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NORTH LOUISIANA GOODWILL INDUSTRIES

REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 2003

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

April 30, 2004

The Board of Directors
North Louisiana Goodwill Industries
Rehabilitation Center, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of North Louisiana Goodwill Industries Rehabilitation Center, Inc. at December 31, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2002 financial statements and, in our report dated March 13, 2003, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Louisiana Goodwill Industries Rehabilitation Center, Inc. at December 31, 2003, 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 a report dated April 30, 2004, on our consideration of the Center's internal control structure over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* , and should be read in conjunction with this report in considering the results of our audit.

Heard, McElroy + Vestal, LLP

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2003

ASSETS	Unrestricted	Temporarily Restricted	2003 Total	2002 Summary Total
Current assets:				
Cash	982,422	-	982,422	1,128,425
Investments-Note 4	1,095,477	1,042,009	2,137,486	1,673,211
Accounts receivable-net of allowance for bad debts of $29,763 and $18,654	402,887	-	402,887	360,401
Accounts receivable-other	15,261	-	15,261	6,617
Inventory	670,658	-	670,658	570,716
Prepaid expenses and other	118,061	-	118,061	97,065
Total current assets	3,284,766	1,042,009	4,326,775	3,836,435
Fixed assets:				
Land, buildings and equipment, at cost less accumulated depreciation-Notes 5 and 9	3,899,840	-	3,899,840	4,037,321
Other assets:				
Security deposits	7,010	-	7,010	7,010
Total assets	7,191,616	1,042,009	8,233,625	7,880,766
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	185,302	-	185,302	130,309
Sales tax payable	49,403	-	49,403	51,230
Accrued payroll and withholdings	392,795	-	392,795	381,155
Other payables	96,758	-	96,758	24,809
Current portion of long-term debt-Note 9	96,010	-	96,010	125,044
Total current liabilities	820,268	-	820,268	712,547
Long-term liabilities:				
Long-term debt less portion classified as current-Note 9	1,374,477	-	1,374,477	1,470,964
Total liabilities	2,194,745	-	2,194,745	2,183,511
Net assets:				
Unrestricted	4,996,871	-	4,996,871	4,731,269
Temporarily restricted	-	1,042,009	1,042,009	965,986
Total net assets	4,996,871	1,042,009	6,038,880	5,697,255
Total liabilities and net assets	7,191,616	1,042,009	8,233,625	7,880,766

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

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2003

	Unrestricted	Temporarily Restricted	2003 Total	2002 Summary Total
Public support and revenues:				
Public support:				
Donated goods-Note 10	4,302,706	-	4,302,706	4,054,714
United Way contributions	73,090	-	73,090	73,297
Other contributions	28,723	-	28,723	26,513
Total public support	4,404,519	-	4,404,519	4,154,524
Revenues:				
Sales:				
Sales of goods purchased	731,468	-	731,468	477,993
Less-cost of purchased goods	412,340	-	412,340	295,641
Gross profit	319,128	-	319,128	182,352
Sales of donated goods	2,435,928	-	2,435,928	2,279,741
Contract work	1,531,397	-	1,531,397	1,539,153
Training and work adjustment fees	357,517	-	357,517	428,976
Temporary services	18,245	-	18,245	489,152
Advanced program services	700	-	700	2,855
Investment return-Note 4	63,120	102,859	165,979	17,028
Other miscellaneous	6,647	-	6,647	14,792
Total revenues	4,732,682	102,859	4,835,541	4,954,049
Net assets released from restrictions-Note 3	26,836	(26,836)	-	-
Total public support, revenues, and reclassifications	9,164,037	76,023	9,240,060	9,108,573
Expenses:				
Production and sales	5,953,200	-	5,953,200	5,450,631
Training and work adjustment	624,285	-	624,285	1,107,314
Contracts	1,689,735	-	1,689,735	1,651,318
Management and general	631,215	-	631,215	639,812
Total expenses	8,898,435	-	8,898,435	8,849,075
Change in net assets	265,602	76,023	341,625	259,498
Net assets, beginning of year	4,731,269	965,986	5,697,255	5,437,757
Net assets-end of year	4,996,871	1,042,009	6,038,880	5,697,255

