

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL
INDUSTRIES BUILDING, INC.**

Audit of Combined Financial Statements

December 31, 2015



Contents

Independent Auditor's Report	1 - 2
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Financial Statements

Combined Statement of Financial Position	3 - 4
Combined Statement of Activities	5
Combined Statement of Functional Expenses	6
Combined Statement of Cash Flows	7
Notes to Combined Financial Statements	8 - 14

Supplemental Information

Schedule I - Combining Statement of Financial Position	15
Schedule II - Combining Statement of Activities	16
Schedule III - Combining Statement of Functional Expenses	17
Schedule IV - Schedule of Compensation, Benefits, and Other Payments to Agency Head	18

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19 - 20
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Independent Auditor's Report

To the Boards of Directors
Goodwill Industries of Southeastern
Louisiana, Inc., Goodworks, Inc., and
Goodwill Industries Building, Inc.

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. (the Organizations), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. Schedules I through IV are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2016 on our consideration of the Organizations' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
June 10, 2016

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Financial Position
December 31, 2015**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 15,318,765
Accounts Receivable - Trade, Net	3,160,265
Merchandise Inventory	678,417
Prepaid Expenses and Other	516,884
Notes Receivable, Current Portion	8,400,000
Interest Receivable, Current Portion	<u>4,661,174</u>
Total Current Assets	<u>32,735,505</u>
Property and Equipment	
Land	1,864,348
Building and Building Improvements	11,975,662
Machinery and Equipment	1,713,689
Furniture and Fixtures	1,605,677
Automobiles and Trucks	726,161
Leasehold Improvements	1,541,561
Computer Equipment	416,564
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	20,000,427
Less: Accumulated Depreciation	<u>7,737,284</u>
Property and Equipment, Net	<u>12,263,143</u>
Other Assets	
Deposits	<u>133,305</u>
Total Other Assets	<u>133,305</u>
Total Assets	<u><u>\$ 45,131,953</u></u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.**
Combined Statement of Financial Position (Continued)
December 31, 2015

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 558,335
Accrued Expenses and Taxes	1,116,432
Deferred Revenue	591,116
Notes Payable, Current Portion	<u>15,000,000</u>
Total Current Liabilities	<u>17,265,883</u>
Net Assets	
Unrestricted	<u>27,866,070</u>
Total Net Assets	<u>27,866,070</u>
Total Liabilities and Net Assets	<u>\$ 45,131,953</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Activities
For the Year Ended December 31, 2015**

	Unrestricted	Total
Sales Revenue		
Retail Stores	\$ 17,859,270	\$ 17,859,270
Contributed Revenue - Donated Goods	6,891,502	6,891,502
Salvage	1,095,569	1,095,569
Total	<u>25,846,341</u>	<u>25,846,341</u>
Vocational Training Revenue		
Janitorial, Landscaping, and Incubator Services	6,141,839	6,141,839
Total	<u>6,141,839</u>	<u>6,141,839</u>
Other Sources of Income		
Federal Financial Assistance	488,312	488,312
Other Grant Income	44,199	44,199
Interest Income	653,109	653,109
State Sales Tax Exclusion	703,937	703,937
Louisiana Rehabilitation Service	179,997	179,997
Contributions	68,818	68,818
Gain on Disposal of Assets	250,233	250,233
Rent	437,266	437,266
Miscellaneous	212,286	212,286
Total	<u>3,038,157</u>	<u>3,038,157</u>
Total Revenue and Other Income, Net	<u>35,026,337</u>	<u>35,026,337</u>
Expenses		
Retail Program - Cost of Goods Sold	6,890,306	6,890,306
Program Services	22,704,800	22,704,800
Management and General	3,432,414	3,432,414
Total Expenses	<u>33,027,520</u>	<u>33,027,520</u>
Change in Net Assets	1,998,817	1,998,817
Net Assets, Beginning of Year	<u>25,867,253</u>	<u>25,867,253</u>
Net Assets, End of Year	<u>\$ 27,866,070</u>	<u>\$ 27,866,070</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Functional Expenses
For the Year Ended December 31, 2015**

