

CAPITAL AREA LEGAL SERVICES CORPORATION**FINANCIAL REPORT****DECEMBER 31, 2009****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 9/1/10

CAPITAL AREA LEGAL SERVICES CORPORATION

RECIPIENT NO. 619010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Capital Area Legal Services Corporation (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2009 and 2008, and the changes in its net assets and cash flows for the years 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 June 11, 2010, 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 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. However, the accompanying schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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.

A handwritten signature in cursive script that reads "Broussard Locke Lewis & Breant LLP".

Lafayette, Louisiana
June 11, 2010

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CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 114,227	\$ 62,023
Grants and contracts receivable	17,960	45,702
Prepaid expenses	<u>23,053</u>	<u>23,255</u>
Total current assets	<u>155,240</u>	<u>130,980</u>
RESTRICTED ASSETS		
Cash and cash equivalents:		
Client trust accounts	<u>73,541</u>	<u>74,468</u>
NONCURRENT ASSETS		
Utility deposits	<u>363</u>	<u>393</u>
FIXED ASSETS, at cost, net of accumulated depreciation of \$417,490 and \$407,106, respectively	<u>490,622</u>	<u>484,226</u>
Total assets	<u>\$ 719,766</u>	<u>\$ 690,067</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES (payable from unrestricted assets)		
Accounts payable	\$ 24,936	\$ 14,202
Lines of credit	48,612	120,353
Accrued liabilities	8,562	13,418
Accrued annual leave	36,910	36,644
Deferred revenue	96,648	157,071
Notes payable – current portion	<u>18,535</u>	<u>29,438</u>
Total current liabilities (payable from unrestricted assets)	<u>234,203</u>	<u>371,126</u>
CURRENT LIABILITIES (payable from restricted assets)		
Client trust deposits	<u>73,541</u>	<u>70,345</u>
LONG TERM LIABILITIES (payable from unrestricted assets)		
Notes payable – long term portion	<u>302,979</u>	<u>315,423</u>
Total liabilities	<u>610,723</u>	<u>756,894</u>
NET ASSETS		
Temporarily restricted	<u>109,043</u>	<u>(66,827)</u>
Total liabilities and net assets	<u>\$ 719,766</u>	<u>\$ 690,067</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2009 and 2008

	2009	2008
Changes in temporarily restricted net assets:		
Revenues and support -		
Grants and contracts	\$ 2,325,188	\$ 2,137,810
Contributions	3,560	73,800
Fees	38,445	41,324
Donated services	280,933	301,545
Other revenue	9,203	9,819
Net assets released from restrictions	(2,481,459)	(2,693,000)
Change in temporarily restricted net assets	175,870	(128,702)
Changes in unrestricted net assets:		
Net assets released from restrictions	2,481,459	2,693,000
Program expenses -		
Legal services	1,968,396	2,190,527
Elderly protective services	175,957	171,160
Total program expenses	2,144,353	2,361,687
Supporting expense:		
Administrative	337,106	331,313
Total expenses	2,481,459	2,693,000
Change in unrestricted net assets	-	-
Total change in net assets	175,870	(128,702)
Net assets, beginning	(66,827)	61,875
Net assets, ending	\$ 109,043	\$ (66,827)

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Legal Services	Elderly Protective Services	Administrative	Total Expenses
Salaries and wages:				
Lawyers	\$ 468,277	\$ 5,084	\$ 98,545	\$ 571,906
Non-lawyers	386,611	105,057	125,966	617,634
Employee benefits	155,614	28,512	50,790	234,916
Space cost and renovations	93,554	6,000	-	99,554
Equipment rentals and maintenance	56,531	150	436	57,117
Office supplies and expenses	86,002	5,099	6,207	97,308
Travel and parking	35,395	12,376	14,390	62,161
Utilities	20,389	-	344	20,733
Telephone	46,881	6,440	1,228	54,549
Insurance	26,471	1,754	-	28,225
Depreciation	20,043	-	-	20,043
Donated services	280,933	-	-	280,933
Contract services	114,488	-	6,427	120,915
Membership fees and dues	10,528	-	1,037	11,565
Litigation costs	5,556	-	-	5,556
Baton Rouge Bar Subgrant	38,000	-	-	38,000
Interest expense	3,182	-	29,992	33,174
Access to justice	4,515	-	-	4,515
Training	40,163	1,740	-	41,903
Audit fees	21,240	2,200	-	23,440
Office equipment	36,041	-	1,744	37,785
Printing	4,936	74	-	5,010
Miscellaneous	13,046	1,471	-	14,517
	<u>\$ 1,968,396</u>	<u>\$ 175,957</u>	<u>\$ 337,106</u>	<u>\$ 2,481,459</u>