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

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2003

	Production and Sales	Training and Work Adjustment	Contracts
Salaries and wages	3,300,260	329,252	1,077,552
Employee health and retirement benefits	108,778	40,891	209,130
Payroll taxes	392,630	43,787	165,959
Total salaries and related expenses	3,801,668	413,930	1,452,641
Professional fees and contract service	20,571	15,700	12,569
Supplies	210,369	13,426	69,928
Telephone and telegraph	48,211	14,142	7,734
Postage and shipping	3,100	430	174
Occupancy	1,083,070	81,248	62,599
Rental and maintenance of equipment	51,299	10,177	26,238
Printing and publications	115,175	3,965	3,960
Travel and agency vehicles	207,084	24,511	13,280
Conferences, conventions and meetings	7,619	4,250	1,306
Specific assistance to individuals	11,565	574	1,030
Membership dues and support payments	67,504	786	14,888
Awards and grants	3,113	1,071	143
Miscellaneous	117,420	2,736	6,693
Total other expenses before depreciation expense	1,946,100	173,016	220,542
Total expenses before depreciation expense	5,747,768	586,946	1,673,183
Depreciation expense	205,432	37,339	16,552
Total expenses	5,953,200	624,285	1,689,735

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

Management and General	2003 Total	2002 Summary Total
347,374	5,054,438	5,242,545
73,234	432,033	396,668
30,246	632,622	638,163
450,854	6,119,093	6,277,376
30,445	79,285	58,513
23,305	317,028	294,706
22,538	92,625	102,025
2,219	5,923	17,898
26,449	1,253,366	1,096,748
9,804	97,518	96,812
1,015	124,115	126,245
18,657	263,532	201,851
-	13,175	13,918
-	13,169	27,930
1,730	84,908	86,576
-	4,327	3,089
10,237	137,086	155,749
146,399	2,486,057	2,282,060
597,253	8,605,150	8,559,436
33,962	293,285	289,639
631,215	8,898,435	8,849,075

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

	Unrestricted	Temporarily Restricted	2003 Total	2002 Summary Total
Cash flows from operating activities:				
Change in net assets	265,602	76,023	341,625	259,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Bad debt expense	24,000	-	24,000	30,000
Net realized and unrealized loss on investments	(31,356)	(76,023)	(107,379)	62,337
Depreciation	293,285	-	293,285	289,639
(Increase) decrease in:				
Accounts receivable	(66,486)	-	(66,486)	205,202
Accounts receivable-other	(8,644)	-	(8,644)	5,385
Inventory	(99,942)	-	(99,942)	(56,035)
Prepaid expenses and other	(20,996)	-	(20,996)	5,392
Increase (decrease) in:				
Accounts payable	54,993	-	54,993	(38,768)
Sales tax payable	(1,827)	-	(1,827)	4,245
Accrued payroll and withholdings	11,640	-	11,640	18,558
Other payables	71,949	-	71,949	3,940
Total adjustments	226,616	(76,023)	150,593	529,895
Net cash provided by operating activities	492,218	-	492,218	789,393
Cash flows from investing activities:				
Capital purchases and improvements	(155,804)	-	(155,804)	(1,415,746)
Net purchase of investments	(356,896)	-	(356,896)	(65,401)
Net cash (used) by investing activities	(512,700)	-	(512,700)	(1,481,147)
Cash flows from financing activities:				
Proceeds from borrowings	-	-	-	1,500,000
Debt reduction	(125,521)	-	(125,521)	(296,144)
Net cash provided (used) by financing activities	(125,521)	-	(125,521)	1,203,856
Net increase (decrease) in cash	(146,003)	-	(146,003)	512,102
Cash at beginning of the year	1,128,425	-	1,128,425	616,323
Cash at end of the year	982,422	-	982,422	1,128,425
Cash paid during the year for interest	78,842	-	78,842	67,178

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

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

AT DECEMBER 31, 2003

1. Nature of Business:
North Louisiana Goodwill Industries Rehabilitation Center, Inc. (the "Center") is a nonprofit, privately-supported public service organization, exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. Revenues are derived primarily from the following:

(a) Sales of used clothing and other household materials donated by the public and refurbished by employees who have disabilities and/or are disadvantaged.