	Program Services	Management and General	Total
Operating Expense			
Salaries, Wages, Taxes, and Benefits	\$ 13,561,721	\$ 1,723,739	\$ 15,285,460
Occupancy Cost	3,347,400	17,771	3,365,171
Repairs and General Maintenance	251,668	16,740	268,408
Supplies and Materials	835,733	87,721	923,454
Waste Disposal	466,551	12,493	479,044
Training and Support Service	92,902	7,857	100,759
Outreach and Marketing	58,936	51,636	110,572
Conference and Travel	133,522	51,323	184,845
Communication	394,044	219,815	613,859
Equipment and Vehicle Cost	414,836	100,082	514,918
Insurance	513,944	95,372	609,316
Professional Fees and Dues	210,300	550,686	760,986
Administrative and Other	522,644	472,934	995,578
	<u>20,804,201</u>	<u>3,408,169</u>	<u>24,212,370</u>
Interest, Taxes, Depreciation, and Amortization			
Interest	186,309	-	186,309
Taxes	216,440	-	216,440
Depreciation and Amortization	1,497,850	24,245	1,522,095
	<u>1,900,599</u>	<u>24,245</u>	<u>1,924,844</u>
Total	<u>\$ 22,704,800</u>	<u>\$ 3,432,414</u>	<u>\$ 26,137,214</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Cash Flows
For the Year Ended December 31, 2015**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 1,998,817
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	1,522,095
Gain on Disposal of Property and Equipment	(250,233)
Bad Debt Expenses	331,280
Increase in Accounts Receivable - Trade	(1,147,357)
Increase in Interest Receivable	(584,512)
Increase in Merchandise Inventory	(2,716)
Increase in Prepaid Expenses and Other	(135,631)
Increase in Accounts Payable	191,968
Decrease in Accrued Expenses and Taxes	(97,513)
Increase in Deferred Revenue	93,263
	<hr/>
Net Cash Provided by Operating Activities	1,919,461
	<hr/>
Cash Flows from Investing Activities	
Increase in Notes Receivable	(75,000)
Proceeds from Disposal of Fixed Assets	650,000
Purchase of Fixed Assets	(845,817)
	<hr/>
Net Cash Used in Investing Activities	(270,817)
	<hr/>
Net Increase in Cash and Cash Equivalents	1,648,644
Cash and Cash Equivalents, Beginning of Year	13,670,121
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Cash and Cash Equivalents, End of Year	\$ 15,318,765
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Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	\$ 186,309
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The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill), Goodworks, Inc. (Goodworks) and Goodwill Industries Building, Inc. (Goodwill Building) (collectively the Organizations) follow the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on *Audits of Voluntary Health and Welfare Organizations*, which constitute generally accepted accounting principles. Goodwill and Goodworks assist people with disabilities and other special needs in their efforts to participate fully in society by helping them develop occupational capabilities and opportunities through janitorial services, retail stores and a variety of training programs. The Organizations' territory covers twenty-three parishes in southeastern Louisiana. Goodwill Building was formed for the exclusive purpose of acquiring real property for the exclusive use of Goodwill.

Financial Statement Presentation

Financial statement presentation follows the Not-for-Profit Entities topics of Financial Accounting Standards Codification. As such, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organizations have no temporarily restricted or permanently restricted net assets.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

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

Combination of Financial Statements

The accompanying combined financial statements include the accounts of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. Inter-company transactions and balances have been eliminated in combination. Goodwill Building was formed with capital injections from Goodwill (\$750) and Goodwill Supporting Foundation (\$250). As a result of a management agreement between Goodwill Building and Goodwill, Goodwill exercises significant control over Goodwill Building, therefore Goodwill Building is included in the combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Trade Receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The allowance for bad debts was \$308,083 as of December 31, 2015.

