



Irene Gomez-Bethke Papers.

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CHIEF LEGAL OFFICER'S REPORT
JULY 27, 1988

Since we last met there has been a significant amount of activity. Obviously, the most relevant is activity related to our financial situation. However, we have other news.

FINANCIAL

1. The IRS submitted an agreement calling for monthly payments of \$2,575 beginning 6/5/88. I signed it and, after two months, the agreement was approved by management. We have made payments in June and July per the agreement. Attached is the latest numbers on the debt owed. They are approximations.

2. Tom B. and I met with John K. of Otto Bremer in late May. He was receptive to our proposal for a bail-out, now known as the Transition Fund, in conjunction with the McKnight Foundation. Therefore, proposals were sent to McKnight for at least \$5,000 and Bremer for the remaining \$20,000. I also contacted Bud Palmer at NSP and he offered to try and sell a request for one time funding of \$2,500.

3. I met with the two United Ways, staff and volunteers, and explained our situation. The St. Paul people were concerned but supportive and appeared to be comfortable with our efforts. We submitted a request for 1989 funding of \$22,800 or a 5% increase.

The people in Minneapolis were more skeptical and at times downright insulting. Their mid-cycle report gave us no rating and questioned our ability to meet service levels, even though very little of our discussion centered on our service levels. They had a hard time with the idea that we could cut costs and continue to provide similar or greater levels of service. The request to Minneapolis was for a 3% increase. The reason for the small request was due to our

precarious financial position and the fact that our budget figures created a substantial increase in the percentage that United Way funds as a whole. The increase is artificial but I felt that a significant increase in our funding request could be viewed as expecting United Way to help defray our debt and economic recovery. I felt that simply keeping the United Ways at the same level would be satisfactory and important for our recovery.

4. Our request for refunding from the DOC for Proyecto Ayuda was hard fought. We were refunded at \$48,800. Moreover, we were given very good marks on our quality of service and our ability to meet our goals. In fact, we were not given any negative marks, even though there were rumours that our funding was in jeopardy. The minutes of the Advisory Council meeting indicate that someone requested that we be audited, however, we have no indication of any audit to date. — *next year - L.B.K.*

5. In May we submitted a request for companion funding for Proyecto Ayuda from the Minnesota Women's Fund in the amount of \$13,304. In July we were informed that we were granted \$10,000.

6. In May, Dayton Hudson gave us \$7,500, the same as last year. They have fallen on hard times (for them) and have been funding at the same levels as 1987.

* 7. IOLTA backed out on us, "without as much as a mere word." LSAC almost did so, except that they asked to meet with us. We met with them in late May and all indications are that we did well. However, to date I have not heard from them on renewal of funding. A letter was sent to them in June requesting formal action. Our understanding is that they had set aside money in case our presentation satisfied their concerns.

8. In June, we reworked our financial statements. We uniformed all of our line items; merged all of our revenue information into one; reallocated expenses for the entire year based on our new cost center analysis, developed from

the Susan Stevens Report; and updated information. The information you get is better than before, but because it utilizes accounting techniques, it should always be supplemented with additional information prepared by the CLO. This is a lesson from the past and one which should not be lost on anyone.

9. The Audit will be started in August. Once the new grants come in, we can pay off last year's bill. We will be in contact with the auditor to discuss the terms for the new audit.

NON-FINANCIAL

1. At the end of June, Lisa Ybarra left Centro to work for the Department of Human Rights. We replaced her with Amaya Maura, a very bright addition to our staff, who has excellent skills in the Domestic Abuse area and has extensive contacts in the battered women's movement. She will help us solidify the position and with it our ability to attract funders.

2. Through the first 6 months, we have served 327 persons. That is a 33% increase over last year. At that rate we would serve well over 600 people, as opposed to last year's total of 490. Despite the skepticism of the UW, we have done what they said could not be done. We have cut staff and increased productivity.

3. We have received a Lotus 1-2-3 software program from the company through a local non-profit distributor for an administrative fee of \$50. The software, which will help us generate better financial spreadsheet information and keep personnel records, has a market value of \$400.

PRESENT PROBLEMS

We have worn out our welcome with many of our smaller creditors. In addition, we have yet to receive the MWF \$10,000 or the first installment from the DOC of \$12,200. This has created a severe cash flow problem, which may create problems in our ability to make our regular payment to the IRS. Unless either of the two large payments come in within the next week, we face a crisis point. I have spoken with Norwest Bank. They have something called a Cash Flow Reserve. It permits you to write checks for more than is in your account. There is a limit of \$25,000 and a minimum starting amount of \$5,000. There is an administrative fee of \$100 and they charge a present interest rate of 16%. They would credit our account for \$1,000 each time we write a check that exceeds our balance including the previously granted credit. In other words, if our account had \$100 and I needed to write a check for \$600, they would stake us \$1,000 and would increase it, up to the limit, each time we exceeded our balance.

