

The Shepherd Center Of Central Louisiana

***Annual Financial Report
For the Year Ended
December 31, 2006***

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 8/29/07

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June 8, 2007

INDEPENDENT AUDITORS' REPORT

The Shepherd Center of Central Louisiana
Alexandria, Louisiana

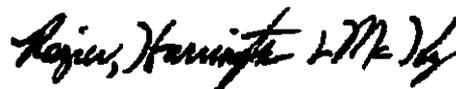
We have audited the accompanying statement of financial position of the Shepherd Center of Central Louisiana as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Shepherd Center receives support in the form of donated materials and supplies. These donated items are distributed to needy individuals as part of the Shepherd Center's regular program activities; however, the value of donated items received and distributed are excluded from the accompanying financial statements. Furthermore, the value of donated materials and supplies held in inventory at December 31, 2006 is excluded from the accompanying statement of financial position. The effect of excluding donated materials and supplies from the accompanying financial statements is not reasonably determinable.

In our opinion, except for the omission of the information mentioned in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Shepherd Center of Central Louisiana as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2007, on our consideration of the Shepherd Center of Central Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of 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.



ROZIER, HARRINGTON & MCKAY
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The Shepherd Center of Central Louisiana

Statement of Financial Position

December 31, 2006

Assets

Current assets:

Cash and cash equivalents	\$ 196,156
Investments	21,923
Grants and pledges receivable	<u>21,227</u>
Total current assets	239,306
Endowment Investments	154,200
Other	200
Land, buildings, and equipment (net of accumulated depreciation)	<u>189,858</u>
Total assets	<u>\$ 583,564</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 4,483
Other current liabilities	23,594
Current portion of long-term debt	<u>2,623</u>
Total current liabilities	30,700
Long-term debt	<u>44,766</u>
Total liabilities	<u>75,466</u>

Net assets:

Unrestricted	327,379
Temporarily restricted	30,719
Permanently restricted	<u>150,000</u>
Total net assets	<u>508,098</u>
Total liabilities and net assets	<u>\$ 583,564</u>

See the accompanying notes and accountants' review report

The Shepherd Center of Central Louisiana

Statement of Activities

For the Year Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support:				
Contributions	\$ 227,523	\$ 403,063	\$ 4,200	\$ 634,786
Federal grants	-	64,123	-	64,123
Investment income	22,530	-	-	22,530
Net assets released from restrictions	543,939	(543,939)	-	-
	<u>793,992</u>	<u>(76,753)</u>	<u>4,200</u>	<u>721,439</u>
Functional expenses:				
Program services:				
Emergency Assistance	698,815	-	-	698,815
Christmas Cheer	4,788	-	-	4,788
	<u>703,603</u>	<u>-</u>	<u>-</u>	<u>703,603</u>
Supporting services:				
Management and General	54,874	-	-	54,874
Fund raising	22,068	-	-	22,068
	<u>76,942</u>	<u>-</u>	<u>-</u>	<u>76,942</u>
	<u>780,545</u>	<u>-</u>	<u>-</u>	<u>780,545</u>
Increase (decrease) in net assets	13,447	(76,753)	4,200	(59,106)
Net assets - beginning of year:	<u>309,732</u>	<u>107,472</u>	<u>150,000</u>	<u>567,204</u>
Net assets - end of year	<u>\$ 323,179</u>	<u>\$ 30,719</u>	<u>\$ 154,200</u>	<u>\$ 508,098</u>

See the accompanying notes and accountants' review report.

The Shepherd Center of Central Louisiana

Statement of Functional Expenses

For the Year Ended December 31, 2006

	Program Services			Supporting Services			Total Expenses
	Emergency Assistance	Christmas Cheer	Total	Management and General	Fund Raising	Total	
Salaries, wages & benefits	\$ 152,833	\$ -	\$ 152,833	\$ 33,046	\$ 9,442	\$ 42,488	\$ 195,321
Insurance	14,756	-	14,756	3,191	912	4,103	18,859
Depreciation	9,968	-	9,968	2,155	616	2,771	12,739
Professional services	-	-	-	7,041	-	7,041	7,041
Supplies	12,291	-	12,291	2,658	759	3,417	15,708
Utilities & telephone	15,157	-	15,157	3,277	936	4,213	19,370
Other	16,213	-	16,213	3,506	9,403	12,909	29,122
Client services:							
Utilities	316,075	-	316,075	-	-	-	316,075
Rent and Lodging	32,479	-	32,479	-	-	-	32,479
Medical	3,394	-	3,394	-	-	-	3,394
Transportation	1,498	-	1,498	-	-	-	1,498
Food	5,235	1,130	6,365	-	-	-	6,365
Toys	-	2,618	2,618	-	-	-	2,618
Miscellaneous	582	1,040	1,622	-	-	-	1,622
Special Hurricane Relief	118,334	-	118,334	-	-	-	118,334
Total expenses	\$ 698,815	\$ 4,788	\$ 703,603	\$ 54,874	\$ 22,068	\$ 76,942	\$ 780,545

See the accompanying notes and accountants' review report.