Concentration of Credit Risk

Goodwill's services are rendered to people with disabilities or other disadvantaging conditions in southeastern Louisiana. All of the training fees and grants are generated from services to rehabilitation clients. Goodwill grants credit to several state offices for the above stated training fees.

The Organizations periodically maintain cash in bank accounts in excess of insured limits. The Organizations have not experienced any losses and do not believe that significant credit risk exists as a result of this practice.

Contribution Recognition

The Organizations record contributions as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted. The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Material and Service

The Financial Accounting Standards Board Codification (the Codification), *Accounting for Contributions Received and Contributions Made*, requires that contributions be recognized as revenue when received. During 2015, Goodwill recognized contributed merchandise with a fair value of \$6,891,502 as contribution revenue. This merchandise requires program related expenses/processes accomplished by people with disabilities and other disadvantaging conditions before it reaches its point of sale.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Donated Material and Service (Continued)

A substantial number of volunteers have donated significant amounts of their time in the Organizations' program services. However, these services do not meet all of the applicable requirements of the Codification; therefore, no amounts have been reflected in the combined financial statements for these donated services.

Income Taxes

Goodwill was formed in 1947, to provide services to persons with disabilities. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Goodworks was formed in 1998, in order to service government contracts. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Goodwill Industries Building, Inc. was formed in 2008 for the exclusive purpose of acquiring real property for Goodwill. The initial purchase was the property located at 3400 Tulane Avenue to be used as Goodwill's office, retail, warehouse and space for third-party tenants. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from federal income taxes under Section 501(c)(25) of the Internal Revenue Code.

Cash and Cash Equivalents

The Organizations consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. Excluding land, the Organizations use the straight-line depreciation method over the useful lives of its property and equipment. Buildings and improvements are depreciated over thirty years. Furniture and fixtures are depreciated over seven years. Machinery and equipment, automobiles, and trucks are depreciated over five years and computer equipment is depreciated over three years. Leasehold improvements are being amortized over the life of the lease. The Organizations capitalize fixed assets with costs of \$1,000 or greater and a useful life of one year or more. Depreciation expense for 2015 was \$1,144,503.

Merchandise Inventory

The Codification, *Accounting for Contributions Received and Contributions Made*, requires that contributions be recognized as inventory when received and be carried at fair value. Management estimates the fair value of inventory using a gross margin method.

Accounting for Financial Instruments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the cash and cash equivalents section in the combined statement of financial position.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 2. Notes Payable

Details of notes payable for the year ended December 31, 2015, consists of the following:

	Maturing March 11, 2016
Note payable to banks with monthly interest payments only, maturing on March 11, 2016. Eight loans with interest rate of 0.52%. Secured by building. Payable in full in March 2016.	\$ 12,342,250
Note payable to banks with monthly interest payments only, maturing on March 11, 2016. Four loans with interest rate of 4.5%. Secured by building. Payable in full in March 2016.	<u>2,657,750</u>
	15,000,000
Less: Current Maturities	<u>(15,000,000)</u>
Long-Term Debt	<u><u>\$ -</u></u>

Interest expense totaled \$186,309 for the year ended December 31, 2015.

Note 3. Lease Agreements

Goodwill leases real estate under operating leases expiring in various years through 2032.

Future minimum lease payments as of December 31st are as follows:

Years	Amount
2016	\$ 2,404,045
2017	2,137,234
2018	1,922,671
2019	1,613,134
2020	1,058,185
Thereafter	<u>800,738</u>
Total	<u><u>\$ 9,936,007</u></u>

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 3. Lease Agreements (Continued)

Subsequent to year end, Goodwill entered into additional real estate leases expiring in various years through 2026. Future minimum lease payments on these leases are as follows:

Years	Amount
2016	\$ 496,238
2017	541,350
2018	541,350
2019	541,350
2020	541,350
Thereafter	<u>1,978,913</u>
Total	<u>\$ 4,640,551</u>

In accordance with the contract (described in Note 5) between Goodwill and Goodwill Building, rental expense and rental income are recorded each month between the entities. Amounts are eliminated in combination and expenses have been excluded in the future minimum rental payments described above. Combined rent expense totaled \$2,745,396 in 2015 and is included in the Combining Statement of Activities. In March 2016, the Board of Goodwill Building voted to retroactively reduce the rent in the lease to the amount of \$30,250 per month.

