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NORTH LOUISIANA GOODWILL INDUSTRIES

REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 1999

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SHREVEPORT, LOUISIANA

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McELROY
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LLP
CERTIFIED PUBLIC ACCOUNTANTS

Deposit Guaranty Tower
333 Texas Street, 15th Floor
Shreveport, LA 71101
318 429 1525
318 429 2070 Fax
Post Office Box 1607
Shreveport, LA 71165-1607

March 13, 2000

To 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, 1999, 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 generally accepted auditing standards 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, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated March 13, 2000 on our consideration of the Center's internal control structure and on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards on Page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heard, McElroy & Vestal, LLP

HMV
A Professional Services Firm
Shreveport • Bossier City
hmv@hmvcpa.com E-Mail
www.hmvcpa.com Web Address

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 1999

ASSETS	Unrestricted	Temporarily Restricted	1999 Total	1998 Total
Current assets:				
Cash	172,653	-	172,653	66,430
Investments-Note 4	1,092,198	876,526	1,968,724	1,952,580
Accounts receivable-net of allowance for bad debts of $28,985	499,761	-	499,761	810,935
Accounts receivable-other	7,651	-	7,651	5,491
Inventory	320,858	-	320,858	347,204
Prepaid expenses and other	213,435	-	213,435	302,581
Total current assets	2,306,556	876,526	3,183,082	3,485,221
Fixed assets:				
Land, buildings and equipment, at cost less accumulated depreciation-Notes 5 and 9	2,764,738	-	2,764,738	2,672,453
Other assets:				
Security deposits	3,270	-	3,270	3,270
Total assets	5,074,564	876,526	5,951,090	6,160,944
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	352,169	-	352,169	299,250
Sales tax payable	43,849	-	43,849	28,711
Accrued payroll	276,308	-	276,308	212,766
Current portion of long-term debt-Note 9	46,585	-	46,585	44,058
Total current liabilities	718,911	-	718,911	584,785
Long-term liabilities:				
Long-term debt less portion classified as current-Note 9	243,858	-	243,858	290,230
Total liabilities	962,769	-	962,769	875,015
Net assets:				
Unrestricted	4,111,795	-	4,111,795	4,405,537
Temporarily restricted	-	876,526	876,526	880,392
Total net assets	4,111,795	876,526	4,988,321	5,285,929
Total liabilities and net assets	5,074,564	876,526	5,951,090	6,160,944

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, 1999

	Unrestricted	Temporarily Restricted	1999 Total	1998 Total
Public support and revenues:				
Public support:				
Donated goods	2,440,697	-	2,440,697	2,366,802
United Way contributions	78,000	-	78,000	73,000
Other contributions	7,584	-	7,584	3,328
Total public support	2,526,281	-	2,526,281	2,443,130
Revenues:				
Sales:				
Sales of goods purchased	230,077	-	230,077	232,713
Less-cost of purchased goods	183,887	-	183,887	184,053
Gross profit	46,190	-	46,190	48,660
Sales of donated goods	2,032,574	-	2,032,574	1,778,783
Contract work	2,056,115	-	2,056,115	2,061,048
Training and work adjustment fees	498,339	-	498,339	300,209
Case management	217,500	-	217,500	124,116
Temporary services	607,091	-	607,091	668,026
Cafeteria sales	797	-	797	1,403
Investment return-Note 4	56,910	32,182	89,092	170,178
Other miscellaneous	25,202	-	25,202	13,913
Total revenues	5,540,718	32,182	5,572,900	5,166,336
Net assets released from restrictions-Note 3	36,048	(36,048)	-	-
Total public support, revenues, and reclassifications	8,103,047	(3,866)	8,099,181	7,609,466
Expenses:				
Production and sales	3,924,691	-	3,924,691	3,366,440
Training and work adjustment	1,858,837	-	1,858,837	1,591,832
Contracts	2,042,497	-	2,042,497	2,105,200
Cafeteria	16,249	-	16,249	20,352
Management and general	554,515	-	554,515	523,614
Total expenses	8,396,789	-	8,396,789	7,607,438
Change in net assets	(293,742)	(3,866)	(297,608)	2,028
Net assets, beginning of year	4,405,537	880,392	5,285,929	5,283,901
Net assets-end of year	4,111,795	876,526	4,988,321	5,285,929

