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THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2003 AND 2002

ovisions of state law, this report is a public
ent. A copy of the report has been submitted to
ntity and other appropriate public officials. The
is available for public inspection at the Baton
office of the Legislative Auditor and, where
opriate, at the office of the parish clerk of court.

lease Date 3 31 04

R. Brown & Company
Certified Public Accountants
A Professional Corporation

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Harmony Center, Inc.
(A Not For Profit Organization)
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Harmony Center, Inc. (a not for profit organization) as of June 30, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Harmony Center, Inc. as of June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2003, except for note 9 dated February 27, 2004, on our consideration of The Harmony Center, Inc.'s internal control over financial reporting and our tests of 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of The Harmony Center, Inc. taken as a whole. The accompanying supplemental schedules on pages 20 through 26 are presented for purposes of additional analysis and are 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.

As discussed in Note 10 to the financial statements, subsequent to years ended June 30, 2003 and 2002, The Harmony Center, Inc. prepared and filed Cost Reports for Benton Rehabilitation Hospital, indicating amounts due. The ultimate outcome of any adjustments to the Cost Reports cannot presently be determined, but management is of the opinion that no additional amounts will be due. Nevertheless, due to uncertainties with the Cost Reports, it is at least reasonably possible that management's view of the outcome will change in the near term.

R. Brown & Company

October 30, 2003
Baton Rouge, Louisiana

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION

	JUNE 30 2003	2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$183,689	$159,264
Investments (Note 4)	170,773	194,580
Accounts receivable	1,174,176	1,341,952
Receivables - other (Note 5)	60,388	78,136
Inventory	3,642	4,349
Prepaid expenses	42,367	100,571
Total current assets	1,635,035	1,878,852
PROPERTY AND EQUIPMENT		
Buildings and land	4,129,422	4,125,446
Furniture and equipment	992,443	939,609
Motor vehicles	861,026	773,626
Building improvements	832,289	812,363
	6,815,180	6,651,044
Accumulated depreciation	(2,249,978)	(1,993,459)
	4,565,202	4,657,585
OTHER ASSETS		
Due from officer (Note 5)	187,489	200,216
Deposits (Note 2)	93,400	40,700
Goodwill	130,000	130,000
	410,889	370,916
TOTAL ASSETS	$6,611,126	$6,907,353
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable (Note 5)	$723,076	$537,279
Accrued expenses	173,331	116,363
Cost report settlement payable	304,907	337,243
Note payable (Note 4)	373,405	100,732
Current maturities of long-term debt (Note 3)	471,996	162,623
Total current liabilities	2,046,715	1,254,240
LONG-TERM DEBT, net of current maturities (Note 3)	926,896	1,111,013
COMMITMENTS & CONTINGENCIES (Notes 6, 8 & 10)	-	-
Total liabilities	2,973,611	2,365,253
NET ASSETS, unrestricted	3,637,515	4,542,100
TOTAL LIABILITIES AND NET ASSETS	$6,611,126	$6,907,353

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

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES

	YEAR ENDED JUNE 30 2003	2002
REVENUE AND SUPPORT		
Government fees - housing	$9,508,109	$9,004,303
Government fees - food	96,352	49,917
Government fees - services	84,154	102,802
Residents' rental income	394,536	352,094
Government fees - Medicare A	1,351,284	1,575,825
Gain on sale of assets	-	2,905
Rental income (Note 5)	157,895	44,050
Interest and other income	4,239	21,709
Total revenue and support	11,596,569	11,153,605
EXPENSES		
Program services:		
Group homes	5,597,024	4,964,494
Community homes	3,293,888	3,168,569
Extraordinary therapy	63,270	68,721
Benton Rehab Hospital	1,820,759	1,460,173
Total program services	10,774,941	9,661,957
Support services:		
Central Office cost	1,726,213	1,490,082
Total expenses	12,501,154	11,152,039
CHANGE IN NET ASSETS, unrestricted	(904,585)	1,566
NET ASSETS, unrestricted - beginning of year	4,542,100	4,540,534
NET ASSETS, unrestricted - end of year	$3,637,515	$4,542,100

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

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2003

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA-ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
ADMINISTRATIVE						
Salaries and wages	$869,824	$222,783	$142,256	$ -	$160,850	$335,934
Payroll taxes	59,793	14,355	11,424	-	12,681	21,333
Employee benefits	78,410	16,679	19,749	-	10,738	31,244
Advertising	78	-	-	-	78	-
Insurance	468,166	213,801	107,156	1,604	24,792	120,813
Interest - operations	22,847	-	-	-	3,309	19,538
Licenses	14,356	8,529	9,043	-	786	-
Office supplies	59,481	34,666	17,774	(25)	5,435	1,631
Printing	2,638	1,156	-	-	436	1,047
Provider fee	275,884	-	275,884	-	-	-
Motor vehicle expense	248,235	152,248	55,708	-	1,640	38,599
Taxes - non-property	-	-	-	-	-	-
Postage	7,388	4,592	1,959	-	694	143
Professional services	203,089	53,542	3,892	-	33,314	112,341
Subscriptions	8,869	3,001	1,837	-	2,844	1,187
Telephone	131,872	31,346	9,493	-	6,563	84,470
Training	36,867	19,165	17,306	-	20	376
Travel and seminar	59,133	29,152	4,784	-	1,003	24,194
Bank charges	51,886	564	1,119	-	3,455	46,748
Management fees (Note 5)	120,000	-	-	-	-	120,000
Miscellaneous	38,744	21	38,723	-	-	-
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	149,266	30,362	38,550	-	9,780	70,573
Payroll taxes	13,356	3,353	2,860	-	2,841	5,302
Employee benefits	5,131	(733)	-	-	-	5,864
Outside services	65,522	20,768	22,115	-	5,190	17,449
Repairs and maintenance	211,596	144,508	29,702	-	15,321	22,066
Supplies	62,191	44,419	7,079	-	7,056	3,637
Utilities	367,758	240,859	73,721	-	21,192	31,986
COST RELATED TO CAPITAL ASSETS						
Depreciation	256,516	138,108	38,292	-	7,840	72,276
Interest	112,363	46,412	4,511	-	-	61,440
Rent (Notes 5 & 6)	368,517	152,400	74,301	-	64,200	77,616
Property taxes	8,133	6,939	-	-	-	1,194
Other	117,861	45,910	10,529	-	17,720	43,702
DIETARY EXPENSE						
Salaries and wages	59,629	-	-	-	59,629	-
Payroll taxes	4,461	-	-	-	4,461	-
Employee benefits	6	-	-	-	6	-
Food	426,930	281,348	111,455	-	34,127	-
Dietary supplies	15,947	9,577	5,392	-	978	-
Dietician	20,392	10,532	3,890	-	5,970	-
LAUNDRY AND LINEN SUPPLIES	23,501	13,953	3,329	-	6,219	-
HOUSEKEEPING						
Salaries and wages	33,613	-	-	-	33,613	-
Housekeeping supplies	47,317	30,808	7,025	-	9,134	351
PERSONAL CLIENT NEEDS						
Clothing	30,807	5,337	25,470	-	-	-
Other	55,035	34,129	20,906	-	-	-
MEDICAL AND NURSING						
Salaries and wages	637,131		-	-	637,131	-
Payroll taxes	49,408		-	-	49,408	-
Medical services	41,432	8,019	12,364	-	21,049	-
Medical supplies	62,720	5,567	1,744	-	55,409	-
Ambulance services	4,912	-	-	-	4,912	-
Patient transportation	12,337	-	-	-	12,337	-
X-Ray expense	17,263	-	-	-	17,263	-
Other	220,898	34,295	8,362	-	178,240	-
THERAPEUTIC AND TRAINING						
Salaries and wages	3,950,890	2,706,839	1,182,132	55,373	6,546	-
Payroll taxes	353,009	235,339	104,637	6,018	4,378	2,637
Employee benefits	294,233	155,938	84,418	300	49,874	3,703
Supplies	2,520	2,464	-	-	56	-
Other training (Note 5)	567,261	4,444	562,817	-	-	-
RECREATIONAL	85,326	54,311	27,389	-	3,626	-
CONSULTANTS	621,896	274,194	116,793	-	230,909	-
EXECUTIVE COMPENSATION	42,795	42,795	-	-	-	-
EDUCATION (Note 5)	356,050	9,230	-	-	-	346,820
COST REPORT SETTLEMENT AMOUNT (Note 10)	(32,336)				(32,336)	
TOTAL EXPENSES	$12,801,154	$5,597,024	$3,293,888	$63,270	$1,620,759	$1,726,213