Note 4. Pension Plan and Health and Welfare Benefit Plan

Goodwill initiated a defined contribution pension plan (the Plan) in 1993 for the employees of its federal contracts. The Plan does not have any minimum eligibility requirements to participate. Employer contributions vary based on terms of each Federal contract and regular hours of each employee. When Goodworks was formed in 1998, it assumed responsibility for Plan contributions from Goodwill. Goodworks contributed \$420,334 to the Plan in 2015.

On March 15, 2011, Goodwill entered into two Retirement Plan Service Agreements. One agreement was for a 403(b) ERISA plan and the other was for a 457(b) Top Hat plan. The 403(b) plan is for full-time employees. Executive staff's 403(b) contributions are not matched. Goodwill matches 50% of the employees' contribution to a maximum of 3%. The executive staff may participate in the 457(b) Top Hat plan which includes a contribution of up to 10% of their annual salary. Contributions to the 403(b) plan for the year were \$36,861.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 5. Commitments and Contingencies (Building Purchase)

Goodwill purchased a facility on September 30, 2008 for a purchase price of \$5.3 million. In a transaction eligible under the Federal and State New Market Tax Credit Programs, this building was transferred to Goodwill Building, along with cash and additional basis in the building for a total of \$7.75 million. In return, Goodwill holds a subordinated leveraged loan to an intermediary investor.

The transfer of the building to Goodwill Building is subject to a loan in the amount of \$15 million. The loan is secured by the building and its improvements and is guaranteed by Goodwill. The lenders are Community Development Entities (CDEs).

The initial loan closing was December 30, 2008, with a second closing on January 2, 2009. The loan is due and payable in seven years and cannot be prepaid. The following are a result of the transaction mentioned above.

Goodwill Building has also recorded prepaid loan fees in the amount of \$2,643,159. These loan fees are being amortized on a straight-line basis over the life of the loan. Amortization expense for the year ended December 31, 2015 was \$377,592. As of December 31, 2015 (and report date of June 10, 2016), the Organizations are in compliance with all loan covenants associated with the agreement mentioned within this note.

During 2008, Goodwill Supporting Foundation contributed approximately \$1.9 million in the form of a grant to Goodwill to be used in the new market tax credit transaction discussed above.

Goodwill has notes receivable in the amount of \$8,400,000 as of December 31 2015. These notes have an interest rate of 8.46% and an original maturity date of January 2, 2016. As a part of the settlement of the loans related to Goodwill Building, Goodwill has agreed to extend the original maturity date to March 11, 2016. Goodwill also agreed that since all interest payments or amounts due have been paid, there is no additional interest, penalty or additional amounts due related to the extension.

Goodwill Building has notes payable totaling \$15,000,000 as of December 31, 2015. These notes have interest rates up to 4.5% and an original maturity date of January 2, 2016. The lenders agreed to extend the original maturity date to March 11, 2016 and also agreed that since all interest payments or amounts due have been paid, there will be no additional interest, penalty, or additional amounts due related to the extension.