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	Legal Services	Elderly Protective Services	Administrative	Total Expenses
Salaries and wages:				
Lawyers	\$ 508,722	\$ 6,502	\$ 103,098	\$ 618,322
Non-lawyers	426,350	104,174	123,360	653,884
Employee benefits	184,985	25,163	51,391	261,539
Space cost and renovations	83,189	6,000	-	89,189
Equipment rentals and maintenance	56,516	-	3,070	59,586
Office supplies and expenses	82,596	3,296	4,339	90,231
Travel and parking	36,404	11,480	8,593	56,477
Utilities	47,515	-	-	47,515
Telephone	50,867	8,110	935	59,912
Insurance	27,178	1,754	-	28,932
Depreciation	18,051	-	-	18,051
Donated services	301,545	-	-	301,545
Contract services	155,663	-	3,387	159,050
Membership fees and dues	12,586	-	680	13,266
Litigation costs	29,699	-	20	29,719
Baton Rouge Bar Subgrant	38,000	-	-	38,000
Interest expense	4,320	-	28,854	33,174
Anniversary Gala	51,242	-	-	51,242
Access to justice	4,515	-	-	4,515
Training	32,776	2,128	2,968	37,872
Audit fees	20,575	2,200	-	22,775
Office equipment	1,917	-	-	1,917
Printing	569	-	618	1,187
Miscellaneous	14,747	353	-	15,100
	<u>\$ 2,190,527</u>	<u>\$ 171,160</u>	<u>\$ 331,313</u>	<u>\$ 2,693,000</u>

See Notes to Financial Statements.

CAPITAL AREA LEGAL SERVICES CORPORATION

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 175,870	\$ (128,702)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,043	18,051
Changes in assets and liabilities –		
(Increase) decrease in assets:		
Grants and contracts receivable	27,742	8,906
Prepaid expenses	202	5,279
Cash restricted for client trusts	927	(4,370)
Utility deposits	30	(115)
Increase (decrease) in liabilities:		
Accounts payable	10,734	(10,533)
Accrued liabilities	(4,856)	1,357
Accrued annual leave	266	(2,934)
Deferred revenues	(60,423)	2,000
Client trust deposits	3,196	4,328
Net cash provided by (used in) operating activities	173,731	(106,733)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(26,439)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances on revolving line of credit	-	70,385
Net payments on revolving line of credit	(71,741)	-
Principal payments on long-term debt	(23,347)	(23,085)
Net cash provided by (used in) financing activities	(95,088)	47,300
Net increase (decrease) in cash and cash equivalents	52,204	(59,433)
Cash and cash equivalents, beginning	62,023	121,456
Cash and cash equivalents, ending	\$ 114,227	\$ 62,023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 30,448	\$ 33,851

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 1958, previously known as the Legal Aid Society; in 1974 the name was changed to Capital Area Legal Services Corporation. The purpose of the Corporation is 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 (the "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 LSC. 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 generally accepted accounting principles for non-profit organizations. As such, 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.

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.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

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:

	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	3 – 10
Library	5

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, 2009 and 2008 totaled \$36,910 and \$36,643, respectively.

Deferred revenue:

Deferred revenue is recognized for grants, awards, or other income received which are not considered to be earned at financial statement date.

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.

The 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.

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. John Parish Government, St. James Parish Government, Terrebonne Parish Consolidated Government, LaFourche Parish Government, West Baton Rouge Parish Government, and West Feliciana Parish Police Jury to provide civil legal services to low income and elderly citizens.

Additional funding is further detailed in Note 6.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Contributions:

Donated services are recognized as contributions in accordance with generally accepted accounting principles. 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. Donated assets, such as real estate, are recorded at the estimated fair market value on the date of donation.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes:

The 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):

LSC 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. During 2009, the corporation spent 13.1% of the basic field award on PAI expenses.