The Shepherd Center of Central Louisiana

Statement of Cash Flows

For the Year Ended December 31, 2006

Cash flows from operating activities:

Change in net assets	\$ (59,106)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation	12,739
Unrealized (gain) loss on investment securities	(8,043)
Change in operating assets and liabilities:	
(Increase) decrease in accounts and grants receivable	40,269
(Increase) decrease in other assets	8,887
Increase (decrease) in accounts payable	(428)
Increase (decrease) in other current liabilities	<u>10,328</u>
Net cash provided (used) by operating activities	<u>4,646</u>

Cash flows from investing activities:

Capital expenditures	(47,791)
Acquisition of investment securities	<u>(10,889)</u>
Net cash provided (used) by investing activities	<u>(58,680)</u>

Cash flows from financing activities:

Proceeds from long-term debt	47,600
Principal payments on long-term debt	<u>(1,370)</u>
Net cash provided (used) by financing activities	<u>46,230</u>

Net increase (decrease) in cash and cash equivalents	(7,804)
Cash and cash equivalents - beginning of year	<u>203,960</u>
Cash and cash equivalents - end of year	<u>\$ 196,156</u>

Supplemental Data:

For the year ended December 31, 2006, \$350 was paid for interest and no payments were made for income taxes. Furthermore, there were no noncash investing or financing activities.

See the accompanying notes and accountants' review report.

The Shepherd Center of Central Louisiana

Notes to Financial Statements

December 31, 2006

Note 1 – Summary of Significant Accounting Policies:

Organization:

The Shepherd Center of Central Louisiana (the Shepherd Center) is a Louisiana corporation. The principle activity of the Shepherd Center is furnishing emergency assistance to individuals in need. The Shepherd Center offers emergency assistance with utility, lodging, medical and transportation needs. In addition, the Shepherd Center operates an annual Christmas Cheer program that provides needy families with toys, food and other assistance associated with the Christmas season.

Basis of Presentation:

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles. Preparation of financial statements in conformity with generally accepted accounting principles requires certain estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

As required by Statement of Financial Accounting Standards (SFAS) No. 117, net assets and activities are classified in the following manner:

Unrestricted – Net assets that are not subject to donor imposed restrictions. This classification includes restricted contributions whenever the restriction is fulfilled prior to the end of the period in which the contribution was awarded.

Temporarily Restricted – Net assets subject to certain donor imposed restrictions and restrictions imposed by grant agreements. Temporary restrictions apply when the restriction can be fulfilled by specific actions or by the passage of time.

Permanently Restricted – Net assets subject to donor imposed restrictions that require these assets to be maintained in a perpetual manner.

Satisfaction of temporary restrictions is presented in the accompanying financial statements as net assets released from restrictions. This process simultaneously increases unrestricted net assets and decreases temporarily restricted net assets. Expenses are presented as decreases in unrestricted net assets.

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 accompanying financial statements and the related disclosures. Actual results could differ from those estimates.

Income Taxes:

The Shepherd Center of Central Louisiana is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, the not-for-profit organization is not classified as a “private foundation” by the Internal Revenue Service.

The Shepherd Center of Central Louisiana

Notes to Financial Statements

December 31, 2006

Promises to Give:

As required by generally accepted accounting principles, unconditional promises to give are reported as revenue when the promise is made. Conditional promises to give are recognized as revenue when the necessary conditions are fulfilled.

Cash and Cash Equivalents:

Cash and cash equivalents represent bank deposits (unless permanently restricted) and any cash on hand.

Investments:

Investments consist of marketable securities that are reported a fair market value based on quoted market prices.

Land, Buildings and Equipment:

Land, buildings and equipment are recorded at cost, including interest incurred during construction, on the date of acquisition. Donated property is recorded at the estimated fair value upon receipt. Depreciation on buildings and equipment is computed using the straight-line basis over estimated useful lives ranging from 3 to 40 years.

Assets donated with explicit restrictions regarding their use and contributions of cash earmarked to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, The Shepherd Center reports expirations of donor restrictions when the donated or acquired assets are placed in service. Temporarily restricted net assets are reclassified to unrestricted net assets at that time.