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

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2002

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA-ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
ADMINISTRATIVE						
Salaries and wages	$712,519	$173,462	$137,372	$ -	$116,335	$285,350
Payroll taxes	52,119	13,811	11,140	-	-	27,168
Employee benefits	69,474	16,456	13,698	-	11,217	28,103
Advertising	-	-	-	-	-	-
Insurance	460,087	240,334	136,963	3,216	3,982	75,592
Interest - operations	10,967	-	-	-	-	10,967
Licenses	22,633	14,831	7,000	-	455	347
Office supplies	96,918	36,329	18,109	(18)	28,787	13,711
Printing	3,415	1,561	-	-	1,607	247
Provider fee	271,206	-	271,206	-	-	-
Motor vehicle expense	244,365	134,701	53,807	-	11,942	43,915
Taxes - non-property	-	-	-	-	-	-
Postage	8,836	4,887	2,718	-	503	728
Professional services	175,627	44,111	19	-	44,128	87,369
Subscriptions	6,836	2,089	1,591	-	2,332	824
Telephone	115,207	34,740	4,376	-	3,681	72,410
Training	29,847	12,506	16,791	-	298	260
Travel and seminar	63,759	32,846	3,284	-	7,649	19,980
Bank charges	30,352	121	1,143	-	88	29,000
Management fees (Note 5)	117,000	-	-	-	-	117,000
Miscellaneous	76,764	22,422	12,630	-	1,712	40,000
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	148,005	44,411	36,851	-	2,123	64,620
Payroll taxes	10,957	3,362	2,751	-	-	4,844
Employee benefits	4,033	(416)	-	-	-	4,449
Outside services	53,532	20,197	19,081	-	2,009	12,245
Repairs and maintenance	199,115	87,795	30,361	-	60,527	20,432
Supplies	41,397	25,174	6,512	-	8,470	1,241
Utilities	278,378	164,582	65,208	-	12,562	36,026
COST RELATED TO CAPITAL ASSETS						
Depreciation	270,571	141,387	50,407	-	3,200	75,577
Interest	81,504	25,373	4,926	-	-	51,205
Rent (Notes 5 & 6)	211,474	74,363	75,000	-	2,050	60,061
Property taxes	5,016	3,003	187	-	-	1,826
Other	110,148	41,075	10,255	-	25,346	33,472
DIETARY EXPENSE						
Salaries and wages	37,023	-	-	-	37,023	-
Payroll taxes	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-
Food	389,924	257,295	108,903	-	23,726	-
Dietary supplies	14,250	7,559	5,537	-	1,154	-
Dietician	16,407	11,400	2,837	-	2,170	-
LAUNDRY AND LINEN SUPPLIES	26,719	12,914	3,678	-	10,127	-
HOUSEKEEPING						
Salaries and wages	19,760	-	-	-	19,760	-
Housekeeping supplies	45,949	27,893	8,362	-	8,263	1,431
PERSONAL CLIENT NEEDS						
Clothing	31,562	6,575	24,987	-	-	-
Other	49,896	33,055	16,363	-	478	-
MEDICAL AND NURSING						
Salaries and wages	313,752	-	-	-	313,752	-
Payroll taxes	35,416	-	-	-	35,416	-
Medical services	13,512	683	5,118	-	7,705	-
Medical supplies	54,606	6,019	7,808	-	40,779	-
Ambulance services	1,597	-	-	-	1,597	-
Patient transportation	2,155	-	-	-	2,155	-
X-Ray expense	9,442	-	-	-	9,442	-
Other	239,834	111,102	19,440	-	109,292	-
THERAPEUTIC AND TRAINING						
Salaries and wages	3,633,091	2,441,148	1,122,333	62,566	7,044	-
Payroll taxes	303,000	199,292	93,233	5,299	5,176	-
Employee benefits	189,874	121,015	71,201	(2,342)	-	-
Supplies	5,178	1,763	13	-	3,402	-
Other training (Note 5)	565,241	4,385	560,856	-	-	-
RECREATIONAL	87,325	63,060	22,302	-	1,963	-
CONSULTANTS	471,279	237,556	102,212	-	131,511	-
EDUCATION (Note 5)	275,943	6,261	-	-	-	269,682
COST REPORT SETTLEMENT AMOUNT (Note 10)	337,243	-	-	-	337,243	-
TOTAL EXPENSES	$11,152,039	$4,964,494	$3,168,569	$68,721	$1,460,173	$1,490,082

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

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Government fees received	$11,223,488	$10,498,925
Residents' income received	394,534	352,094
Rental income received	115,100	44,050
Interest income and other received	6,172	22,640
Cash paid to suppliers and employees	(11,758,520)	(10,563,437)
Interest paid	(150,173)	(99,277)
Net cash provided by operating activities	(169,399)	254,995
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans to shareholder	12,727	5,780
Repayments from (loans to) others, net	-	(589)
Proceeds from liquidation of investments	-	245,706
Capital expenditures	(164,138)	(1,079,437)
Net cash used in investing activities	(151,411)	(828,540)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds (payments) on line of credit	272,673	(6,845)
Proceeds from long-term debt	303,596	1,025,415
Payments on long-term debt	(178,334)	(398,847)
Payment of deposit toward purchase of real estate	(52,700)	(10,200)
Net cash used in provided by financing activities	345,235	609,523
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,425	35,978
CASH AND CASH EQUIVALENTS - beginning of year	159,264	123,286
CASH AND CASH EQUIVALENTS - end of year	$183,689	$159,264
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	($904,585)	$1,566
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	256,514	270,566
Gain on sale of property	-	(2,905)
(Increase) decrease in investments	23,807	(10,083)
(Increase) decrease in receivables - other	17,748	11,014
(Increase) decrease in inventory	707	(2,572)
(Increase) decrease in accounts receivable	167,776	(233,922)
(Increase) decrease in prepaid expenses	58,204	(51,780)
(Decrease) increase in accounts payable	200,757	(104,258)
(Decrease) increase in cost report settlement payable	(32,336)	337,243
(Decrease) increase in accrued expenses	42,009	40,126
Net cash provided by operating activities	($169,399)	$254,995

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

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

1. Summary of Significant Accounting Policies

Organization

The Organization originated as a not for profit organization in January, 1978 and is exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue code.