Reclassifications:

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on changes in net assets as previously stated.

Recent pronouncements:

In May 2009, the FASB issued ASC 450-20-50-9/Statement No. 165, *Subsequent Events*. This Statement is effective for financial periods ending after June 15, 2009. As such, the Corporation adopted these provisions in 2009. This Statement establishes principles and requirements for subsequent events. In particular, this Statement addresses the period after the statements of financial position date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the statements of financial position date in its financial statements and the disclosures that an entity shall make about events or transactions that occurred after the statements of financial position date. Subsequent events occurring after December 31, 2009 were evaluated through June 11, 2010 (the date the financial statements were available to be issued). The adoption of these provisions did not have any effect on the financial statements of the Corporation as of December 31, 2009.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents

The Corporation maintains bank accounts at several banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At certain times during the year, deposits may exceed insurance coverage.

Note 3. Grants and Contracts Receivable

Grants and contracts receivable at December 31, 2009 and 2008 consisted of the following:

	2009	2008
State of Louisiana	\$ -	\$ 2,000
Ascension Parish Government	2,250	6,750
Assumption Parish Police Jury	1,050	1,050
Terrebonne Parish Consolidated Government	6,464	9,258
Louisiana Bar Foundation	5,280	-
East Baton Rouge Council on Aging, Inc.	-	2,441
Capital Area Agency on Aging, Inc.	-	1,464
West Feliciana Parish Government	-	6,030
Baton Rouge City Courts Fees	1,416	5,209
Other	1,500	11,500
Total grants and contracts receivable	\$ 17,960	\$ 45,702

Note 4. Rental Property

In 2001, the Corporation purchased an office building in Gonzales, Louisiana. Total costs of this building amounted to \$429,302. As of December 31, 2009, this building had a carrying value on the books of the Corporation of \$342,547. 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. The remaining space in the building is available for lease. At year end, three spaces remained vacant.

Total rental income recognized for the years ended December 31, 2009 and 2008 totaled \$4,849 and \$2,425, respectively.

Note 5. 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. LSC 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.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

A summary of fixed assets is as follows:

	2009	2008
Buildings and improvements	\$ 532,250	\$ 532,250
Furniture and equipment	292,305	275,525
Library	38,557	38,557
Land	45,000	45,000
Total fixed assets	908,112	891,332
Less: accumulated depreciation	(417,490)	(407,106)
Net fixed assets	\$ 490,622	\$ 484,226

Depreciation expense for the years ended December 31, 2009 and 2008 totaled \$20,043 and \$18,051, respectively.

Note 6. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2009:

Funding Source	Period	Support
LSC:		
Basic Field - General Grant	01/01/09 – 12/31/09	\$ 1,511,082
Technology Initiative Grant	01/01/08 – 12/31/09	30,071
Disaster Recovery	01/01/09 – 12/31/09	42,959
		\$ 1,584,112
Louisiana Bar Foundation:		
IOLTA Grant	01/01/09 – 12/31/09	\$ 213,296
IOLTA Grant - salary supplement	01/01/09 – 12/31/09	55,713
IOLTA Grant - building grant	01/01/09 – 12/31/09	18,416
		\$ 287,425
Louisiana Bar Foundation:		
Children in Need of Care		
2009 – 2010 Grant	12/01/09 – 06/30/10	\$ 5,742

(continued)