Donated Services:

Volunteers are utilized extensively for both program and supporting services. Contributed services are recognized if the services require specialized skills and The Shepherd Center would be required to purchase these services if donated services were not available.

Donated Materials and Supplies:

The Shepherd Center receives various materials and supplies which are distributed to needy individuals. Most of the items distributed by the Shepherd Center have little or no fair market value; however, large quantities of food are collected, stored and distributed. The distribution of food is an important component of the Shepherd Center's program activities; however, it is not considered practical to measure the value of food received, distributed or held in inventory at year end.

Expense Allocations:

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one activity are charged to programs and supporting services based on the estimated amount of time that employees devote to various activities.

The Shepherd Center of Central Louisiana

Notes to Financial Statements

December 31, 2006

Note 2 – Cash and Cash Equivalents:

Cash at December 31, 2006 are reported as summarized below:

Petty Cash	\$	100
Demand Deposits		88,180
Time Deposits		107,876
<hr/>		
Total Deposits	\$	196,156

At December 31, 2006, funds on deposit with various financial institutions exceeded available Federal Deposit Insurance Coverage by approximately \$7,876.

Note 3 – Investments:

The Shepherd Center's endowment fund has been invested in marketable securities as summarized below.

Money Market Mutual Funds	\$	5,607
Equity Oriented Mutual Funds		170,516
<hr/>		
Total Investments		176,123
Permanently Restricted Portion		154,200
<hr/>		
Current Portion of Investments	\$	21,923

Components of investment income for the year ended December 31, 2006 are presented as follows:

Interest and Dividends	\$	16,893
Advisory Fees		(2,406)
Gain of Investments Carried at Fair Value		8,043
<hr/>		
Investment Income	\$	22,530

Note 4 – Grants and Pledges Receivable:

At December 31, 2006, grants and pledges receivable consisted entirely of grant funds awarded by governmental units. Grants and pledges are considered entirely collectible and there is no allowance for doubtful accounts. Furthermore, all significant accounts receivable are expected to be collected within one year.

Note 5 – Land, Buildings and Equipment:

Land, buildings and equipment utilized by each component of The Shepherd Center at December 31, 2006 are presented as follows:

The Shepherd Center of Central Louisiana

Notes to Financial Statements

December 31, 2006

Land, Buildings and Improvements	\$ 242,406
Furniture, Fixtures and Equipment	24,717
Vehicles	19,024
<hr/>	
Total	286,147
Accumulated Depreciation	(96,289)
<hr/>	
Net	\$ 189,858

Note 6 – Temporarily Restricted Net Assets:

A portion of net assets are restricted for particular activities that are part of the Shepherd Centers operations. Restricted net assets are summarized as follows:

Emergency Shelter	\$ 11,044
Hurricane Relief	19,675
<hr/>	
Total Temporarily Restricted	\$ 30,719

Note 7 – Long-Term Debt

Long-term debt consist of a single promissory note executed to finance the purchase of a warehouse used in the operation of the Shepherd Center's programs. The note was executed November 5, 2006 in the original amount of \$47,600 bearing interest at an annual rate of 7.3%. Principal and interest is payable in 23 monthly installments of \$500 and a final installment for the balance of the note due November 6, 2008. Collateral for the promissory note is provided by a security interest in a portion of the Shepherd Center's bank deposits. . Scheduled maturities are summarized as follows:

<u>Fiscal Year Ending December 31st:</u>	
2007	\$ 2,623
2008	44,766
<hr/>	
Total	47,389
Current Portion	2,623
<hr/>	
Long Term Portion	\$ 44,766

Note 8 – Endowment:

The Shepherd Center of Central Louisiana has received various contributions that were permanently restricted by donors. The primary component of the endowment was received as a result of being successor in interest to Shepherd Ministries, Inc. The Shepherd Center's relationship with Shepherd Ministries, Inc. is described as follows:

The Shepherd Center of Central Louisiana

Notes to Financial Statements

December 31, 2006

The Shepherd Center was initially a component of Shepherd Ministries, Inc. but effective January 1, 2001 the Shepherd Center became a completely separate and autonomous nonprofit organization. This was accomplished on January 1, 2001 by transferring the portion of Shepherd Ministries assets, liabilities and net assets attributable to the Shepherd Center to the Shepherd Center of Central Louisiana, Inc.

In addition to the assets transferred on January 1, 2001, Shepherd Ministries, Inc. also had a substantial endowment fund. According to an agreement dated July 14, 2004, the Shepherd Center received a portion of the Shepherd Ministries Endowment. Of the funds received, the Shepherd Center is required to maintain a minimum of \$150,000 in an endowment fund with expenditures being made solely from earnings, without invasion of principal. Accordingly, a portion of net assets totaling \$150,000 has been classified as permanently restricted.