Normally, I would be hesitant about a reserve account such as this. However, given our present situation, I believe that it would be foolish for us to not have it and risk defaulting on our IRS agreement and getting shut down. The officer said that to open an account he would need to see our financial statements, a list of our collateral and a copy of a board resolution permitting the reserve account. While we may have difficulty because of our financial position, I believe that the Bank would be open to a \$5,000 account. One other note: due to the shortage of funds, personnel have not been paid for the 7/15 payroll and I have not been paid for that payroll and for one-half of the preceding payroll. In addition, I do not have the funds to pay for our next payroll. I see a morale problem and great pressure and bad vibes if we cannot pay at least one payroll. Therefore, I request that I be permitted to seek a

7.
\$10,000 reserve account. The money would be used in the exact same manner that I would use the grant money when it comes in. Therefore, we are not setting up the same scenario that we had in the past.

You may wonder what I need from you tonight. This is it:

1. Resolution approving 1988 Revised Budget (Attached).
2. Resolution approving new financial statement format.
3. Resolution granting me authority to seek line of credit for \$10,000.
4. Resolution acknowledging and approving of United Way requests.
5. Resolution approving the Cost Center Budgets with personnel FTE's (Attached).
6. Resolution approving a \$20,000 per year increase for the Chief Legal Officer (well, I tried).
7. Preparing for Annual Meeting in December.
8. Nomination and election of Treasurer.
9. Nomination and Election of Board Member for Juan Lopez position and discussion of other individuals for Steve Hoffmeyer's position.

Sh. P. 590 22.8
Mph. 390 301.900

Call Tom

Angie Valasco

July 1 - June 30 1988

Resolution
1625
742
1800 Backup
2575 Taxes 1RS
3216 PK2
511,000 towards
towards
(shelter) Bumpers

July \$12,200
Rev. Paul
DOCA
①
③ What time was O.

2300
Resol.
6/30
1/2 - M. Diaz

August
29153
29383
-230
Exp.



CENTRO LEGAL, INC.

A NON-PROFIT COMMUNITY LAW OFFICE

179 E. ROBIE ST.
ST. PAUL, MN 55107
(612) 291-0110

MICHAEL H. DAVIS
Attorney at Law
PHILLIPS F. GONZALEZ GONZALEZ
Attorney at Law

2929 4TH AVE. SO. SUITE M
MINNEAPOLIS, MN 55408
(612) 825-5503

MARTIN A. DIAZ, ESQ.
Chief Legal Officer
AMAYA MAURA
Paralegal

Reply to: Mpls. Office

September 1, 1988

Mr. John Kostishack
Executive Director
Otto Bremer Foundation
55 East Fifth Street - Suite 700
St. Paul, MN 55101

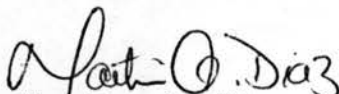
Dear Mr. Kostishack:

I wanted to take this opportunity to thank you for the \$20,000 grant toward our Transition Fund. There are not enough words to express my appreciation and the appreciation of the Board.

The grant does not only provide Centro Legal with the funding it needs to continue to provide its services; it also provides us with renewed confidence and optimism. It is a symbol to us to continue to work harder for our community. It is also a symbol of the dedication that the Bremer Foundation has to our organization and the Hispanic community.

Enclosed please find the Original Donee Agreement, as requested. We look forward to continuing to work with you in our combined struggle to serve our communities. Thank You.

Sincerely,


Martin A. Diaz
Chief Legal Officer

cc: Irene Gomez-Bethke, President ✓
Thomas J. Barrett, Esq.

MAD/cr





Otto Bremer Foundation

Suite 700
55 East Fifth Street
St. Paul, Minnesota 55101
(612) 227-8036

Staff

John Kostishack
Karen Starr
Lynda Marrone

August 30, 1988

Martin Diaz
Centro Legal, Inc.
179 E. Robie Street
St. Paul, MN 55107

Dear Mr. Diaz:

At the most recent meeting of the Trustees of the Otto Bremer Foundation, consideration was given to the request from Centro Legal, Inc., for funding to provide transitional funding for this legal service agency serving the Hispanic community. This is to advise that the Trustees have approved a grant in the amount of \$20,000 to be used toward this project.

The Trustees request that the accompanying Donee Agreement be signed by the appropriate administrative official, indicating acceptance of the grant and the conditions stipulated therein. Would you then be so kind as to return the original of this executed agreement to this office so that we may keep it here on file. After we have received the original of this executed agreement, a check for \$10,000 as the first payment of this commitment will be issued and forwarded in October, 1988 through the president of Drovers First American Bank of South St. Paul. The second payment of \$10,000 will be made in January, 1989.

We also would appreciate that any publicity regarding this grant refer to the Otto Bremer Foundation and its Bremer First American Bank affiliates. Where possible, the announcement of the award should be coordinated through personnel at the local Bremer First American Bank.

Both Trustees and staff of the Foundation are pleased to be of assistance.

