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**Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana**

Consolidated Financial Statements With Auditors' Report

For the Years Ended December 31, 2005 and 2004

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 8-9-06

Shreveport–Bossier Community Renewal, Inc.
Shreveport, Louisiana

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Independent Auditors' Report

To the Board of Directors
Shreveport–Bossier Community Renewal, Inc.
Shreveport, Louisiana

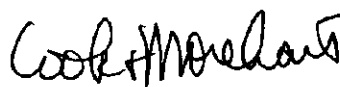
We have audited the accompanying consolidated statements of financial position of Shreveport–Bossier Community Renewal, Inc. (a nonprofit organization) and its wholly owned subsidiary, as of December 31, 2005 and 2004, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Shreveport–Bossier Community Renewal, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shreveport–Bossier Community Renewal, Inc. and its wholly owned subsidiary, as of December 31, 2005 and 2004, and the changes in its net assets and its 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 7, 2006, on our consideration of Shreveport–Bossier Community Renewal, Inc.'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.



Cook & Morehart
Certified Public Accountants
June 7, 2006

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statements of Financial Position
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 113,641	\$ 51,680
Accounts receivable - other		476
Total current assets	113,641	52,156
 Cash restricted for houses and building renovations	 102,844	 50,000
 Fixed assets:		
Land	200,649	132,649
Office furniture and equipment	70,632	66,137
Residential houses and improvements	1,497,226	1,238,538
Vehicles	145,662	145,662
Leasehold improvements	1,572	1,572
National center - land and building	885,571	783,476
	2,801,312	2,368,034
Less accumulated depreciation	(322,316)	(270,094)
Net fixed assets	2,478,996	2,097,940
 Total assets	 \$ 2,695,481	 \$ 2,200,096
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 74,435	\$ 46,850
Accounts payable - payroll related	487,021	
Refundable advance	72,820	23,920
Lines of credit	98,440	289,617
Current portion of long-term debt	98,418	136,744
Total current liabilities	831,134	497,131
 Long-term debt, less current portion	 714,539	 354,785
 Total liabilities	 1,545,673	 851,916
 Net assets:		
Unrestricted	1,037,628	1,281,748
Temporarily restricted	112,180	66,432
Total net assets	1,149,808	1,348,180
 Total liabilities and net assets	 \$ 2,695,481	 \$ 2,200,096

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

Shreveport-Bossier Community Renewal, Inc.
 Shreveport, Louisiana
 Consolidated Statement of Activities
 For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contractual revenue - grants	\$ 257,767	\$	\$ 257,767
Contributions	1,753,126	65,000	1,818,126
Rent Income	2,051		2,051
Interest income	141		141
Net assets released from restrictions:			
Satisfaction of restrictions	19,252	(19,252)	
Total revenues and other support	<u>2,032,337</u>	<u>45,748</u>	<u>2,078,085</u>
Expenses and Losses:			
Program services:			
Internal care unit program	757,861		757,861
Haven House program	83,149		83,149
Renewal Team	135,693		135,693
Other programs	283,752		283,752
Replication	261,717		261,717
Total program services	<u>1,522,172</u>		<u>1,522,172</u>
Supporting services:			
General and administrative	440,911		440,911
Development and fund raising	313,374		313,374
Total supporting services	<u>754,285</u>		<u>754,285</u>
Total expenses	<u>2,276,457</u>		<u>2,276,457</u>
Change in net assets	(244,120)	45,748	(198,372)
Net assets as of beginning of year	<u>1,281,748</u>	<u>66,432</u>	<u>1,348,180</u>
Net assets as of end of year	<u>\$ 1,037,628</u>	<u>\$ 112,180</u>	<u>\$ 1,149,808</u>