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, 1999

	Production and Sales	Training and Work Adjustment	Contracts
Salaries and wages	2,230,530	1,284,420	1,373,659
Employee health and retirement benefits-Note 6	79,546	121,420	226,728
Payroll taxes	250,944	140,781	149,728
Total salaries and related expenses	2,561,020	1,546,621	1,750,115
Professional fees and contract service	35,251	34,494	16,218
Supplies	122,144	23,373	89,090
Telephone and telegraph	30,071	33,600	10,518
Postage and shipping	6,388	7,184	1,145
Occupancy	592,431	18,280	54,296
Rental and maintenance of equipment	33,588	10,647	23,339
Printing and publications	121,274	32,700	4,513
Travel and agency vehicles	170,674	96,751	34,720
Conferences, conventions and meetings	5,173	4,134	1,120
Specific assistance to individuals	20,936	492	504
Membership dues and support payments	38,863	13,802	16,714
Awards and grants	2,475	577	120
Miscellaneous	62,983	12,494	9,810
Total other expenses before depreciation expense	1,242,251	288,528	262,107
Total expenses before depreciation expense	3,803,271	1,835,149	2,012,222
Depreciation expense	121,420	23,688	30,275
Total expenses	3,924,691	1,858,837	2,042,497

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

Cafeteria	Management and General	1999 Total	1998 Total
4,302	298,464	5,191,375	4,789,101
561	63,149	491,404	431,262
471	25,018	566,942	529,576
5,334	386,631	6,249,721	5,749,939
476	36,460	122,899	100,877
2,108	10,636	247,351	211,616
60	8,389	82,638	62,477
28	1,364	16,109	16,840
3,902	15,991	684,900	588,129
597	3,773	71,944	52,619
76	1,323	159,886	89,428
23	19,886	322,054	266,761
20	3,404	13,851	6,111
-	-	21,932	20,178
7	1,417	70,803	66,946
1	13	3,186	5,875
250	11,991	97,528	148,667
7,548	114,647	1,915,081	1,636,524
12,882	501,278	8,164,802	7,386,463
3,367	53,237	231,987	220,975
16,249	554,515	8,396,789	7,607,438

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 1999

	Unrestricted	Temporarily Restricted	1999 Total	1998 Total
Cash flows from operating activities:				
Change in net assets	(293,742)	(3,866)	(297,608)	2,028
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:				
Bad debt expense	10,000	-	10,000	80,000
Unrealized (gain) loss on investments	2,204	3,866	6,070	(37,072)
Depreciation	231,987	-	231,987	220,975
(Increase) decrease in:				
Accounts receivable	301,277	-	301,277	(332,588)
Accounts receivable-other	(2,160)	-	(2,160)	(2,662)
Inventory	26,346	-	26,346	(75,561)
Prepaid expenses and other	89,146	-	89,146	(55,939)
Increase (decrease) in:				
Accounts payable	52,919	-	52,919	31,139
Sales tax payable	15,138	-	15,138	6,576
Accrued payroll	63,542	-	63,542	(78,560)
Total adjustments	790,399	3,866	794,265	(243,692)
Net cash provided (used) by operating activities	496,657	-	496,657	(241,664)
Cash flows from investing activities:				
Capital purchases and improvements	(288,775)	-	(288,775)	(214,578)
Purchase of investments	(57,814)	-	(57,814)	(185,476)
Net cash (used) by investing activities	(346,589)	-	(346,589)	(400,054)
Cash flows from financing activities:				
Debt reduction	(43,845)	-	(43,845)	(41,798)
Net cash (used) by financing activities	(43,845)	-	(43,845)	(41,798)
Net increase (decrease) in cash	106,223	-	106,223	(683,516)
Cash at beginning of the year	66,430	-	66,430	749,946
Cash at end of the year	172,653	-	172,653	66,430
Cash paid during the year for interest	15,736	-	15,736	17,782

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, 1999

1. Nature of Business:
North Louisiana Goodwill Industries 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 welfare-to-work 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, 1999.