Sincerely,

OTTO BREMER FOUNDATION

John Kostishack
Executive Director

JK/lm

cc: J. Kostka
T. Nelson



CENTRO LEGAL, INC.

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(612) 825-5503

MARTIN A. DIAZ, ESQ.
Chief Legal Officer
AMAYA MAURA
Paralegal

August 23, 1988

Ms. Joanna Buzek
United Way of Minneapolis
404 S. 8th Street
Minneapolis, MN 55404

Re: Mid Cycle Report

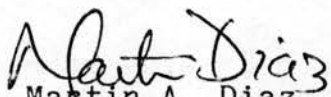
Dear Ms. Buzek:

Enclosed please find a copy of our response to the Mid Cycle Report. As I note in our response, I am confused by the concern expressed regarding our provision of services. At no point have we failed to provide services, nor have we been seriously affected by the staff cuts in our delivery of services. While we would love to have more staff, we have been able to operate at record levels despite our cuts.

This was expressed to the volunteers at our meetings. That is why I am concerned that this issue is raised in the Report. There is not one piece of evidence that indicates otherwise, yet it finds its way into the Report. I accept the concern regarding our financial position (I am the first one to admit our financial shortcomings) since the information available at that time indicates reason for concern. The same is not true for the programmatic concern. I would appreciate having the criticism related to our service delivery removed from the report.

Thank you for the opportunity to comment.

Sincerely,


Martin A. Diaz
Chief Legal Officer

MAD/cr



GENERAL MINNEAPOLIS
COST CENTER

SALARIES

.60 FTE Attorney	\$ 12,730.00	
.25 FTE Secretary	3,500.00	
Total		\$16,230.00

PAYROLL TAXES

\$16,230 x 8.51%	1,381.17
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OPERATIONAL EXPENSES (17%)

EMPLOYEE BENEF.	2,013.05	
PROFESS. FEES	1,206.54	
PROF. LIABILITY	680.89	
INSURANCE	340.00	
OCCUPANCY	2,443.89	
TELEPHONE	2,071.53	
POSTAGE	375.20	
SUPPLIES	655.33	
PRINTING	248.55	
TRANSPORTATION	262.46	
TRAINING	163.20	
BOOKS-PURCHASE	135.67	
BOOKS-UPDATES	882.96	
ORGANIZ. DUES	153.00	
EQUIP. PURCH.	415.97	
EQUIP. RENT./REP.	522.44	
BANK CHARGES.	221.07	
MISCELLANEOUS	153.00	
SUBTOTAL		12,944.75

NET TOTAL	30,555.92
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Adjustment	<u>1,365.97</u>
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GROSS TOTAL	31,921.89
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GENERAL ST. PAUL
COST CENTER

SALARIES

.60 FTE Attorney	\$ 12,730.00	
.25 FTE Secretary	3,500.00	
Total		\$16,230.00

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NET TOTAL		30,555.92
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Adjustment		<u>1,365.97</u>
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GROSS TOTAL		31,921.89
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ADMINISTRATIVE
COST CENTER

SALARIES

.50 FTE Attorney/Manager	\$ 13,650.00	
.10 FTE Secretary	1,400.00	
Total		\$15,050.00

PAYROLL TAXES

\$15,050 x 8.51%	1,280.76
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OPERATIONAL EXPENSES (12%)

EMPLOYEE BENEF.	1,420.97	
PROFESS. FEES	851.68	
PROF. LIABILITY	-0-	
INSURANCE	240.00	
OCCUPANCY	1,725.10	
TELEPHONE	1,462.24	
POSTAGE	264.84	
SUPPLIES	462.58	
PRINTING	175.45	
TRANSPORTATION	185.26	
TRAINING	115.20	
BOOKS-PURCHASE	-0-	
BOOKS-UPDATES	-0-	
ORGANIZ. DUES	108.00	
EQUIP. PURCH.	293.62	
EQUIP. RENT./REP.	368.77	
BANK CHARGES	156.04	
MISCELLANEOUS	108.00	
SUBTOTAL		7,937.75

NET TOTAL	\$24,268.51
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Adjustment	<u>889.45</u>
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GROSS TOTAL	25,157.96
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HISPANIC BATTERED WOMEN PROJECT ("AYUDA")
COST CENTER

SALARIES

1.00 FTE Paralegal	\$18,800.00	
0.30 FTE Attorney	8,190.00	
0.40 FTE Secretary	5,760.00	
Total		\$32,750.00

PAYROLL TAXES

\$32,750 x 8.51%	2,787.03
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OPERATIONAL EXPENSES (34%)

EMPLOYEE BENEF.	4,026.09	
PROFESS. FEES	2,413.08	
PROF. LIABILITY	1,437.98	
INSURANCE	680.00	
OCCUPANCY	4,887.79	
TELEPHONE	4,143.00	
POSTAGE	750.38	
SUPPLIES	1,310.64	
PRINTING	497.10	
TRANSPORTATION	524.91	
TRAINING	326.40	
BOOKS-PURCHASE	286.53	
BOOKS-UPDATES	1,864.72	
ORGANIZ. DUES	306.00	
EQUIP. PURCH.	831.93	
EQUIP. RENT./REP.	1,044.85	
BANK CHARGES	442.11	
MISCELLANEOUS	306.00	
SUBTOTAL		26,079.51