The Harmony Center provides care to clients in one of six programs which include the following:

Group homes

Thirteen homes providing housing and care for foster children and referrals from the Department of Corrections aged 14 to 18.

Community homes

Ten homes providing housing and care for mentally impaired clients aged 18 and over.

Extraordinary therapy

Additional health and rehabilitation services provided to chronically mentally ill clients residing in community homes.

Transitional services

Supervised transitional residence and aftercare program for discharged forensic clients to develop daily living skills and prepare for vocational adjustment.

Mental Health Rehab services

Community based mental health services for mentally ill clients.

Benton Rehab Hospital

Hospital environment which provides physical rehabilitation services to accident and stroke victims. This is a Medicare - Part A rehabilitation hospital that became certified December 20, 2001.

All programs are operated in southern Louisiana and are funded by several State of Louisiana agencies through the Department of Health and Hospitals, Department of Corrections, Department of Social Services and Department of Education, as well as the Federal Government through the Medicare program, as follows. Funding received by the Organization is in its capacity as a vendor; no Federal awards are received.

1. Summary of Significant Accounting Policies (continued)

Program	Funding Agency	Funding Basis
Group Homes:		
Longfellow	Office of Community Services Department of Education	Per diem Meals provided
Harmony III	Office of Juvenile Services Department of Education	Per diem Meals provided
Supervised Apts	Office of Juvenile Services	Per diem
Hadley House	Office of Juvenile Services Department of Education	Per diem Meals provided
Vermillion	Office of Community Services Department of Education	Per diem Meals provided
Jackson	Office of Community Services Department of Education	Per diem Meals provided
Bragg	Office of Community Services Department of Education	Per diem Meals provided
Fairfields	Office of Community Services Office of Juvenile Services Department of Education	Per diem Per diem Meals provided
Changes	Office of Community Services Department of Education	Per diem Meals provided
Focus	Office of Juvenile Services Department of Education	Per diem Meals provided
Shirley's Den	Office of Juvenile Services Department of Education	Per diem Meals provided
A B Horn	Office of Juvenile Services Department of Education	Per diem Meals provided
Oaks	Office of Community Services Department of Education	Per diem Meals provided
Camelia	Office of Community Services Department of Education	Per diem Meals provided
Transitional Services:		
Transitional	Office of Mental Health	Per diem

1. Summary of Significant Accounting Policies (continued)

Program	Funding Agency	Funding Basis
Mental Health Rehab Services:		
Mental rehab	Office of Mental Health	Services rendered
Community Homes:		
East	Office of Family Security	Per diem
Bedford	Office of Family Security	Per diem
Goudchaux	Office of Family Security	Per diem
Elissalde	Office of Family Security	Per diem
Convention	Office of Family Security	Per diem
Riley	Office of Family Security	Per diem
Harmony II	Office of Family Security	Per diem
Florida Street	Office of Family Security	Per diem
Mason	Office of Family Security	Per diem
Carrollton	Office of Family Security	Per diem
Extraordinary Therapy:		
Bedford	Office of Family Security	Per diem
Harmony II	Office of Family Security	Per diem
Florida Street	Office of Family Security	Per diem
Benton Rehab Hospital:		
Benton	Medicare - Part A	Per diem

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets as of June 30, 2003 or 2002.

Contributions

Any contributions received by the Organization, including donations of long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor. During the year ended June 30, 2003 and 2002, there were no contributions.

Allowance for Doubtful Accounts

The allowance for uncollectible accounts is based on prior experience and management's assessment of the collectibility of accounts receivable. Due to the nature of the receivables, which are due from agencies of the State of Louisiana and the Federal Government, all amounts are considered to be collectible and therefore, an allowance for uncollectible accounts has not been established.

Inventory

Inventory is valued at the lower of cost (as determined by the first-in, first out method) or market.

Valuation of Investments

Investments consist of certificates of deposit. The certificates of deposit are presented at cost, which approximates fair value. Investment income and gains and losses on investments are recorded as increases or decreases in unrestricted net assets on the accompanying statement of activities.

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization follows the practice of capitalizing, at cost, expenditures for fixed assets in excess of $500. Property donated to the Organization is recorded at fair market value. Depreciation is computed using the straight-line method over the assets' estimated useful lives as follows:

Buildings	40 years
Furniture and equipment	5-10 years
Vehicles	3-5 years
Building improvements	2-20 years

On April 30, 2002, The Harmony Center, Inc. acquired the land and building located at 1325 North Street (The Deville Apartments) for a purchase price of $600,000.

During the year ended June 30, 2002, The Harmony Center, Inc. acquired the land and building located at 1900 North Blvd. for a purchase price of $741,000 to operate a school and a recreational facility.

Fair Value of Long-Term Debt

Based on the borrowing rates currently available to the Organization for similar loans with similar terms and maturities, the carrying amount of its long-term debt approximates fair value.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of trade accounts receivable. As of June 30, 2003 and 2002 substantially all of the Organization's trade receivables are unsecured and due from agencies of the State of Louisiana and the Federal Government. All of the Organization's revenues are generated in southern Louisiana.

The Organization maintains its cash balances in two financial institutions located in Baton Rouge, Louisiana. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2003 and 2002, the Organization's uninsured cash balances totaled $56,867 and $430,538, respectively.

1. Summary of Significant Accounting Policies (continued)

Allocation of Administrative Expenses

During the year ended June 30, 2002, the Organization changed its method of allocating the Central office overhead expenses to a pro rata percentage of the direct program costs for the various group homes, community homes, transitional services and the rehab hospital. In prior years, the Central office overhead expenses were prorated between the various group homes, community homes, and transitional services based upon the percentage of each home's client days to total client days.

Shared administrative costs are those expenses that benefit only the group homes or the community homes. These costs are allocated among the various group homes or community homes based upon the percentage of each home's client days to total program client days.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 presentation. Such reclassifications had no effect on reported change in net assets.