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
State of Louisiana, Governor's		
Office of Elderly Affairs:		
Elderly Protective Services Program -		
2008 - 2009 Grant	07/01/08 - 06/30/09	\$ 86,928
2009 - 2010 Grant	07/01/09 - 06/30/10	86,529
Professional Services Contract -		
2008 - 2009 Grant	07/01/08 - 06/30/09	2,800
2009 - 2010 Grant	07/01/09 - 06/30/10	<u>10,700</u>
		<u>\$ 186,957</u>
Capital Area Agency on Aging, Inc.:		
2008 - 2009 Grant	07/01/08 - 06/30/09	\$ 5,125
2009 - 2010 Grant	07/01/09 - 06/30/10	<u>5,705</u>
		<u>\$ 10,830</u>
East Baton Rouge Parish Council		
on Aging, Inc.:		
	07/01/08 - 06/30/09	\$ 4,882
	07/01/09 - 06/30/10	<u>7,322</u>
		<u>\$ 12,204</u>
Lafourche Council on Aging, Inc.:		
2008 - 2009 Grant	07/01/08 - 06/30/09	\$ 2,532
2009 - 2010 Grant	07/01/09 - 06/30/10	<u>2,532</u>
		<u>\$ 5,064</u>
St. Charles Council on Aging, Inc.:		
2007 - 2011 Grant	07/01/09 - 06/30/10	<u>\$ 1,800</u>
St. James Area Agency on Aging:		
2009 - 2010 Grant	07/01/09 - 06/30/10	<u>\$ 1,500</u>
St. John Council on Aging, Inc.:		
2009 - 2011 Grant	07/01/09 - 06/30/10	<u>\$ 1,832</u>
Terrebonne Council on Aging, Inc.:		
2008 - 2009 Grant	07/01/08 - 06/30/09	\$ 2,761
2009 - 2010 Grant	07/01/09 - 06/30/10	<u>2,761</u>
		<u>\$ 5,522</u>
Ascension Parish Government	01/01/09 - 12/31/09	<u>\$ 25,000</u>

(continued)

CAPITAL AREA LEGAL SERVICES CORPORATION
NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Assumption Parish Police Jury	01/01/09 – 12/31/09	\$ <u>4,200</u>
City of Baton Rouge – Parish of East Baton Rouge	01/01/09 – 12/31/10	\$ <u>44,000</u>
St. John Parish Government	01/01/09 – 12/31/09	\$ <u>10,000</u>
Iberville Parish Government	01/01/09 – 12/31/09	\$ <u>10,000</u>
Lafourche Parish Government	01/01/09 – 12/31/09	\$ <u>5,800</u>
West Baton Rouge Parish Government	01/01/09 – 12/31/09	\$ <u>5,800</u>
Pointe Coupee Parish Police Jury	01/01/09 – 12/31/09	\$ <u>5,800</u>
St. James Parish Government	01/01/09 – 12/31/09	\$ <u>5,800</u>
Terrebonne Parish Consolidated Government	01/01/09 – 12/31/09	\$ <u>24,000</u>
West Feliciana Parish Police Jury	01/01/09 – 12/31/09	\$ <u>6,800</u>
Entergy Charitable Foundation, Utility Advocacy Project	01/01/09 – 12/31/09	\$ <u>12,500</u>
State of Louisiana, Attorney General's Office: 2008 – 2009 Grant	07/01/08 – 06/30/09	\$ <u>62,500</u>
Total grants and contracts		\$ <u>2,325,188</u>
Other revenue sources		\$ <u>332,141</u>
Total support and revenues		\$ <u>2,657,329</u>

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 7. Operating leases

The Corporation leases various automobiles and buildings to serve as branch offices. For the years ended December 31, 2009 and 2008, the Corporation expended \$99,554 and \$89,189, respectively, on building leases. For the years ended December 31, 2009 and 2008, the Corporation expended \$13,497 and \$11,198, respectively, on automobile leases. The following details the written lease agreements in effect for the year ended December 31, 2009:

- Houma office: \$1,500 per month for the period January 1, 2009 – December 31, 2013.
- Baton Rouge office: \$6,760 per month for the period December 1, 2008 – November 30, 2009. The lease payments increased to \$7,030 per month for the period December 1, 2009 – November 30, 2010.
- Automobile lease: \$354 per month for the period July 25, 2008 – July 24, 2013.
- Automobile lease: \$500 per month for the period November 21, 2009 – November 20, 2012.

Future minimum lease payments required under these operating lease agreements is as follows:

Years Ending <u>December 31,</u>		
2010	\$	112,891
2011		108,673
2012		27,745
2013		<u>20,477</u>
Totals	\$	<u>269,786</u>

Note 8. Grants to Other Agencies

For the years ended December 31, 2009 and 2008, the Corporation granted \$38,000 of LSC funds to the Baton Rouge Bar Foundation. This sub grantee 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, 2009, this sub grantee had expended the entire 2009 grant award.

Note 9. Donated Services

Donated services, meeting the criteria for recognition in accordance with generally accepted accounting principles, are recognized both as support and expense. Donated services recognized within the financial statements are valued at the rate normally charged for similar services in the surrounding area. All donated services are classified as non-LSC program revenue and expense.