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

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statement of Activities
For the Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Contractual revenue - grants	\$ 173,376	\$	\$ 173,376
Contributions	1,820,901	53,129	1,874,030
Interest income	165		165
Net assets released from restrictions:			
Satisfaction of restrictions	23,815	(23,815)	
Total revenues and other support	<u>2,018,257</u>	<u>29,314</u>	<u>2,047,571</u>
Expenses and Losses:			
Program services:			
Internal care unit program	837,599		837,599
Internal care unit development	206,205		206,205
Haven House program	67,021		67,021
Renewal Team	124,250		124,250
Scholarship program	3,556		3,556
Men's ministry	66,950		66,950
Faith coordinator	113,166		113,166
National center	42,302		42,302
Total program services	<u>1,461,049</u>		<u>1,461,049</u>
Supporting services:			
General and administrative	321,558		321,558
Development and fund raising	332,275		332,275
Total supporting services	<u>653,833</u>		<u>653,833</u>
Total expenses	<u>2,114,882</u>		<u>2,114,882</u>
Change in net assets	(96,625)	29,314	(67,311)
Net assets as of beginning of year	<u>1,378,373</u>	<u>37,118</u>	<u>1,415,491</u>
Net assets as of end of year	<u>\$ 1,281,748</u>	<u>\$ 66,432</u>	<u>\$ 1,348,180</u>

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

Shreveport-Bossier Community Renewal, Inc.
 Shreveport, Louisiana
 Consolidated Statement of Functional Expenses
 For the Year Ended December 31, 2005

	Program Services						Total Program Services	General and Administrative	Development & Fund Raising	Total Expenses
	Internal Care Unit	Haven House	Renewal Team	Other Programs	Replication					
Personnel	\$ 430,427	\$ 69,595	\$ 95,678	\$ 230,183	\$ 151,110	\$ 976,993	\$ 245,320	\$ 199,936	\$ 1,422,249	
Payroll taxes & fringe benefits	50,661	4,499	8,655	18,346	5,193	87,354	54,689	26,542	168,585	
Professional fees	190					190	16,730		16,920	
Contract labor	73,974		15,000	667	80,000	169,641	525	25	170,191	
Rent	12,881		27			12,908	2		12,910	
Utilities	29,002	1,786	1,749	3,352		35,889	7,802	3,684	47,385	
Repairs and maintenance	17,103	121	127	546	12,577	30,474	11,471	4,038	45,983	
Computer	7,938	141	194	689	156	9,118	3,967	747	13,832	
Interest expense	8,508				1,400	9,908	38,135		48,043	
Telephone	8,478	210	485	1,104	69	10,346	5,446	2,460	18,252	
Travel and seminars	1,748		409	21,335	6,966	30,458	3,366	4,377	38,201	
Special events	18,529	1,343	423	2,338	469	23,102	1,475	20,998	45,575	
Business meals	92	1,197	393	2,041	1,714	5,437	1,233	5,247	11,917	
Supplies and office expense	14,678	1,554	184	715	1,829	18,960	12,010	771	31,741	
Postage	927	195	131	1,124	199	2,576	15,146	6,639	24,561	
Printing and copying	2,177	1,936	4,312	358	35	8,818	10,767	35,192	54,777	
Insurance	33,385					33,385	5,130		38,515	
Depreciation	45,627	562	562	562		47,313	2,758		52,222	
Other	1,536		7,364	392		9,292	4,939	367	14,598	
Total	\$ 757,861	\$ 83,149	\$ 135,693	\$ 283,752	\$ 261,717	\$ 1,522,172	\$ 440,911	\$ 313,374	\$ 2,276,457	