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 year ended December 31, 1999, 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 at their fair values in the statement of financial position. 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.

(j) Prior Year Financial Information:
The financial information for 1998 is presented for comparative purposes, and is not intended to be a complete financial statement presentation.

(k) Advertising Costs:
Advertising costs are expensed as incurred. Such costs amounted to $115,646 and $48,265 for 1999 and 1998.

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," an auxiliary 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, 1999 and 1998 are summarized as follows:

	1999		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	1,194,324	1,179,916	(14,408)
Corporate debt securities	175,313	170,895	(4,418)
Corporate equity securities	429,732	503,761	74,029
Government mutual funds	114,152	114,152	-
	1,913,521	1,968,724	55,203

	1998		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency securities	998,748	1,053,647	54,899
Corporate debt securities	98,793	104,164	5,371
Government mutual funds	793,766	794,769	1,003
	1,891,307	1,952,580	61,273

4. Investments: (Continued)

A summary of investment return for each year follows:

	1999 Unrestricted	1999 Temporarily Restricted	1999 Total
Interest income	72,957	37,688	110,645
Net realized (loss)	(13,843)	(1,640)	(15,483)
Net unrealized gain (loss)	(2,204)	(3,866)	(6,070)
	56,910	32,182	89,092

	1998 Unrestricted	1998 Temporarily Restricted	1998 Total
Interest income	89,616	43,490	133,106
Net unrealized gain	19,462	17,610	37,072
	109,078	61,100	170,178

5. Land, Building and Equipment:
Fixed assets and related accumulated depreciation at December 31, 1999 and 1998 are as follows:

	1999	*1998*
Buildings and improvements	2,055,228	2,055,228
Equipment	1,917,036	1,628,776
Autos and trucks	119,855	83,840
Total depreciable assets	4,092,119	3,767,844
Accumulated depreciation	(1,917,381)	(1,685,391)
Book value of depreciable assets	2,174,738	2,082,453
Land	590,000	590,000
Book value of fixed assets	2,764,738	2,672,453

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. The Center has rental agreements for store locations in Monroe, West Monroe, 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 1999 and 1998 was $298,038 and $224,939.

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 rentals of $10,500 per year, per vehicle. Vehicle rent expense for 1999 and 1998 was $84,000 and $60,507.

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
2000	402,615
2001	357,213
2002	304,207
2003	241,235
2004	92,937
Thereafter	-
	1,398,207

8. Commitments:
Goodwill entered into an agreement to provide supplemental retirement benefits to its former executive director upon his retirement in January 1986. These benefits amount to approximately $15,900 per year for the remainder of the lives of the former director and his wife.

In addition, the Center was a defendant in a lawsuit alleging financial liability for a portion of the cost of cleanup of environmental waste on a site formerly owned by the Center. This claim was dismissed in March 1998.

9. Long-Term Debt:
Listed below is a schedule of long-term debt at December 31, 1999 and 1998:

Due To	Terms	1999	1998
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	153,966	170,549
Deposit Guaranty National Bank	$3,165/month including interest of 7%, secured by real estate and building located on Jackson Street in Alexandria, Louisiana	136,477	163,739
		290,443	334,288
Less-portion classified as current		46,585	44,058
Notes payable-long-term		243,858	290,230

The approximate book value of collateral at December 31, 1999 was $1,990,000.

9. Long-Term Debt: (Continued)

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

2000	46,585
2001	49,231
2002	52,047
2003	55,044
2004	24,994
Thereafter	62,542
	290,443

Total interest expense for 1999 and 1998 was $15,736 and $17,782.

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 1999, contributed merchandise with an approximate fair value of $2,440,697 was recognized as contribution revenue. This donated goods merchandise requires program related expenses and processes 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, 1999. 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, 1999. Such conditional promises amounted to approximately $318,000 at December 31, 1999 and expire during 2000.

12. Concentration of Credit Risk:
The Center at times maintains deposits in federally insured financial institutions in excess of federally insured limits. Such excess amounted to approximately $61,000 at December 31, 1999. Management monitors the soundness of these financial institutions and feels the Center's risk is negligible.

