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NORTH LOUISIANA GOODWILL INDUSTRIES

REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 2002

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

AUDITED FINANCIAL STATEMENTS

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March 13, 2003

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, 2002, 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.

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, 2002, 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 March 13, 2003, 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

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NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2002

ASSETS	Unrestricted	Temporarily Restricted	2002 Total	2001 Summary Total
Current assets:				
Cash	1,128,425	-	1,128,425	616,323
Investments-Note 4	707,225	965,986	1,673,211	1,670,147
Accounts receivable-net of allowance for bad debts of $18,654 and $2,895	360,401	-	360,401	595,603
Accounts receivable-other	6,617	-	6,617	12,002
Inventory	570,716	-	570,716	514,681
Prepaid expenses and other	97,065	-	97,065	105,034
Total current assets	2,870,449	965,986	3,836,435	3,513,790
Fixed assets:				
Land, buildings and equipment, at cost less accumulated depreciation-Notes 5 and 9	4,037,321	-	4,037,321	2,911,214
Other assets:				
Security deposits	7,010	-	7,010	4,433
Total assets	6,914,780	965,986	7,880,766	6,429,437
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	130,309	-	130,309	169,077
Sales tax payable	51,230	-	51,230	46,976
Accrued payroll and withholdings	381,155	-	381,155	362,597
Other payables	24,809	-	24,809	20,878
Current portion of long-term debt-Note 9	125,044	-	125,044	52,047
Total current liabilities	712,547	-	712,547	651,575
Long-term liabilities:				
Long-term debt less portion classified as current-Note 9	1,470,964	-	1,470,964	340,105
Total liabilities	2,183,511	-	2,183,511	991,680
Net assets:				
Unrestricted	4,731,269	-	4,731,269	4,461,942
Temporarily restricted	-	965,986	965,986	975,815
Total net assets	4,731,269	965,986	5,697,255	5,437,757
Total liabilities and net assets	6,914,780	965,986	7,880,766	6,429,437

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, 2002

	Unrestricted	Temporarily Restricted	2002 Total	2001 Summary Total
Public support and revenues:				
Public support:				
Donated goods-Note 10	4,054,714	-	4,054,714	3,703,603
United Way contributions	73,297	-	73,297	73,016
Other contributions	26,513	-	26,513	32,316
Total public support	4,154,524	-	4,154,524	3,808,935
Revenues:				
Sales:				
Sales of goods purchased	477,993	-	477,993	286,718
Less-cost of purchased goods	295,641	-	295,641	181,299
Gross profit	182,352	-	182,352	105,419
Sales of donated goods	2,279,741	-	2,279,741	2,118,947
Contract work	1,539,153	-	1,539,153	2,425,609
Training and work adjustment fees	428,976	-	428,976	228,834
Case management	-	-	-	55,108
Temporary services	489,152	-	489,152	617,911
Advanced program services	2,855	-	2,855	14,939
Investment return-Note 4	13,147	3,881	17,028	59,735
Other miscellaneous	14,792	-	14,792	15,470
Total revenues	4,950,168	3,881	4,954,049	5,641,972
Net assets released from restrictions-Note 3	13,710	(13,710)	-	-
Total public support, revenues, and reclassifications	9,118,402	(9,829)	9,108,573	9,450,907
Expenses:				
Production and sales	5,450,631	-	5,450,631	4,992,812
Training and work adjustment	1,107,314	-	1,107,314	1,288,699
Contracts	1,651,318	-	1,651,318	2,525,413
Management and general	639,812	-	639,812	564,693
Total expenses	8,849,075	-	8,849,075	9,371,617
Change in net assets	269,327	(9,829)	259,498	79,290
Net assets, beginning of year	4,461,942	975,815	5,437,757	5,358,467
Net assets-end of year	4,731,269	965,986	5,697,255	5,437,757

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, 2002

	Production and Sales	Training and Work Adjustment	Contracts
Salaries and wages	3,080,510	707,532	1,107,094
Employee health and retirement benefits	91,624	38,384	203,286
Payroll taxes	364,870	95,103	150,951
Total salaries and related expenses	3,537,004	841,019	1,461,331
Professional fees and contract service	10,212	19,960	3,496
Supplies	190,333	19,816	64,296
Telephone and telegraph	46,708	19,843	11,910
Postage and shipping	12,831	1,352	415
Occupancy	966,800	74,309	23,745
Rental and maintenance of equipment	47,007	10,768	27,510
Printing and publications	113,078	8,187	3,195
Travel and agency vehicles	155,557	18,179	12,335
Conferences, conventions and meetings	6,980	5,762	1,176
Specific assistance to individuals	8,740	19,165	25
Membership dues and support payments	64,245	4,826	14,321
Awards and grants	1,900	799	390
Miscellaneous	105,407	23,229	7,843
Total other expenses before depreciation expense	1,729,798	226,195	170,657
Total expenses before depreciation expense	5,266,802	1,067,214	1,631,988
Depreciation expense	183,829	40,100	19,330
Total expenses	5,450,631	1,107,314	1,651,318