Donated services received for the years ended December 31, 2009 and 2008 totaled \$280,933 and \$301,545, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 10. Notes Payable

Notes payable at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Note payable, Whitney National Bank, 8.25% rate of interest, secured by a mortgage on Gonzales building, note dated November 15, 2001, monthly principal and interest payments of \$3,187, final payment due July 13, 2012.	\$ 315,650	\$ 327,113
Note payable, Capital One, 9.50% interest, secured by a mortgage on the Corporation's Donaldsonville building, note dated April 6, 2001, due on demand, if no demand is made, monthly principal and interest payments of \$1,015, final payment due April 6, 2010.	5,864	17,748
Total notes payable	321,514	344,861
Less: current portion of notes payable	(18,535)	(29,438)
Long-term notes payable	\$ 302,979	\$ 315,423

Notes payable of the Corporation which has due on demand clauses are classified as current at December 31, 2009, regardless of payment schedule. Maturities of long-term notes payable for each of the next five years and in aggregate thereafter, if banks do not exercise due on demand clause, is expected to be as follows:

2010	\$ 18,535
2011	13,757
2012	289,222
Totals	\$ 321,514

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 11. Lines of Credit

The Corporation has two lines of credit available in the amounts of \$50,000 and \$75,000. Interest on these lines of credit are stated at a variable rate equal to prime plus 1.25 points and prime plus 1.75 points, respectively. These lines of credit have no stated maturity date and will continue until terminated by the bank. The balances on these lines of credit amounted to \$30,888 and \$17,724, respectively, as of December 31, 2009. These lines of credit are secured by receivables and real estate of the Corporation.

Note 12. 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. It is possible that in the event of non-compliance with conditions of grants received, that the Corporation would have to refund to the granting agency those expenditures not deemed to be in compliance. However, management has no knowledge of any liability for refunds to any granting agencies as of December 31, 2009.

Note 13. Deferred Compensation Plan

In 2002, the Corporation established a 401 (k) 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, 2009 and 2008 totaled \$18,633 and \$21,565, respectively.

Note 14. Temporarily Restricted Net Assets

As of December 31, 2009 and 2008, temporarily restricted net assets were as follows:

	2009	2008
LSC – operating	\$ 42,829	\$ -
Property	169,108	139,364
Non-LSC (operating)	(102,894)	(206,191)
	\$ 109,043	\$ (66,827)

Note 15. Concentrations

The Corporation receives a significant portion of its total support from granting agencies. In particular, LSC accounted for 60% and 50% of the total support of the Corporation in 2009 and 2008, respectively.

CAPITAL AREA LEGAL SERVICES CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 16. Fair Value of Financial Instruments

In accordance with FASB ASC 820-10 (formally SFAS No. 157), the Corporation groups assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. For example, municipal securities valuations are based on markets that are currently offering similar financial products. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Donated services of \$280,933 and \$301,545 were recognized during 2009 and 2008, respectively. These services were valued at estimated costs to the Corporation at the time of donation had they been required to be purchased. The fair value estimates are considered to be Level 3 valuations.

Note 17. Commitments and Contingencies

As of December 31, 2009, the Corporation had a complaint filed with the Equal Employment Opportunity Commission (EEOC) involving a current employee. Subsequent to December 31, 2009 a second complaint was filed by another employee under the Uniformed Services Employment and Re-Employment Rights Act. As of the date of this report, the Corporation believes that these various asserted claims and any litigation which may result will not materially affect its financial position, future operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

As of December 31, 2009, the Office of Inspector General – Legal Services Corporation was investigating allegations regarding issues of non compliance with certain requirements of the Legal Services Corporation – Basic Field – General Grant. As of the date of this report, the Corporation is unable to determine if this investigation will have a material affect on the financial position, future operating results or cash flows of the program going forward.

As such, no amounts for any contingencies described above have been provided for within the financial statements as of December 31, 2009.

Note 18. Fundraising expenses

Fundraising expenses, made up of payments to fundraising consultants, as of December 31, 2009 and 2008 amounted to \$4,500 and \$54,000, respectively.