On March 9, 2016, Goodwill loaned Goodwill Building \$2,657,750 to be used to initiate the loan payoff. Goodwill Building made the payment leaving a remaining loan balance of \$12,342,250. Simultaneously, the lenders assigned the remaining rights, title and interest in the Promissory Notes to Goodwill. Through an intercompany transaction, Goodwill forgave the remaining Goodwill Building debt resulting in a \$15,000,000 intercompany balance from Goodwill Building to Goodwill.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 6. Uncertain Tax Positions

The Organizations follow the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the Codification, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organizations believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the combined financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Note 7. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 10, 2016, and determined that no events occurred that require disclosure, other than those mentioned in Notes 3 and 5. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)**

Schedule I

	Goodwill	Goodworks	Goodwill Building	Elimination	2015	2014
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 12,759,018	\$ 2,309,385	\$ 250,362	\$ -	\$ 15,318,765	\$ 13,670,121
Accounts Receivable - Trade, Net	1,009,094	2,151,171	-	-	3,160,265	2,344,188
Merchandise Inventory	678,417	-	-	-	678,417	675,701
Due from Related Parties	-	2,078	50,500	(52,578)	-	-
Prepaid Expenses and Other	516,884	-	-	-	516,884	381,253
Notes Receivable	8,400,000	-	-	-	8,400,000	5,550,000
Interest Receivable	4,661,174	-	-	-	4,661,174	2,717,775
Total Current Assets	28,024,587	4,462,634	300,862	(52,578)	32,735,505	25,339,038
Property and Equipment						
Land	264,348	-	1,600,000	-	1,864,348	2,082,348
Building and Building Improvements	1,012,696	-	10,962,966	-	11,975,662	12,277,926
Machinery and Equipment	463,205	1,250,484	-	-	1,713,689	1,336,814
Furniture and Fixtures	1,605,677	-	-	-	1,605,677	1,565,546
Automobiles and Trucks	498,998	227,163	-	-	726,161	729,218
Leasehold Improvements	1,541,561	-	-	-	1,541,561	1,430,356
Computer Equipment	416,564	-	-	-	416,564	302,080
Condo - Timeshare	34,995	-	-	-	34,995	34,995
Capitalized Interest	-	-	121,770	-	121,770	121,770
	5,838,044	1,477,647	12,684,736	-	20,000,427	19,881,053
Less: Accumulated Depreciation	3,683,329	1,060,353	2,993,602	-	7,737,284	6,919,457
Property and Equipment, Net	2,154,715	417,294	9,691,134	-	12,263,143	12,961,596
Other Assets						
Notes Receivable	-	-	-	-	-	2,775,000
Deferred Loan Fees, Net	-	-	-	-	-	377,592
Interest Receivable	-	-	-	-	-	1,358,887
Deposits	133,305	-	-	-	133,305	133,305
Total Other Assets	133,305	-	-	-	133,305	4,644,784
Total Assets	\$ 30,312,607	\$ 4,879,928	\$ 9,991,996	\$ (52,578)	\$ 45,131,953	\$ 42,945,418
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 520,683	\$ 37,652	\$ -	\$ -	\$ 558,335	\$ 366,367
Accrued Expenses and Taxes	915,364	154,102	46,966	-	1,116,432	1,213,945
Deferred Revenue	591,116	-	-	-	591,116	497,853
Due to Related Parties	52,578	-	-	(52,578)	-	-
Notes Payable	-	-	15,000,000	-	15,000,000	10,000,000
Total Current Liabilities	2,079,741	191,754	15,046,966	(52,578)	17,265,883	12,078,165
Long-Term Liabilities						
Notes Payable	-	-	-	-	-	5,000,000
Net Assets (Deficit)						
Unrestricted	28,232,866	4,688,174	(5,054,970)	-	27,866,070	25,867,253
Total Net Assets (Deficit)	28,232,866	4,688,174	(5,054,970)	-	27,866,070	25,867,253
Total Liabilities and Net Assets	\$ 30,312,607	\$ 4,879,928	\$ 9,991,996	\$ (52,578)	\$ 45,131,953	\$ 42,945,418