(b) Salvage sales.

(c) Sub-contract work for various types of companies by employees who have disabilities and/or are disadvantaged.

(d) Vocational rehabilitation fees through the State of Louisiana and workers compensation insurance companies.

(e) Training grants under temporary assistance for needy families programs.

(g) United Way.

(h) Miscellaneous cash contributions.

The Center provides work opportunities and training for people who have disabilities and/or are disadvantaged, utilizing sales of reconditioned goods and contracted services to pay their wages.

2. Significant Accounting Policies:
Following is a summary of significant policies by the Center:

(a) Financial Statement Presentation:
In accordance with SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," the Center reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

Unrestricted Net Assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily Restricted Net Assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center, and/or by the passage of time.

Permanently Restricted Net Assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. There were no permanently restricted net assets at December 31, 2003 or 2002.

2. Significant Accounting Policies: (Continued)

(b) Contributions:
In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

(c) Promises to Give:
Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

(d) Contributed Goods and Services:
During the years ended December 31, 2003 and 2002, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

(e) Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Investments:
Under SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," investments in marketable securities with readily determinable fair values and all investments in debt securities are reported in the statement of financial position at their fair values. Fair values for marketable securities are based on quoted market prices. Gains and losses on the sale of marketable securities are determined using the specific identification method. Unrealized gains and losses are included in the change in net assets.

(g) Bad Debts:
The Center uses the allowance method to estimate uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific receivables.

(h) Land, Buildings and Equipment:
Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted

2. Significant Accounting Policies: (Continued)

net assets at that time. Property and equipment are depreciated using the straight-line method. Buildings are assigned useful lives of forty years. Furniture and equipment generally are assigned ten-year useful lives and vehicles are assigned three to five year useful lives.

(i) Cash and Cash Equivalents:
For purposes of the statement of cash flows, the Center considers all cash on hand and demand deposits with financial institutions to be cash equivalents. Certain demand deposits include amounts that are "swept" overnight into daily investments in U.S. Treasury or Agency Securities.

(j) Prior Year Financial Information:
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2002. Certain amounts for the prior year have been reclassified to conform to the current-year presentation.

(k) Advertising Costs:
Advertising costs are expensed as incurred. Such costs amounted to $79,172 and $93,399 for 2003 and 2002.

3. Restrictions on Assets:
Substantially all of the restrictions on assets relate to funds received by the Center as a testamentary legatee, and to funds donated to endow retirement benefits paid to a former executive director.

During 1992, the Center received $769,244 as its share of an estate. Under the terms of the will granting this legacy, the funds, including related earnings, are restricted to payment of costs associated with "The Unique Shoppe," a retail outlet operated by the Center. Accordingly, the net assets represented by this legacy are presented as temporarily restricted assets, since restrictions on such assets lapse as the Center complies with the stipulations set forth in the will.

In addition, temporarily restricted net assets include certain investments used to generate income to help fund retirement benefits paid to a former executive director and his wife. These investments were funded by contributions solicited for this stated purpose; the investments will become available for use by the Center's general operations after the demise of the former executive director and his wife.