2. Long-Term Debt

Long-term debt consists of the following:

Payee/ Collateral	Interest Rate	Maturity Date	Monthly Payment	June 30 2003	June 30 2002
Bank/Louisa St. real estate	10.25%	11/2004	$1,685	$193,739	$193,739
Company/Land & Building	10.00%	9/2002	25,000/qtr	0	25,000
Bank/real estate	9.75%	9/2008	613	28,423	32,743
Bank/vehicle	7.60%	6/2005	835	16,750	25,146
Bank/2 vehicles	8.50%	6/2003	904	0	10,320
Bank/vehicle	8.00%	2/2003	391	0	3,051
Bank/vehicle	8.00%	2/2003	421	0	2,027
Bank/vehicle	7.57%	8/2007	404	17,295	0
Bank/vehicle	7.57%	8/2007	404	17,295	0
Bank/real estate	7.75%	5/2008	5,144	250,899	0
Bank/real estate	8.50%	12/2003	10,736	387,314	478,955
Bank/real estate	8.95%	4/2005	5,150	487,176	502,655
				1,398,891	1,273,636
Less current maturities				471,996	162,623
				$ 926,895	$1,111,013

The long-term debt matures as follows:

Year Ending June 30	
2004	$ 471,996
2005	729,314
2006	65,406
2007	70,767
2008	61,408
Thereafter	0
	$1,398,891

3. Note Payable

The Organization has two lines of credit with a local bank in the amounts of $125,000 and $250,000. The credit lines accrue interest at 7.5 and 7.75% per annum, respectively. The lines renew on an annual basis and mature on December 2003 and April 2004, respectively. The lines are collateralized by certificates of deposit and real estate. The outstanding balance of the $125,000 credit line as of June 30, 2003 and 2002, was $125,000 and $100,732, respectively. The $250,000 line of credit was established in March 2003 and the balance as of June 30, 2003 was $248,405.

4. Related Party Transactions

During the years ended June 30, 2003 and 2002, the Organization leased buildings and land to Maxima Industries, Inc. and Louisiana Health and Rehabilitation Options, Inc., both of which are owned by an officer of the Organization. The lease agreements are renewable annually. Rental income earned under these leases was as follows:

	Year Ended June 30	
	2003	2002
Maxima Industries, Inc.	$ 25,200	$ 25,200
Louisiana Health and Rehabilitation Options, Inc.	15,500	15,500
	$ 40,700	$ 40,700

During the years ended June 30, 2003 and 2002 the Organization hired Louisiana Health and Rehabilitation Options, Inc., to perform rehabilitation and therapy services. Fees incurred under this arrangement were as follows:

	Year Ended June 30	
	2003	2002
Community Homes		
East	$ 53,400	$ 53,400
Riley	53,400	58,650
Harmony II	44,400	39,150
	$ 151,200	$ 151,200

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002

5. Related Party Transactions (continued)

The Harmony Center, Inc. engaged Maxima Industries, Inc. to provide day program habilitation training for residents of the community homes. During the fiscal year, Harmony paid Maxima the following amounts for services rendered:

	Year Ended June 30 2003	2002
Community Homes		
East	$ 44,962	$ 52,500
Bedford	40,716	39,445
Elissalde	42,485	37,854
Goudchaux	34,763	38,758
Convention	46,548	47,216
Riley	52,556	51,104
Harmony II	40,527	37,899
Florida	39,926	40,419
Mason	38,624	36,626
	$381,107	$ 381,821

During the years ended June 30, 2003 and 2002, the Organization leased from an officer the following properties:

	Year Ended June 30 2003	2002
Group Homes:		
Longfellow	$8,400	$ 8,400
Supervised Apartments	18,000	18,000
Vermillion	18,000	12,000
Jackson	31,500	31,500
Bragg	18,000	18,000
The Oak	18,000	0
Shirley's Den	18,000	18,000
A B Horn	0	4,500
Community Homes:		
East	7,000	0
Elissalde	7,000	3,000
Goudchaux	7,200	7,200
Convention	14,400	14,400
Riley	0	12,000
Harmony II	14,700	14,400
Florida	12,000	12,000
Mason	12,000	12,000
Administrative	14,400	14,240
	$ 218,600	$ 199,640

The lease agreements are renewable annually.

5. Related Party Transactions (continued)

Reflected in accounts payable are the following balances as of June 30, 2003 and 2002:

	Year Ended June 30	
	2003	2002
Maxima Industries, Inc.	$ 31,266	$ 33,371
Louisiana Health and Rehabilitation Options, Inc.	12,600	12,600
	$43,866	$ 45,971

As of June 30, 2003 and 2002, the Organization was due $39,495 and $37,033, respectively, from Louisiana Health and Rehabilitation Options, Inc. The Organization was due $5,737, from Louisiana New School Academy as of June 30, 2003 and 2002.

The amount due from officer on the statement of financial position is an unsecured, short-term obligation which was non-interest bearing during the fiscal years ended June 30, 2002 and 2003.

During the years ended June 30, 2003 and 2002, the Company paid management fees totaling $120,000 and $117,000, respectively, to Human Resource Group Inc., a corporation owned by an officer of the Company.

During the year ended June 30, 2003 and 2002, the Company incurred education costs of $346,820 and $269,682, respectively, related to the Louisiana New School Academy, a nonprofit organization formed under Section 501(c)(3) of the Internal Revenue Code which is operated by a relative of an officer of the organization.

6. Operating Leases

In addition to the related party leases which are discussed in Note 5, the Organization leases a building from an unrelated party for $3,500 per month. The lease agreement is renewable annually. Rental expense under that lease was $42,000 for each of the years ended June 30, 2003 and 2002.

6. Operating Leases (continued)

The Organization also leases various office equipment under multiple operating leases. The leases commenced on varying dates between August 1998 through April 2002 and are for periods ranging from 60 to 72 months, with various termination dates ranging from July 2004 through March 2007. The terms of these operating lease agreements require monthly payments totaling $2,797. Rental expense under those leases totaled $33,564 and $36,847 during the years ended June 30, 2003 and 2002, respectively.

Future minimum rental payment under the above equipment leases are as follows:

Year Ending June 30	
2004	$35,618
2005	35,618
2006	34,168
2007	19,136
2008	0
	$124,540

7. Estimated Extraordinary Rate Overpayment

The Organization was notified by the Louisiana Department of Health and Hospitals that its extraordinary therapy services were under review for the fiscal year ended June 30, 1998. Although no final determination of liability for overpayment was established as of June 30, 1999, the Organization used criteria set forth by the Department of Health and Hospitals to estimate a liability of $53,072 for the year ended June 30, 1998. Using the same criteria, the Organization estimated a liability of $45,440 for extraordinary therapy services for the year ended June 30, 1999. No additional liability was accrued as of June 30, 2000. As of June 30, 2000, the total estimated liability was $98,512. As of June 30, 2001, management reduced the estimate to zero; therefore removing the liability. No accrual was necessary as of June 30, 2002 and 2003.

8. Contingencies

Current and prior funds received from the various funding agencies are subject to audit by the respective agencies. Generally accepted accounting principles preclude a charge to income for a provision for loss contingencies, if any, that cannot be reasonably estimated.

8. Contingencies (continued)

A petition was filed by a plaintiff for personal injuries he allegedly received on March 13, 1999 when he was involved in a motor vehicle accident with a vehicle owned by The Harmony Center, Inc. and operated by an employee of The Harmony Center, Inc. The case went to trial and was settled during fiscal year 2003 for $40,000.

A petition has been filed by a plaintiff for the purpose of acquiring by expropriation an interest in the property located at 4914 McClelland St. Plaintiffs and defendants have entered into a Consent Judgement by which plaintiffs shall pay The Harmony Center, Inc. $18,009.

9. Other Matters

During the year, The Harmony Centers, Inc.'s executive director collected rental income in the amount of $42,795 from tenants of the Deville Apartments which are owned by The Harmony Center, Inc. The income was retained by the executive director. The Board has retroactively approved the retained amounts as additional executive director compensation.