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

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2004

	Program Services										Total Program Services	General and Administrative	Development & Fund Raising	Total Expenses
	Internal Care Unit	ICU Development	Scholarship Program	Haven House	Renewal Team	Mens' Ministry	Faith Coordinator	National Center	Total					
Personnel	\$ 508,077	\$ 86,364	\$	\$ 52,630	\$ 75,725	\$ 58,614	\$ 96,159	\$ 20,000	\$	\$ 897,569	\$ 142,887	\$ 219,025	\$ 1,259,481	
Payroll taxes & fringe benefits	27,668	5,946		3,806	3,333			110		37,420	10,905	12,677	61,002	
Professional fees	857	42,917		1,392	21,300			17,000		47,217	39,258	3,725	86,475	
Contract labor	60,074	57,820		528	746		723			157,386	3,022	5,159	164,133	
Rent	6,092	677		784	1,061		785	1,079		8,766	2,977	2,196	16,902	
Utilities	22,885	1,174			1,782					27,768	2,094	1,149	32,058	
Repairs and maintenance	26,058	2,782	858							31,480	13,487		46,116	
Interest expense	6,640									6,640	30,891		37,531	
Telephone	5,354	441		189	1,181	202	1,824	53		9,244	2,392	5,174	16,810	
Travel and seminars	916	1,433		520	1,817	77		94		4,857	935	808	6,598	
Special events	24,188		100	3,555						27,843		10,736	38,579	
Business meals	200		61	702	102	3,387				4,462	938	6,006	11,404	
Supplies and office expense	32,096	434	237	2,210	6,738	240	697	248		42,900	26,651	15,089	84,640	
Printing and copying	1,886	885		705	741		695			4,522	11,645	23,778	39,945	
Insurance	64,782	5,722			5,757	4,295	12,283	1,208		94,047	23,447	23,068	140,562	
Depreciation	45,344									45,344	5,863		51,207	
Other	4,682		2,300		3,967	125		2,510		13,584	4,168	3,687	21,439	
Total	\$ 837,599	\$ 206,205	\$ 3,556	\$ 67,021	\$ 124,250	\$ 66,950	\$ 113,166	\$ 42,302	\$	\$ 1,461,049	\$ 321,558	\$ 332,275	\$ 2,114,882	

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

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2005 and 2004

	2005	2004
Operating activities		
Change in net assets	\$ (198,372)	\$ (67,311)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated residential house and equipment	(15,000)	(98,330)
Depreciation	52,222	51,207
Contributions restricted for residential houses	(52,844)	(50,000)
(Increase) decrease in operating assets		
Accounts receivable	476	20,048
Increase (decrease) in operating liabilities		
Accounts payable	514,606	30,458
Refundable advance	48,900	23,920
	349,988	(90,008)
Net cash (used in) operating activities		
Investing Activities		
Payments for fixed assets	(516,109)	(31,230)
Proceeds from disposition of property	97,830	
	(418,279)	(31,230)
Net cash (used in) investing activities		
Financing Activities		
Net increase (decrease) in line of credit	(191,177)	30
Proceeds from long-term debt	409,410	151,559
Payments on long-term debt	(87,981)	(82,038)
	130,252	69,551
Net cash provided by financing activities		
Net increase (decrease) in cash	61,961	(51,687)
Cash as of beginning of year	51,680	103,367
Cash as of end of year	\$ 113,641	\$ 51,680
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 45,182	\$ 37,530
Noncash Investing Activities		
Donated fixed assets	\$ 15,000	\$ 97,830

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

Shreveport–Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2005 and 2004

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The accompanying consolidated financial statements include the financial position and operating activities of Shreveport–Bossier Community Renewal, Inc. (S–BCR) and its wholly owned subsidiary, Shreveport Property, Inc. All significant interorganization transactions and balances have been eliminated.

Shreveport–Bossier Community Renewal, Inc., (S–BCR), is a private nonprofit organization incorporated under the laws of the State of Louisiana.

Shreveport Property, Inc. is a for profit corporation whose activities consist of owning and operating an office building in downtown Shreveport.

The S–BCR's bylaws indicate that its primary purpose is to rebuild the system of caring relationships necessary to restore a safe, loving, and nurturing community.

The following significant program services are included in the accompanying financial statements:

Internal Care Unit – A strategy of S–BCR that restores disintegrating neighborhoods by moving leaders to live in the neighborhood to establish Friendship Houses that provide structured programs for children and youth and serve as catalysts to link the neighborhood residents with resources in the community and rebuild the capacity of the neighborhood.