4. Investments:
Investments at December 31, 2003 and 2002, are summarized as follows:

	2003		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	1,041,614	1,087,423	45,809
Corporate debt securities	126,437	131,176	4,739
Corporate equity securities	555,305	623,780	68,475
Government mutual funds	186,444	186,444	-
Equity mutual funds	100,000	108,663	8,663
	2,009,800	2,137,486	127,686

4. Investments: (Continued)

	2002		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	739,867	812,774	72,907
Corporate debt securities	150,401	158,602	8,201
Corporate equity securities	450,430	388,680	(61,750)
Government mutual funds	313,155	313,155	-
	1,653,853	1,673,211	19,358

A summary of investment return for each year follows:

	2003		
	Unrestricted	Temporarily Restricted	Total
Interest income	31,258	27,342	58,600
Net realized (loss)	(443)	(506)	(949)
Net unrealized (loss)	32,305	76,023	108,328
	63,120	102,859	165,979

	2002		
	Unrestricted	Temporarily Restricted	Total
Interest income	43,036	36,329	79,365
Net realized (loss)	(19,364)	(22,619)	(41,983)
Net unrealized (loss)	(10,525)	(9,829)	(20,354)
	13,147	3,881	17,028

5. Land, Building and Equipment:
Fixed assets and related accumulated depreciation at December 31, 2003 and 2002, are as follows:

	2003	2002
Buildings and improvements	4,111,517	4,037,833
Equipment	1,479,442	1,433,290
Vehicles	151,974	151,974
Work in progress	53,379	-
Total depreciable assets	5,796,312	5,623,097
Accumulated depreciation	(2,696,329)	(2,403,044)
Book value of depreciable assets	3,099,983	3,220,053
Land	799,857	817,268
Book value of fixed assets	3,899,840	4,037,321

6. Tax-Deferred Annuities:
The Center has available to its employees tax deferred annuity contracts which are administered by several investment companies. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred annuity contracts. The Center does not contribute these contracts.

7. Rent:
The Center rents various store facilities to serve as retail outlets for its household goods and other purposes. The Center has rental agreements for store locations in Monroe, West Monroe, Bastrop, Ruston, Minden, Bossier City, Shreve City, The Unique Shoppe in Shreveport (each for 60 months), Natchitoches, and Alexandria training and employment office (for 36 months). The Lakeshore Drive store rental agreement is renewable by the month. All rental agreements are noncapitalizable. Rent expense for 2003 and 2002 was $447,741 and $445,856.

The Center also has agreements to lease several trucks. These lease agreements are accounted for as operating leases, and provide for lease terms of five years at approximate annual rentals of $10,900 per vehicle. Vehicle rent expense for 2003 and 2002 was $91,905 and $74,782.

A summary of future minimum rental payments under noncancelable leases for all operating leases for the next five years and in aggregate, is as follows:

Year Ended December 31	Amount
2004	469,845
2005	397,712
2006	245,165
2007	167,535
2008	116,713
Thereafter	113,865
	1,510,835

8. Commitments:
The Center entered into an agreement to provide supplemental retirement and medical benefits to its former executive director upon his retirement in January 1986. These benefits amount to approximately $21,000 per year for the remainder of the lives of the former director and his wife. In addition, the Center is committed to pay certain medical benefits to certain former employees over the next four years. These benefits approximate $18,000 in total over the next three years.

9. Long-Term Debt:
Listed below is a schedule of long-term debt at December 31, 2003 and 2002:

Due To	Terms	2003	2002
U.S. Small Business Administration	$1,800/month including interest of 3%, secured by real estate and building located on West 70th Street in Shreveport, Louisiana	81,761	100,602
AmSouth Bank	$3,165/month including interest of 7%, secured by real estate and building located on Jackson Street in Alexandria, Louisiana	2,831	39,205

9. Long-Term Debt: (Continued)

Due To	Terms	2003	2002
* Rapides Parish Finance Authority	$12,065/month including interest at 5.25%, secured by real estate and buildings located in Alexandria and in Pineville	1,385,895	1,456,201
		1,470,487	1,596,008
Less-portion classified as current		96,010	125,044
Notes payable-long-term		1,374,477	1,470,964

* The Center entered into an agreement, dated February 1, 2002, for the issuance of $1,500,000 revenue bonds on its behalf by the Rapides Finance Authority at 5.25%, maturing in 2017. As required by state law, this agreement was approved by the Louisiana State Bond Commission. The bonds were issued for the purpose of providing funds to acquire property and construct an outlet facility located in Pineville, Louisiana. The registered owner of the bonds is Bank One, N.A. The Center used $200,000 of the bond proceeds to refinance an open line of credit with Hibernia National Bank; accordingly, the balance on this credit was excluded from current liabilities at December 31, 2002.