10. Benton Rehabilitation Hospital Costs Reports and Restatement of Financial Statements

The Financial statements for the year ended June 30, 2002 have been restated to reflect a $337,243 payable by Benton Rehabilitation Hospital as a result of the completion of Benton's Cost Report for the period December 31, 2001 to June 30, 2002. The Cost Report for the year ended June 30, 2003 reflected refundable amounts totaling $32,336. The net amount is unpaid as of June 30, 2003. As of June 30, 2003 any additional amounts if any, which may be due, cannot be determined.

SUPPLEMENTARY INFORMATION

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF FINANCIAL POSITION
COMBINED PROGRAMS
JUNE 30, 2003

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA-ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 183,689	$ 1,200	$ -	$ 1,823	$ -	$ 180,666
Investments	170,773	-	-	-	-	170,773
Accounts receivable	1,174,176	665,397	350,673	-	178,106	-
Interfund receivables	1,196,737	355,317	1,232,462	246,229	(637,072)	-
Receivables - other	60,288	4,604	(59)	-	-	55,044
Inventory	3,642	-	-			3,642
Prepaid expenses	42,367	17,731	6,918	-		17,718
Total current assets	2,831,773	1,024,050	1,589,994	248,052	(458,966)	428,643
PROPERTY AND EQUIPMENT						
Buildings and land	4,129,422	1,775,918	250,334	-	-	2,103,170
Furniture and equipment	992,443	518,627	194,306	-	46,954	232,555
Vehicles	861,026	440,153	239,066	-	-	181,807
Building improvements	832,289	473,849	187,169	-	16,088	155,183
	6,815,180	3,208,549	870,875	-	63,042	2,672,715
Accumulated depreciation	(2,249,978)	(1,102,039)	(447,853)	-	(11,040)	(689,046)
	4,565,202	2,106,510	423,022	-	52,002	1,983,668
OTHER ASSETS						
Due from officer	187,489	-	-	-	-	187,489
Deposits	93,400	42,500	-	-	-	50,900
Goodwill	130,000	-	130,000	-	-	-
	410,889	42,500	130,000	-	-	238,389
TOTAL ASSETS	$ 7,807,864	$ 3,173,059	$ 2,143,016	$ 248,052	$ (406,964)	$ 2,650,701
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 723,076	$ 177,089	$ 215,261	$ 141	$ 144,804	$ 185,781
Accrued expenses	173,331	77,205	35,354	1,064	19,367	40,341
Cost report settlement payable	304,907	-	-	-	304,907	-
Interfund payables	1,196,737	-	-	-	-	1,196,737
Note payable	373,405	-	-	-	-	373,405
Current maturities of long-term debt	471,996	22,629	8,405	-	-	440,962
Total current liabilities	3,243,452	276,923	259,020	1,204	469,077	2,237,227
LONG-TERM DEBT, net of current maturities	926,896	481,843	37,314	-	-	407,740
Total liabilities	4,170,348	758,766	296,334	1,204	469,077	2,644,967
NET ASSETS, unrestricted	3,637,516	2,414,293	1,846,682	246,847	(876,041)	5,734
TOTAL LIABILITIES AND NET ASSETS	$ 7,807,864	$ 3,173,059	$ 2,143,016	$ 248,052	$ (406,964)	$ 2,650,701

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
COMBINED PROGRAMS
YEAR ENDED JUNE 30, 2001

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA-ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
REVENUE						
Government fees - housing	$ 9,508,109	$ 6,007,430	$ 3,500,679	$ -	$ -	$ -
Government fees - food	96,352	96,352	-	-	-	-
Government fees - services	84,154	-	-	84,154	-	-
Residents' rental income	394,536	201,242	193,294	-	-	-
Government fees - Medicare A	1,351,284	-	-	-	1,351,284	-
Gain on sale of assets	-	-	-	-	-	-
Rental income	157,895	42,795	-	-	-	115,100
Interest income and other	4,239	50	209	-	182	3,798
	11,596,569	6,347,869	3,694,182	84,154	1,351,466	118,858
EXPENSES						
ADMINISTRATIVE						
Salaries and wages	869,824	222,783	142,256	-	168,850	335,934
Payroll taxes	59,793	14,355	11,424	-	12,681	21,333
Employee benefits	78,410	16,679	19,749	-	10,738	31,244
Advertising	78	-	-	-	78	-
Insurance	468,166	213,891	107,156	1,604	24,792	120,813
Interest - operations	22,847	-	-	-	3,309	19,538
Licenses	14,356	8,529	5,041	-	786	-
Office supplies	59,481	34,666	17,774	(25)	5,435	1,631
Printing	2,638	1,156	-	-	436	1,047
Provider fee	275,884	-	275,884	-	-	-
Motor vehicle expense	248,235	152,248	55,708	-	1,680	38,599
Taxes - non-property	-	-	-	-	-	-
Postage	7,388	4,592	1,959	-	694	143
Professional services	203,089	53,542	3,892	-	33,314	112,341
Subscriptions	8,869	3,001	1,837	-	2,844	1,187
Telephone	131,872	31,346	9,493	-	6,563	84,470
Training	36,867	19,165	17,306	-	20	376
Travel and seminar	59,133	29,152	4,784	-	1,003	24,194
Bank charges	51,886	564	1,119	-	3,455	46,748
Management fees	120,000	-	-	-	-	120,000
Miscellaneous	38,744	21	38,723	-	-	-
PLANT OPERATIONS AND MAINTENANCE						
Salaries and wages	149,266	30,362	38,550	-	9,780	70,573
Payroll taxes	13,356	2,353	2,860	-	2,841	5,302
Employee benefits	5,131	(733)	-	-	-	5,864
Outside services	65,522	20,768	22,115	-	5,190	17,449
Repairs and maintenance	211,598	144,508	29,702	-	15,321	22,066
Supplies	62,191	44,419	7,079	-	7,056	3,637
Utilities	367,758	240,859	73,721	-	21,192	31,986
COST RELATED TO CAPITAL ASSETS						
Depreciation	256,516	138,188	38,292	-	7,860	72,276
Interest	112,363	46,412	4,511	-	-	61,440
Rent	368,517	152,400	74,301	-	64,200	77,616
Property taxes	8,133	6,939	-	-	-	1,194
Other	117,861	45,910	10,529	-	17,720	43,702
DIETARY EXPENSE						
Salaries and wages	59,629	-	-	-	59,629	-
Payroll taxes	4,461	-	-	-	4,461	-
Employee benefits	6	-	-	-	6	-
Food	426,938	281,348	111,488	-	34,127	-
Dietary supplies	15,947	9,577	5,392	-	978	-
Dietician	20,392	10,532	3,890	-	5,970	-
LAUNDRY AND LINEN SUPPLIES	23,501	13,953	3,329	-	6,219	-
HOUSEKEEPING						
Salaries and wages	33,613	-	-	-	33,613	-
Housekeeping supplies	47,317	30,808	7,025	-	9,134	351
PERSONAL CLIENT NEEDS						
Clothing	30,807	5,337	25,470	-	-	-
Other	55,035	34,129	20,906	-	-	-

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
COMBINED PROGRAMS
YEAR ENDED JUNE 30, 2003