Haven House – A program to prepare a network of volunteer leaders to develop safe and caring neighborhoods block–by–block throughout our communities. Seven hundred leaders have been identified on neighborhood blocks across the socio–economic spectrum. These leaders are trained and empowered to systematically reach out to their neighbors, making their neighborhoods safer and more caring.

Renewal Team – A city-wide strategy to unite businesses, churches, civic groups, residents and others as caring partners building a stronger city. The Renewal Team makes the positive aspects of modern life more obvious. These efforts help people to take pride in their community and feel empowered to continue helping others with caring acts.

Replication – The process of teaching other individuals and organizations how to replicate the S–BCR model of community renewal in their own communities; providing technical assistance to other groups involved in this endeavor.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2005 and 2004
(Continued)

Other Programs – This includes the activities of Operation Hope, the Discipleship Today Ministry, and International Relations.

B. Basis of Accounting

The financial statements of S-BCR have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. S-BCR's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of S-BCR and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of S-BCR and/or the passage of time.

D. Income Tax Status

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

E. Use of Estimates

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

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2005 and 2004
(Continued)

F. Cash and Cash Equivalents

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

G. Fixed Assets

Fixed assets are carried at cost or, if donated, at the approximate fair value at the date of donation. S-BCR capitalizes items with an individual cost of \$1,000 or more as fixed assets. Depreciation is computed using the straight-line and accelerated methods over the estimated useful life of the assets as follows:

National Center – land and building	39 years
Office furniture and equipment	5 – 10 years
Residential houses and improvements	10 – 40 years
Vehicles	5 years
Leasehold improvements	10 years

Depreciation expense for the years ended December 31, 2005 and 2004 was \$52,222 and \$51,207, respectively.

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2005 and 2004
(Continued)

I. Retirement Obligations

The employees of S-BCR are members of the Social Security System. S-BCR also established a 403(b) retirement plan for eligible employees. No contributions were made by S-BCR into the plan for 2005 and 2004.

J. Functional Allocation of Expenses

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

K. Contributed Items

Contributed items are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

L. Refundable Advances

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

(2) Concentrations of Credit Risk

Financial instruments that potentially subject S-BCR to concentrations of credit risk consist principally of temporary cash investments. S-BCR maintains cash balances at financial institutions. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2005, S-BCR had cash balances that were not secured by FDIC insurance of \$40,642. At December 31, 2004, all cash balances were secured by FDIC insurance.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
 Shreveport, Louisiana
 Notes to Consolidated Financial Statements
 December 31, 2005 and 2004
 (Continued)

(3) Lines of Credit

S-BCR had three lines of credit at local banks with interest rates of 4.75%, 5.50%, and 5.50% at December 31, 2004. S-BCR had two lines of credit at local banks with interest rates of 10.75% and 7.75% at December 31, 2005. The lines of credit are unsecured. Balances at December 31 are as follows:

	2005	2004
Lines of credit limit	\$ 100,000	\$ 290,000
Outstanding loan balances	98,440	289,617

Total interest expense incurred on the lines of credit for the years ended December 31, 2005 and 2004 was \$4,367 and \$12,281, respectively.

(4) Temporarily Restricted Net Assets

The temporarily restricted net assets represent donations and contractual revenue received for specific purposes which were not expended at December 31, 2005 and 2004.

(5) Contractual Revenue – Grants

During the years ended December 31, 2005 and 2004, S-BCR received revenue under contractual arrangements as follows:

	2005	2004
City of Shreveport	\$ 90,000	\$ 100,000
U.S. Department of Housing and Urban Development	167,767	73,376
	\$ 257,767	\$ 173,376

The continued existence of these contracts are based on contractual renewals.