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

Management and General	2002 Total	2001 Summary Total
347,409	5,242,545	5,692,430
63,374	396,668	544,957
27,239	638,163	640,116
438,022	6,277,376	6,877,503
24,845	58,513	70,612
20,261	294,706	239,545
23,564	102,025	114,445
3,300	17,898	16,715
31,894	1,096,748	978,167
11,527	96,812	89,400
1,785	126,245	121,032
15,780	201,851	238,705
-	13,918	15,148
-	27,930	39,525
3,184	86,576	88,478
-	3,089	4,926
19,270	155,749	169,951
155,410	2,282,060	2,186,649
593,432	8,559,436	9,064,152
46,380	289,639	307,465
639,812	8,849,075	9,371,617

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

	Unrestricted	Temporarily Restricted	2002 Total	2001 Summary Total
Cash flows from operating activities:				
Change in net assets	269,327	(9,829)	259,498	79,290
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Bad debt expense	30,000	-	30,000	43,325
Net realized and unrealized loss on investments	52,508	9,829	62,337	25,797
Depreciation	289,639	-	289,639	307,465
(Increase) decrease in:				
Accounts receivable	205,202	-	205,202	323,317
Accounts receivable-other	5,385	-	5,385	1,790
Inventory	(56,035)	-	(56,035)	(104,163)
Prepaid expenses and other	5,392	-	5,392	(77,532)
Increase (decrease) in:				
Accounts payable	(38,768)	-	(38,768)	(14,921)
Sales tax payable	4,245	-	4,245	9,922
Accrued payroll and withholdings	18,558	-	18,558	41,726
Other payables	3,940	-	3,940	20,878
Total adjustments	520,066	9,829	529,895	577,604
Net cash provided (used) by operating activities	789,393	-	789,393	656,894
Cash flows from investing activities:				
Capital purchases and improvements	(1,415,746)	-	(1,415,746)	(331,424)
Net purchase of investments	(65,401)	-	(65,401)	(63,740)
Net cash provided (used) by investing activities	(1,481,147)	-	(1,481,147)	(395,164)
Cash flows from financing activities:				
Proceeds from borrowings	1,500,000	-	1,500,000	200,000
Debt reduction	(296,144)	-	(296,144)	(51,885)
Net cash provided (used) by financing activities	1,203,856	-	1,203,856	148,115
Net increase in cash	512,102	-	512,102	409,845
Cash at beginning of the year	616,323	-	616,323	206,478
Cash at end of the year	1,128,425	-	1,128,425	616,323
Cash paid during the year for interest	67,178	-	67,178	16,754

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

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.

(f) Goodwill Temporary Services.

(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, 2002 or 2001.

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, 2002 and 2001, 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 generally accepted accounting principles 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 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.

2. Significant Accounting Policies: (Continued)

(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 generally accepted accounting principles. Accordingly, such information is not intended to be a complete financial statement presentation. 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 $93,399 and $83,764 for 2002 and 2001.

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, 2002 and 2001, are summarized as follows:

	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

	2001		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	888,270	944,611	56,341
Corporate debt securities	175,313	183,965	8,652
Corporate equity securities	402,244	376,963	(25,281)
Government mutual funds	164,608	164,608	-
	1,630,435	1,670,147	39,712

4. Investments: (Continued)

A summary of investment return for each year follows:

	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

	2001		
	Unrestricted	Temporarily Restricted	Total
Interest income	48,026	37,506	85,532
Net realized (loss)	(7,662)	(8,730)	(16,392)
Net unrealized (loss)	(6,286)	(3,119)	(9,405)
	34,078	25,657	59,735

5. Land, Building and Equipment:
Fixed assets and related accumulated depreciation at December 31, 2002 and 2001, are as follows:

	2002	2001
Buildings and improvements	4,037,833	2,801,725
Equipment	1,433,290	1,281,257
Vehicles	151,974	143,448
Total depreciable assets	5,623,097	4,226,430
Accumulated depreciation	(2,403,044)	(2,132,484)
Book value of depreciable assets	3,220,053	2,093,946
Land	817,268	817,268
Book value of fixed assets	4,037,321	2,911,214

6. Tax-Deferred Annuities:
The Center has available to the 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 to the tax deferred annuity 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, Ruston, Minden, Bossier City, Shreve City, The Unique Shoppe in Shreveport (each for 60 months), 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 2002 and 2001 was $445,856 and $409,553.

7. Rent: (Continued)

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 2002 and 2001 was $74,782 and $89,602.

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
2003	436,345
2004	336,440
2005	209,824
2006	70,148
2007	16,048
Thereafter	13,358
	1,082,163

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 $19,000 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 $30,000 in total over the next four years.