	TOTAL	GROUP HOMES	COMMUNITY HOMES	EXTRA-ORDINARY THERAPY	BENTON REHAB HOSPITAL	CENTRAL OFFICE
MEDICAL AND NURSING						
Salaries and wages	637,131		-	-	637,131	-
Payroll taxes	49,408		-	-	49,408	-
Medical services	41,432	8,019	12,364	-	21,049	-
Medical supplies	62,720	5,567	1,744	-	55,409	-
Ambulance services	4,912	-	-	-	4,912	-
Patient transportation	12,337	-	-	-	12,337	-
X-Ray expense	17,263	-	-	-	17,263	-
Other	220,898	34,295	8,362	-	178,240	-
THERAPEUTIC AND TRAINING						
Salaries and wages	3,950,890	2,706,839	1,182,132	55,373	6,546	-
Payroll taxes	453,009	335,339	104,637	6,018	4,378	2,637
Employee benefits	294,233	155,938	84,418	300	49,874	3,703
Supplies	2,520	2,464	-	-	56	-
Other training	567,261	4,444	562,817	-	-	-
RECREATIONAL	85,326	54,311	27,389	-	3,626	-
CONSULTANTS	621,896	274,194	116,793	-	230,909	-
EDUCATION	356,050	9,230	-	-	-	346,820
COST REPORT SETTLEMENT REPORT	(32,336)	-	-		(32,336)	
EXECUTIVE COMPENSATION	42,795	42,795	-			
ALLOCATED EXPENSES						
Central Office cost	0	833,490	473,820	-	288,055	(1,595,365)
Shared cost	-	-	-	-	-	-
TOTAL EXPENSES	12,501,354	6,430,514	3,767,708	63,270	2,108,814	130,848
CHANGE IN NET ASSETS	(904,585)	(82,645)	(73,525)	20,884	(757,348)	(11,950)
Interprogram Transfers		8,790	(8,790)			
NET ASSETS - July 1, 2002	4,542,100	2,488,148	1,928,997	225,963	(118,693)	17,684
NET ASSETS - June 30, 2003	$ 3,637,515	$ 2,414,293	$ 1,846,682	$ 246,847	$ (876,041)	$ 5,734

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
GROUP HOMES
YEAR ENDED JUNE 30, 2003

	TOTAL	LONGFELLOW	HARMONY III	SUPERVISED APARTMENTS	HADLEY GROVE	VERMILLION	JACKSON	BRAND	FAIRFIELDS	CHANDLER	FOCUS	BRINLEY'S DEN	OAKS	A B HOME	ELLEN	CAMELIA	SEVILLE	TRANSITIONAL	SHARED COST CENTER
REVENUE																			
Government fees - housing	[illegible]	$ 580,921	$366,482	$ 215,718	$ 276,673	$ 590,425	$ 556,018	$445,382	$ -	$ 336,147	$478,284	$297,883	$ 331,428	$397,284	$ -	$ -	$ -	$1,348,513	$ -
Government fees - SSI	94,353	9,325	9,882	-	4,136	9,884	10,671	6,369	-	6,670	9,604	7,626	9,164	7,420	-	-	-	-	-
Government fees - services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residents' rental income	201,243	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,686	183,447	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	42,795	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,795	-	-
Interest income and other	50	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	[illegible]	590,246	376,414	215,718	280,809	600,309	566,689	451,751	-	342,817	487,888	305,509	340,592	404,704	-	-	60,481	1,531,960	-
EXPENSES																			
ADMINISTRATIVE																			
Salaries and wages	222,761	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,476	177,107
Payroll taxes	14,355	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,355
Employee benefits	18,879	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,721	12,977
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	213,021	12,870	11,496	10,351	11,519	14,996	20,611	19,953	-	12,035	12,199	18,787	12,649	18,673	-	117	16,961	43,036	8,878
Interest - operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses	9,528	685	600	338	606	919	5,176	898	-	683	760	690	1,010	569	-	305	-	118	-
Office supplies	34,088	1,887	1,224	317	342	1,669	1,349	325	-	1,142	(42)	488	(216)	554	-	-	-	18,263	13,834
Printing	1,156	-	-	-	-	-	-	233	-	680	-	47	-	-	-	-	-	417	-
Provider fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicle expense	250,248	8,361	7,980	16,333	8,798	11,249	18,441	8,637	-	8,985	14,139	3,799	9,344	14,989	-	-	-	32,166	137
Taxes - non-property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	4,898	127	133	110	233	897	436	727	-	774	111	111	111	109	-	-	-	658	-
Professional services	53,542	-	-	-	-	-	2,009	-	-	-	40,374	2,258	-	2,230	-	-	-	687	962
Subscriptions	3,001	385	138	-	60	358	333	159	-	138	51	187	-	167	-	-	-	486	689
Telephone	31,346	1,085	183	670	436	10,094	4,330	3,616	-	3,627	(339)	(167)	(16)	(49)	-	-	-	4,617	1,445
Training	18,165	1,590	859	457	721	3,176	1,374	2,431	-	1,218	926	820	1,131	786	-	305	-	3,592	35
Travel and seminar	29,153	1,800	772	616	777	6,069	3,433	3,028	-	5,659	101	983	106	1,135	-	-	-	2,445	3,434
Bank charges	504	2	2	-	-	2	141	5	-	3	1	2	5	-	-	4	-	-	564
Miscellaneous	21	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PLANT OPERATIONS AND MAINTENANCE																			
Salaries and wages	33,161	-	-	-	-	2,693	3,936	-	-	-	-	-	-	-	-	-	-	-	26,734
Payroll taxes	2,355	-	-	-	-	218	235	-	-	-	-	-	-	-	-	-	-	-	1,918
Employee benefits	(733)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(733)
Outside services	28,768	828	365	440	1,565	2,390	4,381	870	-	1,333	351	819	915	695	-	1,326	1,804	8,570	-
Repairs and maintenance	144,908	10,330	6,448	3,127	7,595	4,399	17,759	3,978	-	8,006	8,826	4,925	5,732	3,679	-	8,324	59,338	24,333	158
Supplies	44,419	4,328	1,539	683	2,332	4,557	4,897	3,296	-	2,284	4,338	826	1,677	1,203	-	386	2,323	13,499	-
Utilities	260,850	14,348	16,068	12,386	8,478	15,777	15,556	4,977	-	8,683	11,023	7,017	6,131	6,339	-	485	44,739	68,897	184
COST RELATED TO CAPITAL ASSETS																			
Depreciation	138,158	7,964	3,699	2,299	5,609	11,089	9,684	7,808	7,485	14,762	13,390	8,410	262	3,170	-	3,868	19,457	33,053	2,643
Interest	48,413	-	-	-	-	1,191	-	-	-	-	392	-	-	-	-	-	44,865	26	-
Rent	152,480	8,400	-	18,006	-	16,089	35,589	14,606	-	-	-	18,000	16,006	-	-	-	-	59,580	-
Property taxes	6,939	-	-	-	-	-	2,563	1,499	-	2,719	149	-	(183)	-	-	-	-	-	-
Other	45,309	3,749	643	943	-	7,226	4,195	3,603	-	3,725	1,316	278	534	-	-	-	4,626	19,434	-
DIETARY EXPENSE																			
Salaries and wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food	281,348	24,787	15,289	19,146	13,356	24,807	32,696	17,838	-	14,836	15,394	9,934	13,779	9,394	-	-	-	56,728	-
Dietary supplies	8,877	1,166	882	273	775	490	880	397	-	797	535	571	736	213	-	85	-	1,055	-
Dietician	10,532	320	240	-	369	2,833	1,350	2,495	-	2,055	306	330	369	240	-	-	-	938	-
LAUNDRY AND LINEN SUPPLIES	13,982	1,849	533	498	1,212	1,069	1,270	319	-	1,066	1,391	384	440	477	-	214	-	425	-
HOUSEKEEPING SUPPLIES	30,498	3,844	2,081	836	1,355	1,188	3,059	2,203	-	1,726	1,311	1,170	882	1,079	-	-	-	9,626	-
PERSONAL CLIENT NEEDS																			
Clothing	5,337	(3,373)	2,841	-	4,633	(1,914)	(863)	(1,585)	-	(1,160)	3,063	1,021	(1,434)	2,880	-	-	-	580	-
Other	16,124	1,185	3,342	3,608	2,696	4,023	5,579	3,133	-	1,376	3,134	879	684	1,989	-	-	-	2,722	-
MEDICAL AND NURSING																			
Medical services	8,919	1,326	-	46	141	382	368	-	-	-	247	-	-	-	-	-	-	5,666	-
Medical supplies	9,867	338	383	-	30	1,184	1,314	425	-	3,169	390	389	41	159	-	-	-	438	-
Other	34,295	63	20	-	77	379	158	316	-	989	-	-	-	33	-	-	-	33,972	-

