</u>	<u>28,279</u>
Total Personnel Expenses	<u>169,942</u>	<u>146,420</u>
Other Expenses		
Space and occupancy	4,800	3,600
Office supplies	3,600	3,600
Telephone	4,800	3,600
Training	5,258	325
Insurance	2,900	2,500
Dues and fees	7,586	6,550
Access to Justice	6,003	6,002
Audit expense	<u>2,400</u>	<u>2,400</u>
Total Other Expenses	<u>37,347</u>	<u>28,577</u>
Total Expenses	<u>207,289</u>	<u>174,997</u>
Excess (Deficit)	<u>\$</u>	<u>\$</u>

Legal Services of North Louisiana, Inc.
 Shreveport, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2006

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Expenditures
<u>Legal Service Corporation</u>		
Direct Programs		
Basic Field Grant	09.619061	\$ 1,761,359
<u>Department of Justice</u>		
Direct Program		
Violence Against Women	16.588	44,019
Total federal expenditures		<u>\$ 1,805,378</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

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C. BRYAN COYLE, CPA

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

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the financial statements of Legal Services of North Louisiana, Inc. (a nonprofit organization) as of and for the year ended December 31, 2006, and have issued our report thereon dated April 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 Services of North Louisiana, Inc.'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Legal Services of North Louisiana, Inc. in a separate management letter dated April 16, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Legal Services of North Louisiana, Inc.'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*.

This report is intended solely for the information and use of management, the Board of Directors and 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.



Cook & Morehart
Certified Public Accountants
April 16, 2007

COOK & MOREHART

Certified Public Accountants

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

Compliance

We have audited the compliance of Legal Services of North Louisiana, Inc., (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 in the Legal Services Corporation Audit Guide and Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. Legal Services of North Louisiana, Inc.'s major federal program is 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 its major federal program is the responsibility of Legal Services of North Louisiana, Inc.'s management. Our responsibility is to express an opinion on Legal Services of North Louisiana, Inc.'s compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Legal Services Corporation *Audit Guide and Compliance Supplement*. 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 Legal Services of North Louisiana, Inc.'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 on Legal Services of North Louisiana, Inc.'s compliance with those requirements.

In our opinion, Legal Services of North Louisiana, Inc. 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, 2006.

Internal Control Over Compliance

The management of Legal Services of North Louisiana, Inc. 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 Legal Services of North Louisiana, Inc.'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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and 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.

Cook & Morehart

Cook & Morehart
Certified Public Accountants
April 16, 2007

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Summary Schedule of Prior Audit Findings
December 31, 2006

There were no findings or questioned costs for the prior audit period ended December 31, 2005.

Schedule of Findings and Questioned Costs
December 31, 2006

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Legal Services of North Louisiana, Inc.
2. No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Legal Services of North Louisiana, Inc. were disclosed during the audit.
4. No reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Legal Services of North Louisiana, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Legal Services of North Louisiana, Inc. reported in Part C. of this Schedule.
7. The program tested as a major program was the Legal Service Corporation program CFDA #09.619061.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Legal Services of North Louisiana, Inc. was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

NONE

C. Findings and Questioned Costs – Major Federal Award Programs Audit

NONE

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
December 31, 2006

There were no findings for the prior year audit period ended December 31, 2005.

There were four management letter comments for the prior audit year ended December 31, 2005, as follows:

Comment #1 – Bank Reconciliations

Improvement noted. No comment in current year audit.

Comment #2 – Invoice Payments

Improvement noted. No comment in current year audit.

Comment #3 – Payroll Deductions

Improvement noted. No comment in current year audit.

Comment #4 – Client File Exam

See comment in current year management letter.

Legal Services of North Louisiana, Inc.
Shreveport, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
December 31, 2006

There were no findings for the current year audit period ended December 31, 2006.

There were two management letter comments for the current audit year ended December 31, 2006. Management's response to these is as follows:

Comment #1 – Payroll Direct Deposits

Effectively immediately, LSNL has implemented an internal control procedure whereas the Executive Director shall maintain a copy of all signed payroll registers. The copy shall be utilized to compare the approved payrolls to the withdrawals on the monthly bank statements when received each month.

Comment #2 – Client File Exam

LSNL shall maintain a list of all files being transferred from the Monroe Branch Office to the Shreveport Central Office. The list shall be forwarded via fax from the Monroe Branch Office. Given receipt of this fax, once the actual shipment of files are received in Shreveport, the faxed list shall be compared to the actual shipment received. Additionally, we shall cross reference the shipment with information in the computerized client tracking system to assure that it indicates the files are located at the Shreveport Central Office. Any variances or missing files shall be located at that time.

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Management Letter

April 16, 2007

Board of Directors
Legal Services of North Louisiana, Inc.
Shreveport, Louisiana

We have audited the financial statements of Legal Services of North Louisiana, Inc. for the year ended December 31, 2006, and have issued our report thereon dated April 16, 2007. In planning and performing our audit of the financial statements of Legal Services of North Louisiana, Inc, we considered its 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.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Legal Services of North Louisiana, Inc.

(1) Payroll Direct Deposits

During our audit, we noted that the Accountant responsible for preparing the payroll is also responsible for wiring the direct deposit to the bank. The Executive Director is reviewing the direct deposit report prior to amounts being wired to the bank; however, the approved payrolls are not being compared to the withdrawals on the monthly banks statements.

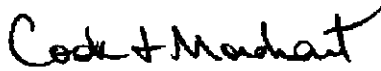
We recommend that the Executive Director and/or Finance Director compare the approved payrolls to the withdrawals on the bank statements when received each month.

(2) Client File Exam

During our audit, we selected 60 client files for testing of eligibility and compliance with LSC regulations. The agency was unable to locate one of the files selected for testing.

We recommend that the agency implement procedures for ensuring that all files are retained and filed in a manner to allow for subsequent reviews as needed.

We express sincere thanks to Legal Services of North Louisiana, Inc. personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



Cook & Morehart
Certified Public Accountants
April 16, 2007