9. Long-Term Debt:
Listed below is a schedule of long-term debt at December 31, 2002 and 2001:

Due To	Terms	2002	2001
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	100,602	118,957
AmSouth Bank	$3,165/month including interest of 7%, secured by real estate and building located on Jackson Street in Alexandria, Louisiana	39,205	73,195
Rapides Parish Finance Authority	$12,065/month including interest at 5.25%, secured by real estate and buildings located in Alexandria and in Pineville	1,456,201	-
* Hibernia National Bank	$225,000 open line of credit; interest at Wall Street Journal prime, payable monthly, principal due upon demand;		

9. Long-Term Debt: (Continued)

Due To	Terms	2002	2001
	secured by real estate in Pineville, Louisiana	-	200,000
		1,596,008	392,152
Less-portion classified as current		125,044	52,047
Notes payable-long-term		1,470,964	340,105

* 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 the open line of credit with Hibernia National Bank; accordingly, the balance on this credit was excluded from current liabilities.

The approximate book value of collateral at December 31, 2002, was $3,278,000.

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

2003	125,044
2004	96,181
2005	97,737
2006	102,525
2007	107,558
Thereafter	1,066,963
	1,596,008

Interest cost incurred during 2002 was $67,178, of which $51,014 was capitalized in the construction of the Pineville facility. Interest cost incurred during 2001 was $18,977.

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 2002, contributed merchandise with an approximate fair value of $4,055,000 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, 2002. 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, 2002. Such conditional promises amounted to approximately $139,000 at December 31, 2002; substantially all expire in 2003.

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, 2002, total cash held at financial institutions was $206,435, which was entirely insured by the FDIC. Most investment amounts, including certain money market funds included in cash, are invested in securities of the federal government or its agencies. However, approximately $547,000 in corporate debt and equity securities at December 31, 2002, are dependent solely upon the faith and credit of the corporate issuer.

SUPPLEMENTARY INFORMATION

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March 13, 2003

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

Independent Auditor's Report on Supplementary Information

We have audited the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc. as of and for the year ended December 31, 2002, and have issued our report thereon dated March 13, 2003. These financial statements are the responsibility of the management of North Louisiana Goodwill Industries Rehabilitation Center, Inc. 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 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.

Our audit was made for the purpose of forming an opinion on the financial statements of North Louisiana Goodwill Industries Rehabilitation Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Heard, McElroy & Vestal, LLP

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NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Revenue Recognized	Expenditures
U.S. Department of Labor			
Passed through Louisiana Department of Social Services:			
Temporary Assistance for Needy Families	93.558	307,463	307,463
Passed through Louisiana Department of Economic Development:			
Temporary Assistance for Needy Families	93.558	32,550	32,550
		340,013	340,013
Passed through Coordinating and Development Corporation, Caddo Parish, Louisiana:			
Welfare to Work	17.253	29,365	29,365
Total Federal Awards		369,378	369,378

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of North Louisiana Goodwill Industries Rehabilitation Center, Inc. and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations.*

North Louisiana Goodwill Industries Rehabilitation Center, Inc. did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

OTHER REPORTS

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March 13, 2003

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, 2002, and have issued our report thereon dated March 13, 2003. 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. 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 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.

This report is intended solely for the information and use of the audit committee, 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

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March 13, 2003

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

Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with *OMB Circular A-133*

Compliance

We have audited the compliance of North Louisiana Goodwill Industries Rehabilitation Center, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

In our opinion, North Louisiana Goodwill Industries Rehabilitation Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of North Louisiana Goodwill Industries Rehabilitation Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2002

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. No reportable conditions relating to the audit of the financial statements are 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. No reportable conditions relating to the audit of major federal award programs are reported.

5. The auditor's report on compliance for major federal award programs for North Louisiana Goodwill Industries Rehabilitation Center, Inc. expresses an unqualified opinion.

6. There are no audit findings relative to major federal award programs for North Louisiana Goodwill Industries Rehabilitation Center, Inc.

7. The programs tested as major programs included:

Program	CFDA No.
Temporary Assistance for Needy Families	93.558

8. The threshold for distinguishing Types A and B programs was $300,000.

9. The North Louisiana Goodwill Industries Rehabilitation Center, Inc. was determined not to be a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2002

01-1 Store Credit and Gift Certificate Liability Accounts

No detailed logs are maintained to track outstanding credits and gift certificate balances and reconcile them to the general ledger.

Resolved. Logs are being maintained for outstanding credits and gift certificates, and the balances are being reconciled to the general ledger periodically.

01-2 NISH Trip Advances

Travel advances for personnel attending NISH conventions during the year have not been properly accounted for, leaving a balance which includes all current year charges and the balance forward from 2000.

Resolved. The balance at December 31, 2001, in the NISH trip advance account has been identified and reimbursement has been received for most of the balance. Remaining charges have been expensed to the appropriate accounts. There were no reimbursable charges relating to personnel attending NISH conventions during 2002.

01-3 Shoulders Restricted Fund

During 2001, funds designated for a specific purpose by the board of directors were incorrectly classified as restricted net assets on the general ledger.

Resolved. The noted funds have been reclassified as board designated unrestricted net assets on the general ledger.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2002

There were no findings as a result of the audit for the year ending December 31, 2002.