NET TOTAL	61,616.54
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Adjustment	2,731.94
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GROSS TOTAL	64,348.48
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IMMIGRATION LEGALIZATION PROJECT
COST CENTER

SALARIES

1.0 FTE Attorney
Total

\$ 21,000.00

\$21,000.00

PAYROLL TAXES

\$21,000 x 8.51%

1,787.10

OPERATIONAL EXPENSES (20%)

EMPLOYEE BENEF.	2,368.29
PROFESS. FEES	1,419.46
PROF. LIABILITY	846.24
INSURANCE	400.00
OCCUPANCY	2,875.17
TELEPHONE	2,437.06
POSTAGE	441.40
SUPPLIES	770.97
PRINTING	292.41
TRANSPORTATION	308.77
TRAINING	192.00
BOOKS-PURCHASE	168.62
BOOKS-UPDATES	1,097.37
ORGANIZ. DUES	180.00
EQUIP. PURCH.	489.37
EQUIP. RENT./REP.	614.62
BANK CHARGES	260.06
MISCELLANEOUS	180.00

SUBTOTAL

15,341.81

GROSS TOTAL

38,128.91

CHIEF LEGAL OFFICER'S REPORT

AUGUST 31, 1988

Since we last met there has been a significant amount of activity. Obviously, the most relevant is activity related to our financial situation. However, we have other news.

FINANCIAL

1. The IRS agreement continues to be in force and we will have no problem meeting our September, 1988 payment. We should be hearing shortly from Bremer. McKnight has advised us that they will give us \$5,000 only if we can come up with the remaining \$20,000. That is the amount I asked Bremer to fund. In addition, I asked NSP for \$2,500. We are down to \$25,870 through August. With the September payment we will fall below \$25,000. Therefore, if Bremer comes through we should be able to pay the IRS off in full.

2. Attached are the two mid term reports from the United Ways. I have responded in writing to the Mpls. U W and will be meeting personally with the St. Paul people on September 15, 1988. Irene plans to attend. Please note that it is my intent to leave this job on April 1, 1988 and therefore, our funders will want to know what we plan on doing. I suggest a task force to consider how to recruit and hire for my position. This is important because they view me as the link between stability/instability and they want to make sure that there are safeguards in place.

3. At our last meeting, the Board gave me approval to seek a loan from Norwest Bank. However, Norwest was not willing to grant a loan because all of our collateral is securing our loans with Drovers and our debt to West Publishing. They were willing to grant us a loan on my guarantee or the guarantee of two Board members. When I

Plagues
7-18-88
Tom Bremer
Search approved.
committed

al
was
Carls

approached a Board member, he opted on giving us a personal loan of \$5,000 on the condition that I pay it back as promptly as possible.

4. Our auditor has been paid off for 1986's audit, nearly a year from the point that he started. As a result of our stellar credit history, they have submitted an engagement letter requiring \$2,000 up front, \$1,000 at the end of the field work and the balance at the time the report is ready. Due to State law and the demands of our funders, we must have an audit for 1987 no later than September 30, 1988. The auditor stated on the phone that if my explanation of our financial gains this year could be proved, then he believed that he could wipe out the negative Note 7 of the 1986 Audit. That would do wonders for our position with our funders.

I have the cash to put \$2,000 down. As to the remainder, I would need to speak to our Board member with the loan. It may be possible to talk our auditor out of the balance due at the time of the report, however, they would need the other parts covered and a relatively short repayment period for the balance.

5. I have still not heard from LSAC, even though I sent a follow-up letter in mid-August and called her before that. I submitted a request for emergency funding in the amount of \$10,000 from IOLTA based on the concept that we should be rewarded for the turn-around we've made and we should be helped by them to assure that we survive.

6. I need a resolution supporting our request from the Minneapolis Foundation for a grant of \$10,000 for our work on the Immigration Legalization Project. Our budget for the project is \$38,220. We are expecting \$32,500 from the main funders. That leaves us \$5,700 short. I have asked for that amount of money and \$4,300 to support the additional staff time put in to support the project, which is termed "in-kind

contributions." I have submitted a grant request to the State Bar Foundation for \$5,700 for the same project. I need to fully fund this project and I am covering all bases.

Approved

7. The people at SMRLS are upset about our lack of a secretary at the St. Paul Office. They had not complained too loudly because they had someone for the summer. However, that person is not going to be funded after the summer and therefore, they are asking us to extend our secretary to two days per week. She does not like going over to St. Paul and will have a difficult time as the Winter approaches. I have a part-time secretary in the budget for 1989. However, if we can afford to hire someone before then I think it would help calm the waters and give us more of a presence over there.