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)**

Schedule II

	Goodwill		Goodworks		Goodwill Building		Elimination	Combined Total 2015	Total 2014
	Unrestricted	Total	Unrestricted	Total	Unrestricted	Total			
Sales Revenue									
Retail Stores	\$ 17,859,270	\$ 17,859,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,859,270	\$ 17,937,899
Contributed Revenue - Donated Goods	6,891,502	6,891,502	-	-	-	-	-	6,891,502	7,060,290
Salvage	1,095,569	1,095,569	-	-	-	-	-	1,095,569	1,497,370
Total	25,846,341	25,846,341	-	-	-	-	-	25,846,341	26,495,559
Vocational Training Revenue									
Janitorial, Landscaping, and Incubator Services	2,367,341	2,367,341	3,774,498	3,774,498	-	-	-	6,141,839	5,297,150
Total	2,367,341	2,367,341	3,774,498	3,774,498	-	-	-	6,141,839	5,297,150
Other Sources of Income (Expenses)									
Federal Financial Assistance	488,312	488,312	-	-	-	-	-	488,312	697,652
Other Grant Income	44,199	44,199	-	-	-	-	-	44,199	99,690
Interest Income	653,109	653,109	-	-	-	-	-	653,109	731,087
State Sales Tax Exclusion	703,937	703,937	-	-	-	-	-	703,937	679,729
Administrative Fee Income	603,299	603,299	-	-	-	-	(603,299)	-	-
Louisiana Rehabilitation Service	179,997	179,997	-	-	-	-	-	179,997	139,117
Contributions	68,818	68,818	-	-	-	-	-	68,818	73,988
Gain (Loss) on Sale of Assets	250,233	250,233	-	-	-	-	-	250,233	(46,307)
Rent	437,266	437,266	-	-	363,000	363,000	(363,000)	437,266	449,344
Miscellaneous	211,556	211,556	730	730	-	-	-	212,286	215,710
Total	3,640,726	3,640,726	730	730	363,000	363,000	(966,299)	3,038,157	3,040,010
Total Revenue and Other Income (Expenses)	31,854,408	31,854,408	3,775,228	3,775,228	363,000	363,000	(966,299)	35,026,337	34,832,719
Expenses									
Retail Program - Cost of Goods Sold	6,890,306	6,890,306	-	-	-	-	-	6,890,306	7,025,309
Program Services	18,995,720	18,995,720	2,896,051	2,896,051	1,236,029	1,236,029	(423,000)	22,704,800	22,819,831
Management and General	3,351,216	3,351,216	624,497	624,497	-	-	(543,299)	3,432,414	3,031,515
Total Expenses	29,237,242	29,237,242	3,520,548	3,520,548	1,236,029	1,236,029	(966,299)	33,027,520	32,876,655
Change in Net Assets	2,617,166	2,617,166	254,680	254,680	(873,029)	(873,029)	-	1,998,817	1,956,064
Net Assets (Deficit), Beginning of Year	25,615,700	25,615,700	4,433,494	4,433,494	(4,181,941)	(4,181,941)	-	25,867,253	23,911,189
Net Assets (Deficit), End of Year	\$ 28,232,866	\$ 28,232,866	\$ 4,688,174	\$ 4,688,174	\$ (5,054,970)	\$ (5,054,970)	\$ -	\$ 27,866,070	\$ 25,867,253

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Functional Expenses
For the Year Ended December 31, 2015**