(Continued)

Shreveport-Bossier Community Renewal, Inc.
 Shreveport, Louisiana
 Notes to Consolidated Financial Statements
 December 31, 2005 and 2004
 (Continued)

(6) Long-Term Debt

S-BCR had the following long-term debt at December 31:

	<u>2005</u>	<u>2004</u>
Note payable to a financial institution; interest rate of 2.0% on the first 60 payments of \$323 and 4.0% on the remaining 60 payments of \$344; final payment due August, 2013; secured by a residential house and land.	\$ 27,226	\$ 30,518
Note payable to a financial institution; interest rate of 4.1%; 180 monthly installments of principal and interest of \$1,080 with final payment due August, 2018; secured by real estate.	127,095	134,672
Note payable to an insurance company; interest rate 7.00%; payable in 59 monthly payments of \$1,597 beginning December 1, 2005, final payment due November 1, 2010; secured by real estate.	239,803	-
Note payable to a bank; interest rate 1.75% above specified index rate, 7.00% at December 31, 2005; loan maturing March, 2007; secured by real estate.	133,480	141,811
Note payable to a bank; interest rate 6.25%; payable in 59 monthly payments of \$1,453 beginning May 25, 2005 with the final payment due April 25, 2010; secured by real estate.	164,800	-
Note payable to a bank; interest rate 6.50%; loan maturing October, 2008; monthly installments of principal and interest of \$1,000; the note is unsecured.	31,007	40,640
Note payable to a bank; interest rate of 6.00%; 60 monthly installments of principal and interest of \$559; with final payment due August, 2008; secured by real estate.	39,557	43,758
Note payable to a bank; interest rate 10.25%; total payment including accrued interest due December 16, 2005; the note is unsecured	49,989	50,030

(Continued)

Shreveport-Bossier Community Renewal, Inc.
 Shreveport, Louisiana
 Notes to Consolidated Financial Statements
 December 31, 2005 and 2004
 (Continued)

Note payable to a bank; interest rate 7.25%; total payment including accrued interest due June 20, 2005; the note is unsecured	-	50,100
Total long-term debt	812,957	491,529
Current portion of long-term debt	(98,418)	(136,744)
Long-term portion	\$ 714,539	\$ 354,785

Interest expense incurred on long-term debt for the years ended December 31, 2005 and 2004 was \$40,815 and \$25,249, respectively.

Approximate maturities of long-term debt at December 31, 2005 are summarized as follows:

Year Ended December 31,	Amount
2006	\$ 98,418
2007	158,640
2008	63,243
2009	24,310
2010	374,311
2011 and after	94,035
	\$ 812,957

(7) Leases

S-BCR leases certain office space and equipment under operating leases. Rental costs for these leases for the years ended December 31, 2005 and 2004 was \$7,474 and \$11,849, respectively. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year at December 31, 2005 were as follows:

2006	\$	5,115
2007		5,115
2008		5,115
2009		2,931
2010		747
2011 and after		187
		\$ 19,210

(Continued)

Shreveport-Bossier Community Renewal, Inc.
Shreveport, Louisiana
Notes to Consolidated Financial Statements
December 31, 2005 and 2004
(Continued)

(8) Accounts Payable—Payroll Related

This balance represents amounts due to employees of S-BCR and certain contract labor vendors for services rendered during 2005 but not paid. An agreement was made between the employees and S-BCR in regards to the amount shown as accounts payable—payroll related.

(9) Related Party

During 2005, S-BCR borrowed \$240,000 from an insurance company of which a board member of S-BCR is part owner. The debt was incurred to purchase real estate.

(10) Subsequent Events

S-BCR purchased real estate in April, 2006 totaling \$475,000. The purchase price was borrowed from an insurance company of which a board member of S-BCR is part owner.

S-BCR obtained two additional lines of credit subsequent to December 31, 2005. Those lines of credit totaled approximately \$785,000. S-BCR had drawn \$785,000 on those lines of credit for renovation work on the National Center Building project.