In an effort to afford the increased cost of a part-time secretary, I suggest that we utilize a MEED eligible individual. We can get reimbursed for up to \$4.00 per hour for a total of 1,040 hours so long as we agree to the following:

a) Agree to pay the person at least \$5.00 per hour or agree to cover them on health insurance.

b) Agree to hire them for no less than 32 hours per week.

c) After the 1,040 hours is up, agree to retain him/her at the same or better wage rate and hourly amounts for up to 12 months. If we refuse, we are liable for 70% of the amount of the subsidy we received. The amount of the liability decreases the longer the person stays on the job. The maximum liability is \$4,160 x 70% or \$2,912.

I recommend that we at least apply and review the candidates. Any major expense to us will come in 1989, when we are planning to hire anyway. In the meantime, we will be getting the help we need at less than \$200 per month for the first six months. The key is that we hire someone that has basic skills and can learn. If they turn out bad, then we can work with the city to hire a replacement. We are

seriously understaffed at the clerical position. There are a lot of little things that can get done before I leave with the right help.

8. U W St. Paul is accepting proposals from agencies funded by it for its 1989 Capital Campaign. Every ten years they seek special funds for Capital improvements for the funded agencies. The deadline is September 16, 1988. My first thought was a building for our agency. After I stopped laughing, I gave the matter a more serious thought. Given our financial problems, any major proposal, such as for a building will be laughed out of contention. I thought that a proposal for improved computer equipment would have some chance. I can go over my idea with you at the meeting. I would like for you to approve any proposal.

9. I am interested in going to the F.R. Bigelow Foundation for a \$6,300 proposal for remaining funds for the Battered Women's Program. I would like approval for that as well.

10. I would like to meet with the Finance Committee in September to discuss a budget for 1989; salary increases; and better fundraising.

NON-FINANCIAL

1. For the first 8.5 months we have served 403 persons. We served 490 all of last year. At this rate we should break our all time record of 612 persons. I have a concern that the figures are very one-sided in the immigration area, however, given the new law, that is not surprising.

2. I will be on vacation in New York from September 30 to October 16. I will be back in the office on October 17.

3. We need to start planning our Annual Meeting.

4. We need to set up committee assignments.

5. We need to bring in three more Board Members.

CENTRO LEGAL, INC.
CHIEF LEGAL OFFICER'S REPORT

FINANCIAL

1989:

The 1988 audit is expected to be completed by late August. Reports of the Audit will be forwarded to appropriate funders. It is expected that the 1988 audit will show significant improvement over the 1987 audit.

Centro Legal has surpassed its estimated funding contributions for 1989. In part this is due to receipt of larger grants than originally anticipated.

The St. Paul Foundation has awarded Centro Legal a \$10,000 grant for payment of pre-existing debt. The debt will be used to pay off the remainder of the \$6,500 loan from Drovers, (since the grant check will be disbursed in October, 1989 the amount actually due will be approximately \$5,500). Other short term debt includes U.S. Sprint \$1,700; West Publishing \$4,700; Vacation pay due to Martin Diaz, approximately \$1,400; Butterworth's \$1,400. Centro Legal's debt exceeds \$10,000.00. However, we may be able to settle the Sprint account for between 50 - 60 percent of the amount owed. The West Publishing account will likely settle for 65 per cent.

Centro Legal's Minneapolis Office will share library resources with the Minneapolis Legal Aid Society's Southside office, thus limiting future library costs.

All Federal and State taxes to date have been paid in full. Monthly financial projections for Centro will be presented at our next Finance Committee Meeting. I have reviewed our cash flow situation for August and September, 1989 and all important obligations will be met.

Centro Legal has responded to the United Ways' Midcycle Report. A meeting between the CLO and United Way team will be held shortly. Tom and Irene hope to attend. A copy of the response is available to any interested Board member.

NON FINANCIAL

We have received a \$15,000 grant from the United Way's Capitol Campaign to be used for computerization of the St. Paul and Minneapolis Offices. The monies will be disbursed sometime in the Fall of 1989.

We will use our new computers to compile statistics for 1989. I anticipate that service levels will be slightly lower due to our transition. All three projects are running smoothly and demand for our services far exceeds supply.

ACTION REQUESTED

1. Approval of Finance and Executive Committee Minutes and the recommendations/resolutions contained therein.
2. Personnel Committee - Review of agency's compensatory time policy and creation of a salary schedule.
3. A Committee, or Volunteer, assignment to oversee planning for Centro Legal's fund raising dinner. Suggestions for featured speaker.
4. Update and revision of Agency By Laws to reflect fact that Centro Legal no longer has an Administrator.
5. Approval of site(s) for future Board of Directors Meetings.
6. Approval of request to submit a proposal to fund an additional Proyecto Ayuda attorney through the Department of Corrections.

Chief Legal Officer's Report

Since we last met, we have had a reasonable amount of activity. The main area was the hiring for the new Chief Legal Officer. A report on the hiring will be given separate from this report.