Schedule III

	Goodwill			Goodworks			Goodwill Building			Elimination			Combined Total		
	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total 2015
Operating Expense															
Salaries, Wages, Taxes, and Benefits	\$ 11,490,010	\$ 1,723,739	\$ 13,213,749	\$ 2,071,711	\$ -	\$ 2,071,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,561,721	\$ 1,723,739	\$ 15,285,460
Occupancy Cost	3,704,586	17,771	3,722,357	5,814	-	5,814	-	-	-	(363,000)	-	(363,000)	3,347,400	17,771	3,365,171
Repairs and General Maintenance	251,668	16,740	268,408	-	-	-	-	-	-	-	-	-	251,668	16,740	268,408
Supplies and Materials	662,271	87,721	749,992	173,462	-	173,462	-	-	-	-	-	-	835,733	87,721	923,454
Waste Disposal	465,347	12,493	477,840	1,204	-	1,204	-	-	-	-	-	-	466,551	12,493	479,044
Training and Support Service	92,902	7,857	100,759	-	-	-	-	-	-	-	-	-	92,902	7,857	100,759
Outreach and Marketing	54,692	51,636	106,328	4,244	-	4,244	-	-	-	-	-	-	58,936	51,636	110,572
Conference and Travel	124,716	51,323	176,039	8,806	-	8,806	-	-	-	-	-	-	133,522	51,323	184,845
Communication	364,032	219,815	583,847	30,012	-	30,012	-	-	-	-	-	-	394,044	219,815	613,859
Equipment and Vehicle Cost	294,678	100,082	394,760	120,158	-	120,158	-	-	-	-	-	-	414,836	100,082	514,918
Insurance	389,737	95,372	485,109	44,408	-	44,408	79,799	-	79,799	-	-	-	513,944	95,372	609,316
Professional Fees and Dues	92,113	500,993	593,106	106,382	592,992	699,374	71,805	-	71,805	(60,000)	(543,299)	(603,299)	210,300	550,686	760,986
Administrative and Other	309,760	441,429	751,189	212,571	31,505	244,076	313	-	313	-	-	-	522,644	472,934	995,578
	<u>18,296,512</u>	<u>3,326,971</u>	<u>21,623,483</u>	<u>2,778,772</u>	<u>624,497</u>	<u>3,403,269</u>	<u>151,917</u>	<u>-</u>	<u>151,917</u>	<u>(423,000)</u>	<u>(543,299)</u>	<u>(966,299)</u>	<u>20,804,201</u>	<u>3,408,169</u>	<u>24,212,370</u>
Interest, Taxes, Depreciation, and Amortization															
Interest	-	-	-	-	-	-	186,309	-	186,309	-	-	-	186,309	-	186,309
Taxes	216,440	-	216,440	-	-	-	-	-	-	-	-	-	216,440	-	216,440
Depreciation and Amortization	482,768	24,245	507,013	117,279	-	117,279	897,803	-	897,803	-	-	-	1,497,850	24,245	1,522,095
	<u>699,208</u>	<u>24,245</u>	<u>723,453</u>	<u>117,279</u>	<u>-</u>	<u>117,279</u>	<u>1,084,112</u>	<u>-</u>	<u>1,084,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,900,599</u>	<u>24,245</u>	<u>1,924,844</u>
Total	<u>\$ 18,995,720</u>	<u>\$ 3,351,216</u>	<u>\$ 22,346,936</u>	<u>\$ 2,896,051</u>	<u>\$ 624,497</u>	<u>\$ 3,520,548</u>	<u>\$ 1,236,029</u>	<u>\$ -</u>	<u>\$ 1,236,029</u>	<u>\$ (423,000)</u>	<u>\$ (543,299)</u>	<u>\$ (966,299)</u>	<u>\$ 22,704,800</u>	<u>\$ 3,432,414</u>	<u>\$ 26,137,214</u>

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2015**

Schedule IV

Agency Head

William L. Jessee, President and CEO

Purpose	Amount
Salary	\$279,000
Benefits - Insurance	\$8,672
Benefits - Retirement	\$18,000
Benefits - Other	\$10,643
Car Allowance	\$17,525
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$3,195
Travel	\$0
Registration Fees	\$1,303
Conference Travel	\$6,176
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Directors
Goodwill Industries of Southeastern
Louisiana, Inc. Goodworks, Inc., and
Goodwill Industries Building, Inc.

We have audited, in accordance with the 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, the combined financial statements of the Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. (the Organizations) which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 10, 2016