COOK & MOREHART

Certified Public Accountants

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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
Shreveport–Bossier Community Renewal, Inc.
Shreveport, Louisiana

We have audited the consolidated financial statements of Shreveport–Bossier Community Renewal, Inc. as of and for the year ended December 31, 2005, and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Shreveport–Bossier Community Renewal, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain items which we have reported to management of Shreveport–Bossier Community Renewal, Inc. in a separate management letter dated June 7, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shreveport–Bossier Community Renewal, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was

not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain items which we have reported to management of Shreveport-Bossier Community Renewal, Inc. in a separate management letter dated June 7, 2006.

This report is intended for the information of management, the Board of Directors and the various funding sources of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
June 7, 2006

Shreveport–Bossier Community Renewal, Inc.
Shreveport, Louisiana
Schedule for Louisiana Legislative Auditor
December 31, 2005

Summary Schedule of Prior Audit Findings

Prior year management letter comments are addressed below:

Comment #1: Late Submission of Audit Report

Audit report submitted timely for the year ended December 31, 2005.

Comment #2: Restricted Funds

See repeat comment in current year audit.

Comment #3: Credit Card Receipts

See repeat comment in current year audit.

Comment #4: Time and Effort Reports

Repeat comment in audit for the year ended December 31, 2005.

Comment #5: Supporting Documentation for Disbursements

No comments in current year audit.

(Continued)

Shreveport–Bossier Community Renewal, Inc.
Shreveport, Louisiana
Schedule for Louisiana Legislative Auditor
December 31, 2005
(Continued)

Corrective Action Plan for Current Year Audit Findings

There were no findings for the audit for the year ended December 31, 2005. There were three management letter comments for the year ended December 31, 2005. Management's response to those comments is as follows:

Comment #1: Restricted Funds

Restricting the use of funds to the stated purposes of donors is our ongoing goal.

Comment #2: Credit Card Receipts

We implemented an internal control process in mid 2005 that requires receipts to be attached to all credit card statements. All statements since that time have had receipts attached. We will now follow your recommendation and begin stating the business purpose on each receipt.

Comment #3: Time and Effort Reports

The supervision of this process will now be handled personally by our Assistant Coordinator. He has outlined a plan to bring us into full compliance with all requirements for the use of time and effort reports.

COOK & MOREHART

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Management Letter

June 7, 2006

Board of Directors
Shreveport-Bossier Community Renewal, Inc.

We have audited the financial statements of Shreveport-Bossier Community Renewal, Inc. (S-BCR), for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 7, 2006. In planning and performing our audit of the financial statements of Shreveport-Bossier Community Renewal, Inc., we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of the Shreveport-Bossier Community Renewal, Inc.

Comment #1: Restricted Funds

During our audit we noted that at different times during the 2005 year certain funds received for restricted purposes were utilized for operating purposes on a temporary basis. Those funds were restored by December 31, 2005.

We recommend that restricted funds be utilized for only those purposes stated by the donors.

Comment #2: Credit Card Receipts

During our audit we noted that receipts-invoices for all charges on S-BCR credit cards-charge accounts were not attached to statements to substantiate the various charges. We also noted that the credit card receipts did not always state the business purpose for the charge.

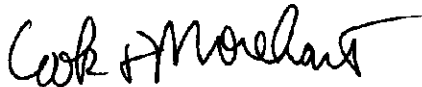
We recommend that all charges on credit card-charge account statements have adequate invoices-documentation attached before payment is made and that the receipts-invoices state the business purpose for the expense.

Comment #3: Time and Effort Reports

During our audit we noted that certain salaries were allocated to a federal contract–grant without time and effort reports to substantiate the allocation.

We recommend that when salaries are allocated to federal contracts–grants, time and effort reports be maintained to substantiate the time charged to the contract–grant.

We express sincere thanks to the Shreveport–Bossier Community Renewal, Inc. personnel for the cooperation and assistance provided us during our audit. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be used for any other purpose.



Cook & Morehart
Certified Public Accountants
June 7, 2006