Financial

I.

I have submitted the following proposals:

1. Department of Corrections	\$48,000.00
2. Northern States Power	\$ 5,000.00
3. Dayton-Hudson	\$12,500.00
4. Hennepin County Bar Association	\$ 6,000.00
5. Carolyn Foundation	\$ 7,500.00

Taking each separately, the Department of Corrections is expected to give us \$48,800.00. We hope to see an increase, but we will not know of that until the legislature has met and decided on the overall department budget. As to NSP, they have advised that funding level may not increase but could possibly decrease. This is because they are receiving a great deal of pressure from the Guthrie Theatre. This does not reflect on our program. Dayton-Hudson has indicated a likely increase from last year's \$7,500.00 grant. We will know in early March, and we should have a check by early April. The Hennepin County Bar Association and the Carolyn Foundation are both grants for supplemental funding for the battered women's program. The Hennepin County Bar Association is a possibility since we have received support from the State Bar Association and IOLTA and LSAC. The Carolyn Foundation is a long-shot.

As for funding proposals before I leave, I expect to submit the following:

1. IOLTA	\$25,000.00
2. LSAC	\$14,000.00
3. U.S. West	\$ 2,500.00
4. Honeywell	\$ 5,000.00

Time permitting, I will try to send out additional proposals to funders in the long-shot category.

II.

As far as funding to date, we have received a check for \$600.00 from Tom's Law Firm. We have also received an Award notice from the Gannett Foundation, but the amount will not be known until April when the national foundation makes the decision. Otherwise, we have had no other responses. We will be hearing from the St. Paul Foundation and the F.R. Bigelow Foundation in May regarding proposals submitted last September. We believe that one of the two will be granted. This is based on initial conversations with Donna Sherlock. The St. Paul Foundation request is for the transition fund and the F.R. Bigelow Foundation request is for Proyecto Ayuda.

Financially, we are doing well. We still have some short-term debt which we hope to pay off in April and May.

Non Financial

1. I will be leaving at the end of March. My replacement will be orientated to the agency and to his particular responsibilities before I leave. Since most of the

fundraising and planning will have been completed by the time he comes on board, I do not see a serious financial problem.

2. Michael H. Davis, our Immigration attorney in St. Paul, has tendered his resignation, effective April 7, 1989. I am looking for candidates for his position. We could discuss this more thoroughly at our meeting.

3. I have received a request for proposal from the Department of Corrections, with respect to Child Abuse under the Victims of Crime Act, a federal proposal. I have not had a full opportunity to review the request, however I have a idea that would be positive for the agency, receptive to funders, and within our financial ability, given appropriate financial support. Since the proposal is due by April 7, I believe we must meet in committee to approve the proposal request. The proposal contract period would be for 12 months beginning July, 1989. Given the sensitive nature of my idea, I would rather discuss it in person than put it on paper. The money from the program would come from federal sources and they require that we be able to demonstrate at least 20% matching support from non federal sources. This could include, inkind contributions. The expectation under the federal program is that there will be greater monitoring than under the state program. The paperwork requirements and the oversight are greater. This must be weighed in determining whether or not to proceed with the proposal. I have spoken with other people regarding this concept and it may be possible to do this as a joint venture.

4. We have found new space for our Minneapolis Office. It is right next to our present office. We gained an additional 150 square feet of space. I have discussed this with the finance committee and because I had to act quickly,

we have agreed that we will take the new space. It will cost us an additional \$100.00 per month. Since our budget was already under by about \$80.00 per month, the actual additional cost over and beyond what we had budgeted for occupancy is only \$20.00 per month.

Things Needed to be Done

I need the following done:

1. Choose a new Chief Legal Officer.
2. Authorize the new CLO to sign checks effective April, 1, 1989.
3. Approve the move to the new address for our Minneapolis Office.

4. Develop a joint committee of finance and program to investigate the appropriateness of the new program. *Clear - Child - abuse - guardian at home - discrimination based on \$*
- I also need to meet with our Finance Committee.

*Concerns
1 April 7, 1989*

*2 Fed. \$
audits*

3,

1. discrim
 2. Pro-bono component
 3. Cultural bias
 4. Attorney
 5. County if conflict
 6. visitation
- hire a person - attorney to develop program to pro-bono - hispanic minority*

*2 yr pilot
program
and/or
after says
develop
guidelines
etc*

CHIEF LEGAL OFFICER'S REPORT

October 26, 1988

FINANCIAL

1. The IRS was paid off in full on September 21, 1988. The Unemployment Tax Fund was also paid off in full in September. The State tax had been paid off earlier in the year. Our only outstanding major debt is to Drovers. We have two loans with it: For \$5,597 and \$10,500.