SUPPLEMENTARY INFORMATION

CAPITAL AREA LEGAL SERVICES CORPORATION
SCHEDULE OF REVENUES, SUPPORT, AND EXPENDITURES
LEGAL SERVICES CORPORATION - BASIC FIELD – GENERAL
Year Ended December 31, 2009

	General	Private Attorney Involvement	Total
REVENUE AND SUPPORT			
Basic field – income	\$ 1,322,197	\$ 188,885	\$ 1,511,082
Technology initiative grant	30,071	-	30,071
Disaster grant	42,959	-	42,959
Interest income	153	-	153
CLE income	2,876	-	2,876
Total revenue and support	1,398,256	188,885	1,587,141
EXPENDITURES			
Salaries:			
Lawyers	389,282	8,608	397,890
Non-lawyers	368,719	48,869	417,588
Employee benefits	168,689	5,795	174,484
Space cost	59,944	2,607	62,551
Equipment rentals and maintenance	37,557	1,019	38,576
Office supplies and expenses	49,803	2,055	51,858
Travel and parking	43,040	1,400	44,440
Utilities	21,432	687	22,119
Library maintenance	25,662	524	26,186
Telephone	37,057	571	37,628
Insurance	13,107	348	13,455
Contract services	41,623	79,292	120,915
Membership fees and dues	4,302	60	4,362
Litigation costs	5,556	-	5,556
Baton Rouge Bar subgrant	-	38,000	38,000
Interest expense	188	-	188
Training	6,728	5,428	12,156
Audit fees	13,828	2,563	16,391
Office equipment	26,022	-	26,022
Printing	337	599	936
Capital expenditures	30,071	-	30,071
Miscellaneous	2,940	-	2,940
Total expenditures	1,345,887	198,425	1,544,312
Net revenue over expenditures	\$ 52,369	\$ (9,540)	\$ 42,829

CAPITAL AREA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARDS EXPENDED
LOUISIANA BAR FOUNDATION – IOLTA GRANT
Year Ended December 31, 2009

Regular Grant Award:		
Grant award	\$	<u>213,296</u>
Direct expenses -		
Salaries and wages:		
Lawyers		130,636
Non-lawyers		32,000
Employee benefits		20,971
Office supplies		2,414
Staff travel and parking		3,938
Telephone		2,504
Printing		4,000
Office equipment		1,202
Membership fees and dues		515
Access to justice		4,515
Staff training		3,601
Insurance		3,500
Audit fees		<u>3,500</u>
Total expenses		<u>213,296</u>
Excess revenue recognized over expenses	\$	<u>-</u>
Special Grant Award:		
Grant award received	\$	<u>55,713</u>
Direct expenses -		
Salaries and wages:		
Salary supplement		58,557
Internship		<u>4,750</u>
Total expenses		<u>63,307</u>
Excess expenses over revenue	\$	<u>(7,594)</u>
Special Grant Award:		
Grant award received	\$	25,000
Less: grant award deferred		<u>(6,584)</u>
Grant award, recognized		<u>18,416</u>
Direct expenses -		
Building repairs		<u>18,416</u>
Excess revenue recognized over expenses	\$	<u>-</u>

CAPITAL AREA LEGAL SERVICE CORPORATION
 SCHEDULE OF GRANT AWARDS EXPENDED
 LOUISIANA BAR FOUNDATION – CHILDREN IN NEED OF CARE GRANT
 Year Ended December 31, 2009

Regular Grant Award:	
Grant award received	\$ 84,141
Less: grant award deferred	<u>(78,399)</u>
Grant award recognized	<u>5,742</u>
Direct expenses -	
Salaries and wages:	
Lawyers	2,063
Non - lawyers	865
Employee benefits	235
Advertising	214
Staff parking	65
Equipment rentals and maintenance	<u>2,930</u>
Total expenses	<u>6,372</u>
Excess expenses over revenue	<u>\$ (630)</u>

CAPITAL AREA LEGAL SERVICES CORPORATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Legal Services Corporation - Direct funding		
Basic Field – General Grant	09.61901	\$ 1,511,082
Technology Initiative Grant	09.Unknown	30,071
Disaster Relief Grant	09.Unknown	<u>42,959</u>
Total expenditures of federal awards		<u>\$ 1,584,112</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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**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
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, 2009, and have issued our report thereon dated June 11, 2010. 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting, listed as 2009-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, Louisiana 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 Louisiana Legislative Auditor as a public document.