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
[illegible]
YEAR ENDED JUNE 30, 2001

	TOTAL	LONGFELLOW	HARMONY III	SUPERVISED APARTMENTS	HADLEY HOUSE	VERMILLION	JACKSON	BRADY	FAIRFIELDS	CHANDLER	FOCUS	SHIRLEY'S DEN	OAKS	A B HOME	BAKER	CAMELIA	DEVILLE	TRANSITIONAL	SHARED COST CENTER
THERAPEUTIC AND TRAINING																			
Salaries and wages	2,706,839	185,464	132,505	91,201	135,163	266,115	293,255	226,764	-	187,793	168,572	107,279	177,553	102,973	-	-	-	629,883	-
Payroll taxes	235,339	15,073	10,967	7,368	11,391	23,160	24,246	18,336	-	15,793	11,975	9,509	14,533	8,500	-	-	-	48,906	-
Employee benefits	155,938	10,686	10,807	3,748	9,898	22,554	9,113	6,969	33	9,699	19,962	4,638	2,938	6,322	-	-	-	39,393	-
Supplies	2,484	13	-	-	-	38	-	-	-	-	-	-	-	-	-	-	-	2,433	-
Other training	4,444	869	-	-	-	833	920	1,000	-	780	-	-	24	-	-	-	-	60	-
RECREATIONAL	54,313	2,749	3,465	456	2,341	6,443	7,772	4,697	-	6,384	3,689	3,778	3,737	3,449	-	-	-	11,489	75
CONSULTANTS	274,134	36,713	8,048	3,689	385	39,168	32,081	31,366	-	24,722	73,759	4,535	9,955	299	-	3,433	-	6,575	-
EDUCATION	9,238	605	339	-	352	1,353	3,435	828	-	544	618	369	379	519					
Executive Officer Expenses	42,795																42,795		
ALLOCATED EXPENSES																			
Central office cost	633,498	83,185	40,173	32,994	38,697	84,646	99,448	64,296	1,160	56,451	65,616	32,343	49,742	36,918	-	2,771	-	166,376	-
Shared cost	-	32,882	22,967	13,492	19,835	32,316	35,961	23,181	-	18,339	24,637	13,313	18,176	13,129	-	-	-	-	(261,358)
TOTAL EXPENSES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]	-
CHANGE in NET ASSETS BEFORE TRANSFERS	(82,445)	117,313	96,186	(16,989)	(7,679)	(29,194)	(48,580)	(34,155)	(8,686)	(76,886)	(951)	(5,973)	448	(15,826)	-	(26,601)	(130,469)	133,173	-
OTHER CHANGE IN NET ASSETS Interprogram transfers	-	141,637	(36,101)	16,631	(18,830)	(30,157)	(45,481)	(33,432)	71	47,918	(9,818)	30,842	(4,826)	15,571	-	(16,626)	-	-	-
Intercompany transfers	8,798															8,799			
NET ASSETS - July 1, 2000	2,489,141	587,574	135,497	108,216	124,085	17,614	(14,396)	16,506	166,383	164,998	177,876	187,277	(5,683)	251,224	143,184	-	(45,556)	312,187	9,533
NET ASSETS - June 30, 2001	$2,414,392	$ 846,524	$168,582	$ 108,738	$ 96,575	$(41,737)	$(108,357)	$(51,081)	$157,687	$136,932	$167,026	$171,768	$ (9,258)	$250,969	$143,184	$(26,827)	$(176,215)	$ 445,289	$ 9,533

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
COMMUNITY HOMES
YEAR ENDED JUNE 30, 2003