2. We have received the following grants/contributions in September and October:

a. Fingerhut Family Foundation \$1,000 (down from \$2,000 in 1987 and \$3,000 in prior years).

b. Minnesota State Bar Foundation \$5,700 for supplemental support of the Legalization Project (historically, we have received grants in the \$3,000 range).

c. Michael Martinez, Esq. \$1,000 donation (for referral of case and assistance with that case).

d. IOLTA \$10,000 1988-89 Emergency Grant (\$3,000 will be received in 1988 and the rest in the first half of 1989).

e. NSP \$2,000 (Special Grant).

f. General Mills \$5,000 (Special Grant).

The attached contributions list details what remains outstanding. The only realistic chances are the regular General Mills grant (\$4,000 expected) and the special Dayton Hudson request (\$3,000). The St. Paul Foundation, Bigelow Foundation and Gannett Foundation will carry into early 1989 because of their procedures. The Minneapolis and Gamble-Skogmo Foundations will make their decisions by year end.

Good. 3. I met with the Technical Adviser for the U W of St. Paul's Capital Campaign. The meeting went well. He considered our proposal to be reasonable and "modest." I think we have a legitimate chance for the \$19,000 proposal to install computer equipment throughout the two offices.

4. Attached you will find the following documents:
- a. Income and Expense Analysis for remainder of 1988.
 - b. Expense expectations at varying salary levels.
 - c. Revenue Projections based on the varying expense levels.
 - d. Anticipated Contributions in 1989.
 - e. Salary Options for 1989.
 - f. Audit for 1987.

1988: The audits for 1986 and 1987 indicate that we lost approximately \$91,000 in the last two years (including depreciation). My projections for our liabilities (not counting liabilities which have money earmarked for repayment) at the beginning of 1989 is \$8,000. This \$8,000 has been built-in to the 1989 expenses, simply for the purpose of analysis.

1989: If we were to leave salaries at present levels we would hardly need to set foot outside the door to seek contributions. Since a contribution level of \$30,000 to \$35,000 is practically assured based on historical measures, the Board can increase expenses by up to \$30,000 and still feel comfortable that it can balance its budget in 1989.

There has been clear support for increasing salaries and the projections for 1989 show that they are clearly affordable. The level of increase and the method of allocating the new salaries is open to debate.

The CLO's position on salary increases is that they are seriously needed for two reasons: The incentive to retain people (and hire new staff) and the need to deal with pay inequity both between the office and the private sector and between staff positions. I will also note a feeling among staff that they put up with alot this year and they hope that the Board recognizes their efforts through fair salary increases. I urge that the Board consider a budget level of \$220,067. Please note that the salary line item would include sufficient money to hire and retain the MEED individual at contract rates for the first five months of

1989 and at slightly better rates the rest of the year. This position would be a part-time position (32 hours per week) and therefore the individual would not be eligible for benefits. Please note that the budget has conservatively assumed providing benefits for that person.

4. The 1987 Audit erases the concerns of the 1986 Audit. Moreover, the auditor has been paid for the 1987 Audit and our generous Board Member has also been paid in full.

5. I have still not heard officially from LSAC, but the preliminary report is that we will be re-funded for 1988-89 and will be reimbursed for the months that have already passed.

NON-FINANCIAL

1. I would like approval to utilize the Management Assistance Project to help develop internal controls for better management. I would like to develop policies to protect against too much centralization of power and to help avoid the problems which brought us to this point.

2. An application has been submitted to the St. Paul MEED program and it has been approved. We are awaiting qualified applicants.

3. I have received an initial call from Richard Cabrera at William Mitchell to develop a minority internship program.

4. A proposal to the 3M Company to assist us in purchasing specialized software for our immigration work is being reviewed. We should hear shortly on the request. Any grant would be a restricted grant.

As of October 26, 1988

LIST OF CONTRIBUTORS IN 1988

<u>NAME:</u>	<u>REQUESTED</u>	<u>GRANTED</u>
UNITED WAY OF MINNEAPOLIS		\$ 30,016
UNITED WAY OF ST. PAUL		21,714
IOLTA		10,000
LSAC (1/88 TO 6/88)		6,250
LSAC (7/88 TO 12/88)	6,250	PENDING
DEPARTMENT OF CORRECTIONS (1/88 TO 6/88)		24,400
DEPARTMENT OF CORRECTIONS (7/88 TO 12/88)		24,400
IMMIGRATION LEGALIZATION PROJECT (To date)	\$ 38,200	17,000
NORTHERN STATES POWER		5,000
ST. PAUL COMPANIES	10,000	Rejected
DAYTON-HUDSON		7,500
MINNESOTA WOMEN'S FUND		10,000
POPHAM, HAIK, SCHNOBRICH, KAUFMAN, LTD.		500
NORTHWESTERN BELL	2,750	1,600
HONEYWELL FOUNDATION	5,000	Rejected
CARGILL FOUNDATION	3,000	Rejected
TRANSITION FUND (MCKNIGHT/ BREMER FOUNDATIONS)	25,000	25,000
FIRST BANK SYSTEMS	6,300	Rejected
3M COMPANY	3,000	PENDING
GRACO FOUNDATION	2,000	Rejected
GANNETT FOUNDATION (Out of funds in '88;put over to '89)	6,500	Rejected
MINNESOTA STATE BAR FOUNDATION	5,700	5,700
DELUXE CHECK PRINTERS FOUNDATION	6,300	Rejected
F R BIGELOW (TO BE ACTED UPON IN '89)	6,300	PENDING
MINNEAPOLIS FOUNDATION	4,300	PENDING
GENERAL MILLS FOUNDATION	5,000	PENDING
IOLTA SPECIAL REQUEST (1988-89 \$3,000 Rec'd in 1988)	10,000	10,000
FINGERHUT FAMILY FOUNDATION	5,000	1,000
ST. PAUL FOUNDATION	10,000	PENDING
DAYTON HUDSON SPECIAL REQUEST	3,000	PENDING
NSP SPECIAL REQUEST	2,500	2,000
COWLES MEDIA COMPANY	4,000	Rejected
GENERAL MILLS SPECIAL REQUEST	5,000	5,000
GAMBLE-SKOGMO FOUNDATION	7,500	PENDING