SUPPLEMENTARY INFORMATION

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

SCHEDULE OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Program or Award Amount	Revenue Recognized	Expenditures
U.S. Department of Labor				
Passed through Coordinating and Development Corporation of Louisiana:				
Welfare to Work	17.253	438,456	283,913	283,913
Passed through City of Shreveport:				
Welfare to Work	17.253	100,000	42,182	42,182
Total major programs			326,095	326,095
U.S. Department of Education				
Passed through Louisiana Department of Social Services:				
Vocational Rehabilitation Grants	84.102	163,994	61,385	61,385
Passed through Louisiana Department of Education:				
Part II Family Service Coordination	84.181A	449,280	217,460	217,460
Totals			604,940	604,940

OTHER REPORTS

HEARD McELROY & VESTAL LLP
CERTIFIED PUBLIC ACCOUNTANTS

DEPOSIT GUARANTY TOWER
333 TEXAS STREET, 15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA 71165-1607

PARTNERS
C. CODY WHITE, JR., CPA, APC
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
WILLIAM L. HIGHTOWER, CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC

TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
MICHAEL E. GLEASON, CPA
ROBERT L. DEAN, CPA
OF COUNSEL
GILBERT R. SHANLEY, JR., CPA

March 13, 2000

To 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, 1999, and have issued our report thereon dated March 13, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 items 99-1 through 99-2.

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

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www.hmvcpa.com WEB ADDRESS

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 believe that none of the reportable conditions described above is a material weakness.

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

HEARD
McELROY
& VESTAL
LLP
CERTIFIED PUBLIC ACCOUNTANTS

Deposit Guaranty Tower
333 Texas Street, 15th Floor
Shreveport, LA 71101
318 429 1525
318 429 2070 Fax
Post Office Box 1607
Shreveport, LA 71165 1607

Partners
C. Cody White, Jr., cpa, apc
J. Peter Gaffney, cpa, apc
Spencer Bernard, Jr., cpa
William L. Hightower, cpa
H.Q. Gahagan, Jr., cpa, apc
Gerald W. Hedgcock, Jr., cpa, apc

Tim B. Nielsen, cpa, apc
John W. Dean, cpa, apc
Mark D. Eldredge, cpa
Michael E. Gleason, cpa
Robert L. Dean, cpa
Of Counsel
Gilbert R. Shanley, Jr., cpa

March 13, 2000

To 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, 1999. 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 generally accepted auditing standards; 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, 1999.

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, 1999

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. 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 program 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.
Welfare to Work	17.253

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

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

B. Findings - Financial Statement Audit

99-1 Incoming receipts at the main office are opened by the administrative assistant and separately logged before being forwarded to the accounting department for deposit and entry on the books. However, the log of receipts is not verified or compared to total deposits. We recommend that this log be kept on a daily basis, and that an independent employee compare it each following day with the detail of the receipts deposited into the bank as shown on the validated deposit slip. Any differences should be promptly resolved.

99-2 Check receipts received at the main office are restrictively endorsed "For Deposit Only" when they reach the accounting department. Stronger control is achieved if this endorsement is stamped at the time the receipt is first opened by the administrative assistant.

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, 1999

98-1	Vesting of general grant oversight in one individual in financial management - resolved.
98-2	Negative amounts (debits) accumulated in the liability accounts of vouchers issued, store credits, and gift certificates, and unreconciled at year-end - resolved.
98-3	Audited financial statements not submitted to the Legislative Auditor within the time limits imposed by state law - resolved.

NORTH LOUISIANA GOODWILL INDUSTRIES REHABILITATION CENTER, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 1999

99-1 For better internal controls, our Staff Accountant will validate, on a daily basis, that the total amount of deposits recorded on the receipt log agrees with the deposit slips returned from the bank. The Accounts Receivable Clerk prepares the deposits on a daily basis. Any differences will be promptly resolved.

99-2 For stronger control, check receipts will be restrictively endorsed "For Deposit Only" by the administrative assistant at the time the checks are received and opened, rather than in the accounting department. An endorsement stamp has been provided for the administrative assistant.