Lafayette, Louisiana
June 11, 2010



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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
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, 2009. Capital Area Legal Services Corporation's major federal programs are identified in the summary of auditors' 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2009-03 and 2009-04.

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Internal Control over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is deficiency, or combination of control deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management, Louisiana 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 Louisiana Legislative Auditor as a public document.



Lafayette, Louisiana
June 11, 2010

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2009

We have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2009, and have issued our report thereon dated June 11, 2010. 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, 2009, resulted in an unqualified opinion.

Section I. Summary of Auditors' Reports

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

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No Significant Deficiencies 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

<u>C DFA Number</u>	<u>Name of Federal Program</u>
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, 2009

Section II. Financial Statement Findings

2009-01 Personal Use of Corporation Automobiles

- Condition:** No system of accounting for personal use of Corporation automobiles currently exists.
- Criteria:** A system of accounting for personal use of the Corporation's automobiles should be in place to ensure that all personal use is reimbursed back to the Corporation.
- Cause:** Internal controls ensuring that all personal use of Corporation automobiles is properly accounted for are not effectively designed.
- Effect:** Because no system of accounting for personal use of the Corporation's automobiles exists, some personal use may be occurring and not being reimbursed back to the Corporation.
- Recommendation:** It is our recommendation that a system of providing a monthly accounting for personal use of the Corporation's automobiles be developed and implemented to ensure that the portion of use that is personal is properly reimbursed back to the Corporation.
- Response:** All corporate vehicles will have a mileage log. The log will indicate whether the trip is for corporate business or personal use. Each employee will reimburse the Corporation for personal use of the vehicle at the same rate the Corporation reimburse employees for use of their personal vehicles for corporate business. Said reimbursement will be on a monthly basis. Any unreimbursed amount will be added to said employees's W-2 form at the end of the year.

Section III. Federal Award Findings and Questioned Costs

LEGAL SERVICES CORPORATION

2009-02 Basic Field – General - 09.619010 - Year Ended December 31, 2009

Significant deficiency – As discussed in Finding 2009-01, no system of accounting for personal use of the Corporation's automobiles currently exists. Because of this, personal use of the Corporation's automobiles may occur and not be properly reimbursed. Consequently, costs incurred by the Corporation and charged to federal awards may be improper. A system of accounting for personal use of the Corporation's automobiles should be developed and implemented to properly account for and charge back to employees the personal use portion of the costs.

2009-03 Basic Field – General - 09.619010 - Year Ended December 31, 2009

- Condition:** During our testing of a sample of 60 case files it was noted that three of the case files were noted and documented as not having asset information in order to determine eligibility under the asset ceiling guidelines. While the recipient has established reasonable asset ceiling guidelines in accordance with 1611.3(d)(1) it appears that needed information was not collected and/or properly documented.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended December 31, 2009

2009-03 Basic Field – General - 09.619010 - Year Ended December 31, 2009 – Continued

- Criteria:** Section 1611.4(b) states that consistent with the recipient's financial eligibility policies that the recipient may determine an applicant to be financially eligible for legal assistance if the applicants assets do not exceed the recipients applicable asset ceiling or it has been waived and the applicant's income is at or below the annual income ceiling or it has been waived consistent with the authorized exceptions in 1611.5. The Corporation's financial eligibility policies have asset ceiling guidelines stipulated in determining financial eligibility of applicants.
- Cause:** During the intake process, asset information of the applicants is not always collected and documented.
- Effect:** An applicant may receive legal assistance and not be financial eligible under LSC requirements.
- Context:** A test of 60 individual case files found that three items did not contain asset information of the applicant.
- Recommendation:** The Corporation should ensure that asset information is collected and documented for all applicants when financial eligibility is required to be determined.
- Response:** The sample cases (09E-C173688, 09E-C34276, & 09E-C31560) did in fact have asset documentation. The value of each asset is indicated as zero. When there is no asset documentation and the program defaults to zero, nothing will appear under the "Asset" and "Asset Value" columns on the eligibility sheet. In each of the three sample cases, assets were listed under each column as \$0.00. This indicated that the intake worker inquired about each asset, and the value of same was zero.