Attachment

INCOME/EXPENSE ANALYSIS

AS OF 10-22-88

	Initials	Date
Approved by		
Prepared by		

	1	2	3	4	5	6
<u>INCOME</u>	<u>CONSTANT</u>	<u>POSSIBLE</u>	<u>UNLIKELY</u>			
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INCOME

CONSTANT

POSSIBLE UNLIKELY

DOC
United Ways
I. L. P.
Reimbursements
Atty. Fees
IOLTA (\$19,000)
GENERAL MILLS (SPECIAL)

—0—
8622—
11813—
3900—
2600—
3000—
5000—

LSAC
Dayton Hudson
GEN. MILLS (REGULAR)

5205—
3000—
4000—

3M
PAPPL. FUND.
GAMBIE/SKOLNO

3000— (EQUIPMENT POSSIBLE)
4300—
7500—

Total

34935— 12205— 14800—

\$62940.—

Checking Accts.

47,140

+

8800—

Income Available

55940—

end of
yr. to work with

BAILEY, DIXON & DAHL
CERTIFIED PUBLIC ACCOUNTANTS
1711 American National Bank Building
St. Paul, Minnesota 55101
612-228-0456

EARL P. BAILEY, C.P.A.
HOWARD R. DIXON, C.P.A.
GREGORY A. DAHL, C.P.A.

Members of the American Institute
of Certified Public Accountants
and Minnesota Society of
Certified Public Accountants

September 27, 1988

Board of Directors
Centro Legal, Inc.
2929 - 4th Avenue South, Suite M
Minneapolis, Minnesota 55408

Gentlemen,

We have examined the financial statements of Centro Legal, Inc. for the year ended December 31, 1987 and have issued our report thereon. As a part of our examination we made a study and evaluation of the organization's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. Our study and evaluation disclosed the following items that we believe to be deserving of your consideration.

- Res.* 1. The organization does not have a written policy regarding record retention. We recommend the adoption of guidelines to safeguard against both premature disposal of financial and accounting records and unnecessarily long storage.
- Res. Dir.* 2. Employees who handle cash are not bonded. Since a significant portion of the money received from clients comes in the form of cash, carrying bonding insurance is advisable.
- Res.* 3. There is no formal process in which either the person preparing monthly bank reconciliations or the person reviewing such reconciliations is responsible for advising case attorneys as to NSF and other returned checks. This means that case attorneys, who are responsible for collecting such items, may not know about or may forget about returned deposits. We suggest that case attorneys be kept informed on a monthly basis as to the status of uncollected deposits.

September 27, 1988

4. It is the policy that each expenditure of \$1,000 or more be reviewed by a board member and that each \$1,000 check be signed by the board member as well as the Chief Legal Officer. This procedure is very important since the Chief Legal Officer has the powers to initiate and approve expenditures and to write checks. Board members should take special care in reviewing the appropriateness of such expenditures, and the monthly check listing given to the board should be reviewed to make sure every check of \$1,000 or more has been reviewed and cosigned by a board member.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the valuation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the organization's systems of internal accounting control, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Board of Directors
Centro Legal
Page Three

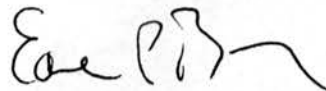
September 27, 1988

We are aware of the difficulties in attempting to establish ideal internal accounting control with a limited number of personnel. However, we believe that implementation of the aforementioned recommendations will afford more effective internal control with a minimum of effort in those areas where the greatest weaknesses exist.

We would like to express our gratitude and appreciation for the many courtesies extended to our representative during the course of the audit. Should you have any questions or desire additional information, please do not hesitate to communicate with us.

Sincerely,

BAILEY, DIXON & DAHL

A handwritten signature in dark ink, appearing to read "Earl P. Bailey", with a stylized flourish at the end.

Earl P. Bailey
Certified Public Accountant

EPB:tlm