The agreement dated July 14, 2004, also address additional funds that remain in the Shepherd Ministries Endowment for the purpose of satisfying contingent liabilities resulting from certain grants that were awarded to Shepherd Ministries. The Shepherd Center has an opportunity to receive additional payments if contingencies can be resolved in favor of Shepherd Ministries. The amount and timing of any additional collections that may occur cannot be estimated at the present time.

Note 9 – Conditional Promises to Give

Conditional promises to give are limited to an Emergency Shelter Grant in the amount of \$78,705 awarded by the City of Alexandria for 2007 operations. Actual collection of these funds is contingent upon the receipt of federal funds b the City.

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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 STANDARD*

June 8, 2007

The Shepherd Center of Central Louisiana
Alexandria, Louisiana

We have audited the financial statements of the Shepherd Center of Central Louisiana as of and for the year ended December 31, 2006, and have issued our report thereon dated June 8, 2006. In our report, our opinion was qualified because donated materials and supplies were excluded from the financial statements. 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 Shepherd Center of Central Louisiana'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 Shepherd Center of Central Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented *or* detected by the organization's internal control.

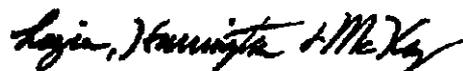
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Shepherd Center of Central Louisiana'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*.

We noted certain matters that we reported to management of the Shepherd Center of Central Louisiana in a separate letter dated June 8, 2006.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.



Rozier, Harrington, & McKay
Certified Public Accountants

The Shepherd Center of Central Louisiana

Management's Corrective Action Plan For the Year Ended December 31, 2006

PART I - SUMMARY OF AUDITOR'S RESULTS:

- The Independent Auditors' Report on the financial statements of the Shepherd Center of Central Louisiana as of December 31, 2006 and for the year then ended expressed a qualified opinion.
- The audit did not disclose any audit findings which are required to be reported as reportable conditions or material weaknesses.
- The results of the audit did disclosed an instances of noncompliance that is considered to be material to the financial statements of the Shepherd Center of Central Louisiana.

PART II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

- None.

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS WHICH SHALL INCLUDE AUDIT FINDINGS AS DEFINED BY OMB CIRCULAR A-133:

- None.

The Shepherd Center of Central Louisiana

Management's Corrective Action Plan For the Year Ended December 31, 2006

<u>SECTION I</u> Internal Control And Compliance Material To The Financial Statements.	
No findings that are material to the financial statements were reported.	Response – N/A
<u>SECTION II</u> Internal Control And Compliance Material To Federal Awards	
No findings of this nature were reported.	Response – N/A
<u>SECTION III</u> Management Letter	
<u>Document Retention</u> In order to enhance available supporting documentation, paperwork completed during the interview process should be retained for at least three years.	<u>Management's Response</u> Procedures will be adopted to ensure that paperwork generated in the interview process remains on file for at least three years.
<u>Receipts From Clients</u> In order to provide further accountability when funds are handled on behalf of clients, procedures should be implemented as follows: <ul style="list-style-type: none">• For each transaction issue a receipt to the client.• Each receipt should have a unique preprinted control number.• Retain a receipt book that includes a carbon copy of each receipt issued.• Establish procedures for reconciling the receipt book to deposits and disbursements appearing in the Shepherd Center's accounting records.	<u>Management's Response</u> We will begin to issue receipts and adopt an process for tracking receipts in the manner described in the management letter.

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RETIRED - 2005

June 8, 2007

To the Board of Directors
The Shepherd Center of Central Louisiana

In planning and performing our audit of the financial statements of the Shepherd Center of Central Louisiana for the year ended December 31, 2006, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency, that are described as follows:

Document Retention

Each request for client assistance is evaluated by conducting an interview. The client's responses are entered into the computers system and retained electronically. In addition to the data entered into the computer system, supplemental information is often collected in paper form; however, there is no policy for retaining the paperwork. In order to enhance available supporting documentation, we suggest retaining paperwork completed during the interview process for at least three years.

Receipts From Clients

Clients that receive utility assistance are usually required to pay a portion of the utility bill. Under some circumstances, the Shepherd Center will collect money from the client and forward the funds to the utility office so that it may be applied to their bill. In order to provide further accountability when funds are handled on behalf of clients, we suggest implementing procedures described as follows:

- For each transaction issue a receipt to the client.
- Each receipt should have a unique preprinted control number.
- Retain a receipt book that includes a carbon copy of each receipt issued.
- Establish procedures for reconciling the receipt book to deposits and disbursements appearing in the Shepherd Center's accounting records.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



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