2009-04 Basic Field – General - 09.619010 - Year Ended December 31, 2009

- Criteria:** During our testing of a sample of 60 case files, it was noted that one applicant appeared to be over the income guidelines. It was determined that one of the deductions used as consideration for eligibility did not appear to qualify as defined under 1611.5. This deduction brought the income level below 150% but when excluded, income exceeds the 150% threshold in the Corporation's policy. While the documented income level was below 200% of the poverty guidelines it was noted that it exceeded the 125% threshold and 150% threshold set by Corporation policy and as such, at a minimum, would have required a waiver to accept and may not have been eligible regardless based on the Corporation's policy since it did not meet the 150% ceiling. No waiver was documented or present in file.
- Cause:** Failure to obtain waiver and use of improper deduction not authorized in accordance with LSC requirements.
- Effect:** The applicant may have received legal assistance and not been financial eligible under LSC requirements.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2009

2009-04 Basic Field – General - 09.619010 - Year Ended December 31, 2009 – Continued

Context: A test of 60 individual case files found that one item did not contain a proper waiver and may have been in excess of income eligibility requirements as stipulated in LSC guidelines.

Recommendation: The Corporation should ensure that annual income of applicants is properly computed and documented. Consideration of certain factors including monthly expenses should be consistent with items identified in CFR 1611.5. The Corporation should ensure that the basis for the eligibility determination is properly documented and present in the case file.

Response: CALSC has a program policy that all over income exceptions must be approved by the Executive Director. To insure that new staff are aware of the policy, all office managing attorneys will be required to review the income applications and note when exceptions are requested and approved prior to assigning the file to a case handler.

CAPITAL AREA LEGAL SERVICES CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2009

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

None.

Section II. Internal Control and Compliance Material to Federal Awards

None.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2008.

CAPITAL AREA LEGAL SERVICES CORPORATION

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended December 31, 2009

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

2009-01 Personal Use of Corporation Automobiles

Recommendation: It is our recommendation that a system of providing a monthly accounting for personal use of the Corporation's automobiles be developed and implemented to ensure that the portion of use that is personal is properly reimbursed back to the Corporation.

Response: All corporate vehicles will have a mileage log. The log will indicate whether the trip is for corporate business or personal use. Each employee will reimburse the Corporation for personal use of the vehicle at the same rate the Corporation reimburse employees for use of their personal vehicles for corporate business. Said reimbursement will be on a monthly basis. Any unreimbursed amount will be added to said employees's W-2 form at the end of the year.

Section II. Internal Control and Compliance Material to Federal Awards

2009-02 Basic Field – General - 09.619010 - Year Ended December 31, 2009

Recommendation: It is our recommendation that a system of providing a monthly accounting for personal use of the Corporation's automobiles be developed and implemented to ensure that the portion of use that is personal is properly reimbursed back to the Corporation.

Response: All corporate vehicles will have a mileage log. The log will indicate whether the trip is for corporate business or personal use. Each employee will reimburse the Corporation for personal use of the vehicle at the same rate the Corporation reimburse employees for use of their personal vehicles for corporate business. Said reimbursement will be on a monthly basis. Any unreimbursed amount will be added to said employees's W-2 form at the end of the year.

2009-03 Basic Field – General - 09.619010 - Year Ended December 31, 2009

Recommendation: The Corporation should ensure that asset information is collected and documented for all applicants when financial eligibility is required to be determined.

Response: The sample cases (09E-C173688, 09E-C34276, & 09E-C31560) did in fact have asset documentation. The value of each asset is indicated as zero. When there is no asset documentation and the program defaults to zero, nothing will appear under the "Asset" and "Asset Value" columns on the eligibility sheet. In each of the three sample cases, assets were listed under each column as \$0.00. This indicated that the intake worker inquired about each asset, and the value of same was zero.

2009-04 Basic Field – General - 09.619010 - Year Ended December 31, 2009

Recommendation: The Corporation should ensure that annual income of applicants is properly computed and documented. Consideration of certain factors including monthly expenses should be consistent with items identified in CFR 1611.5. The

CAPITAL AREA LEGAL SERVICES CORPORATION

MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2009

Corporation should ensure that the basis for the eligibility determination is properly documented and present in the case file.

Response:

CALSC has a program policy that all over income exceptions must be approved by the Executive Director. To insure that new staff are aware of the policy, all office managing attorneys will be required to review the income applications and note when exceptions are requested and approved prior to assigning the file to a case handler.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2009.

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