The approximate book value of collateral at December 31, 2003, was $3,344,000.

Maturities of long-term debt for the next five years are as follows:

2004	96,010
2005	97,737
2006	102,525
2007	107,558
2008	91,449
Thereafter	975,208
	1,470,487

Interest cost incurred during 2003 was $78,842. Interest cost incurred during 2002 was $67,178, of which $51,014 was capitalized in the construction of the Pineville facility.

10. Donated Goods:
Effective January 1, 1996, in conformity with SFAS No. 116, "Accounting for Contributions Made and Contributions Received," the Center began recognizing donated goods as revenue when received. During 2003, contributed merchandise with an approximate fair value of $4,303,000 was recognized as contribution revenue. This donated-goods merchandise requires program-related expenses and processes which are accomplished by people with disabilities and other disadvantaging conditions before it reaches the point of sale.

11. Conditional Promises:
Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after December 31, 2003. Future funding of such awards is conditioned upon the Center's operation of certain programs, incurrence of certain costs, and meeting certain matching requirements. Because such awards represent conditional promises to the Center, they have not been recognized in the financial statements at December 31, 2003. Such conditional promises amounted to approximately $139,000 at December 31, 2003; substantially all expire in 2004.

12. Concentrations of Credit Risk:

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash, investments, and receivables. Concentrations of credit risk with respect to receivables are limited, since most of these amounts are due from governmental agencies and private businesses under grants or fee for service arrangements. The Center maintains cash balances at several financial institutions. At December 31, 2003, total cash held at financial institutions was $1,033,710, of which $887,472 exceeded FDIC-insured limits. Most investment amounts, including certain money market funds included in cash, are invested in securities of the federal government or its agencies. However, approximately $864,000 in corporate debt securities, corporate equity securities, and various money market funds at December 31, 2003, are dependent solely upon the faith and credit of the corporate issuer.

OTHER REPORTS

April 30, 2004

The Board of Directors
North Louisiana Goodwill Industries
Rehabilitation Center, Inc.
Shreveport, Louisiana

Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

We have audited the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc., as of and for the year ended December 31, 2003, and have issued our report thereon dated April 30, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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

Heard, McElroy & Vestal, LLP

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc.

2. One reportable condition relating to the audit of the financial statements is reported.

3. No instances of noncompliance material to the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc. were disclosed during the audit.

4. North Louisiana Goodwill Industries Rehabilitation Center, Inc. was not subject to a federal single audit for the year ended December 31, 2003.

B. Findings - Financial Statement Audit

03-1 Reconciliation of Operating Bank Account

At the commencement of our audit field work, the operating account had not been fully reconciled against the bank statement, although certain portions, including store receipts and operating disbursements, had been reviewed. Upon Goodwill's completion of the reconciliation, accounting entries were made to record the identified transactions and to bring the account into balance with its reconciled balance.

This condition apparently resulted from the loss of Goodwill's CFO in the Fall, and the vacancy period until a suitable replacement could be found. It is our recommendation that Goodwill continue its efforts to reconcile all accounts on a current basis.

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

There were no findings as a result of the prior year audit.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

03-1 Reconciliation of Operating Bank Account

Reconciliation of this account and all other Agency accounts are current and up to date. Reassignments of duties have been made to ensure that timely reconciliations continue. Additionally, a log detailing the status of each bank reconciliation has been developed and is reviewed by upper management on a monthly basis.