	TOTAL	EAST	BEDFORD	HILLSIDE	GOODWOOD	CONVENTION	MILES	HARMONY II	FLORIDA	MASON	CHANCELLOR	CAMELIA	CHRISTIAN	SHARED COST CENTER
REVENUE														
Government fees - housing	$ 3,500,679	$ 353,104	$ 387,862	$ 344,381	$ 295,872	$ 382,171	$ 390,985	$ 404,893	$ 323,027	$ 303,083	$ 313,340	$ -	$ -	$ -
Government fees - food	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government fees - services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residents' rental income	193,294	30,169	20,104	14,525	4,921	42,364	28,250	4,246	26,038	14,678	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income and other	209	21	21	21	21	21	21	21	21	21	20	-	-	-
	3,694,182	383,294	407,987	358,927	300,814	424,556	419,256	409,160	349,086	317,782	313,360	-	-	-
EXPENSES														
ADMINISTRATIVE														
Salaries and wages	142,256	-	-	-	-	-	-	-	-	-	-	-	-	142,256
Payroll taxes	11,424	-	-	-	-	-	-	-	-	-	-	-	-	11,424
Employee benefits	19,749	-	-	-	-	-	-	-	-	-	-	-	-	19,749
Advertising	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	107,156	9,796	10,591	9,421	9,888	10,329	9,951	9,665	10,055	9,827	11,244	-	-	6,279
Interest - operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses	8,043	643	635	638	625	640	643	-	635	-	616	-	-	-
Office supplies	17,774	833	529	1,068	501	371	426	628	(27)	371	449	-	-	12,633
Printing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provider fee	275,884	29,434	30,571	27,030	22,723	31,916	31,839	10,568	23,937	23,937	23,937	-	-	-
Motor vehicle expense	55,708	5,234	6,780	8,980	6,620	8,803	4,484	2,581	1,687	5,421	11,180	-	-	28
Taxes - nonproperty	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	1,959	74	74	74	74	74	74	74	74	74	700	-	-	343
Professional services	3,802	2,818	-	-	-	-	-	-	-	-	-	-	-	1,034
Subscriptions	1,937	159	150	173	335	266	283	103	133	-	125	-	-	241
Telephone	9,493	(42)	2	286	1,664	13	-	2	1,886	2	1,012	-	-	4,670
Training	17,306	2,033	1,782	1,685	1,649	1,588	1,619	3,632	1,622	1,598	929	-	-	1,274
Travel and seminar	4,784	284	340	129	219	14	64	189	139	139	587	-	-	2,488
Bank charges	1,119	126	146	129	192	144	148	39	35	126	34	-	-	-
Miscellaneous	38,723	11,372	10,060	3,136	502	5,150	838	3,403	524	1,273	437	-	-	-
PLANT OPERATIONS AND MAINTENANCE														
Salaries and wages	38,550	-	-	-	-	-	-	-	-	-	-	-	-	38,550
Payroll taxes	2,860	-	-	-	-	-	-	-	-	-	-	-	-	2,860
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outside services	22,115	2,259	2,716	1,938	2,253	1,872	2,766	1,869	1,882	1,547	1,819	-	-	-
Repairs and maintenance	25,702	4,293	3,169	1,856	2,577	2,778	2,727	1,754	1,689	1,479	1,913	-	-	-
Supplies	7,079	332	806	694	872	977	334	1,069	480	601	933	-	-	-
Utilities	73,721	7,231	11,112	5,081	4,524	7,867	8,163	7,799	9,433	5,690	6,602	-	-	-
COST RELATED TO CAPITAL ASSETS														
Depreciation	38,292	926	6,677	7,280	398	724	4,727	1,284	2,892	8,018	6,814	-	-	2,646
Interest	4,511	-	-	1,191	-	-	-	263	-	-	3,057	-	-	-
Rent	74,361	7,590	-	7,600	7,200	14,400	-	14,781	12,690	12,000	-	-	-	-
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	10,525	949	1,811	331	806	1,403	-	1,341	-	1,158	761	-	-	-
DIETARY EXPENSE														
Salaries and wages	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food	111,651	12,824	12,723	10,611	9,330	12,019	10,275	12,093	10,155	10,079	9,418	-	-	-
Dietary supplies	5,392	735	497	651	526	618	542	478	332	544	276	-	-	-
Dietician	3,593	440	425	320	300	240	360	325	220	248	1,156	-	-	-
LAUNDRY AND LINEN SUPPLIES	3,329	449	335	690	163	229	348	304	361	138	314	-	-	-
HOUSEKEEPING SUPPLIES	7,025	1,094	1,107	698	486	561	667	533	727	387	375	-	-	-
PERSONAL CLIENT NEEDS														
Clothing	25,470	4,000	4,111	2,678	58	3,608	1,544	1,895	2,531	2,661	2,400	-	-	-
Other	23,986	2,369	1,982	3,051	2,569	2,977	3,216	1,411	1,303	1,092	1,836	-	-	-

The accompanying notes are an integral part of this schedule.

THE HARMONY CENTER, INC.
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA
SCHEDULE OF REVENUE, FUNCTIONAL EXPENSES AND CHANGE IN NET ASSETS
COMMUNITY HOMES
YEAR ENDED JUNE 30, 2003

	TOTAL	EAST	BROWSSO	GILLIKALOR	GOUDCHAUX	CONVENTION	RILEY	HARMONY II	FLORIDA	MARSH	CARROLLTON	CAMELIA	CHRISTIAN	SHARED COST CENTER
MEDICAL AND NURSING														
Medical services	12,164	3,041	2,325	1,460	643	1,913	111	1,186	440	1,865	265	-	-	-
Medical supplies	1,746	-	249	176	65	130	179	33	173	8	730	-	-	-
Other	8,562	2,143	376	548	268	425	353	2,542	791	747	170	-	-	-
THERAPEUTIC AND TRAINING														
Salaries and wages	1,182,132	112,856	136,566	111,326	113,481	120,804	116,113	103,582	119,827	133,030	130,997	-	-	-
Payroll taxes	104,637	8,937	19,193	9,345	8,901	10,037	9,635	8,658	8,752	8,684	11,587	-	-	-
Employee benefits	84,418	18,236	7,455	8,412	7,674	4,834	12,611	16,060	5,024	7,971	4,490	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other training	562,017	98,767	43,265	42,620	56,585	46,656	108,172	84,023	39,926	38,894	31,009	-	-	-
RECREATIONAL	27,389	3,087	3,143	2,895	3,889	2,491	2,837	3,965	1,953	2,387	3,822	-	-	-
CONSULTANTS	116,730	13,187	11,928	10,092	10,574	9,731	14,459	18,759	9,150	11,097	18,511	-	-	-
ALLOCATED EXPENSES														
Central Office cost	473,926	55,470	51,162	45,635	38,277	49,750	50,172	50,706	42,798	45,232	46,620	-	-	-
Shared cost	-	26,422	27,441	24,267	20,307	28,648	28,574	27,431	21,486	21,486	21,486	-	-	(247,638)
TOTAL EXPENSES	2,747,704	495,163	409,317	149,470	213,304	291,289	425,451	404,701	333,994	328,511	274,982	-	-	(970)
CHANGE IN NET ASSETS BEFORE TRANSFERS	(73,521)	(40,867)	(1,533)	9,457	(12,496)	33,247	(16,156)	4,459	13,992	(1,069)	(57,629)	-	-	979
OTHER CHANGE IN NET ASSETS Interprogram transfers	0	176,993	(17,848)	(83,109)	(10,645)	(48,183)	(34,209)	(37,028)	(61,430)	(12,072)	(4,473)	-	-	-
Interprogram transfer	(8,798)											(8,798)		
NET ASSETS - July 1, 2002	1,928,997	322,510	(28,853)	112,235	71,636	143,331	267,733	142,756	131,864	88,406	351,924	8,798	101,291	5,072
NET ASSETS - June 30, 2003	$1,846,682	$453,636	$(48,225)	$38,583	$48,503	$128,415	$217,333	$110,189	$75,526	$53,553	$283,413	$0	$101,291	$6,051

The accompanying notes are an integral part of this schedule.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Harmony Center, Inc.

We have audited the financial statements of The Harmony Center, Inc. (a not for profit organization) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 30, 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 Harmony Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the 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 Harmony Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 internal control over financial reporting that, in our judgment, could adversely affect The Harmony Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions were identified:

- Executive director collecting rental income of owned apartment building and not depositing into organization's bank account. Retroactive approval of additional compensation in the amount of the non-collected rents was obtained from the Board.

The following reportable conditions for the year ended June 30, 2002 and management's actions are as follows (these reportable conditions were not reportable conditions for the year ended June 30, 2003):

- Absence of timely recordation of certain one-time transactions (i.e. acquisitions, bank financings, etc.)

  During the year ended June 30, 2003 management recorded certain one-time transactions timely

- Failure to timely produce and review monthly financial statements

  During the year ended June 30, 2003 management began producing and reviewing financial statements

- Absence of timely monitoring and collection of employee and other receivables

  During the year ended June 30, 2003 management discontinue making employee loans and properly monitored collections from employees and others

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 over financial reporting 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 for the information and use of the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bany Erf Company

Baton Rouge, Louisiana
October 30, 2003