

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

Audit of Combined Financial Statements

December 31, 2016



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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, 2016, 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.

LOUISIANA • TEXAS

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, 2016, 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 19, 2017 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 19, 2017

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Financial Position
December 31, 2016**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 13,499,274
Accounts Receivable - Trade, Net	3,282,307
Merchandise Inventory	733,470
Prepaid Expenses and Other	<u>484,523</u>
Total Current Assets	<u>17,999,574</u>
Property and Equipment	
Land	1,864,348
Building and Building Improvements	12,463,257
Machinery and Equipment	1,441,613
Furniture and Fixtures	1,724,629
Automobiles and Trucks	838,424
Leasehold Improvements	1,748,599
Computer Equipment	485,921
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	20,723,556
Less: Accumulated Depreciation	<u>8,347,428</u>
Property and Equipment, Net	<u>12,376,128</u>
Other Assets	
Deposits	<u>142,619</u>
Total Other Assets	<u>142,619</u>
Total Assets	<u><u>\$ 30,518,321</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, 2016**

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 619,786
Accrued Expenses and Taxes	1,084,397
Deferred Revenue	<u>482,597</u>
Total Current Liabilities	<u>2,186,780</u>
Net Assets	
Unrestricted	<u>28,331,541</u>
Total Net Assets	<u>28,331,541</u>
Total Liabilities and Net Assets	<u><u>\$ 30,518,321</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 Activities
For the Year Ended December 31, 2016**

	Unrestricted	Total
Sales Revenue		
Retail Stores	\$ 17,350,085	\$ 17,350,085
Contributed Revenue - Donated Goods	7,483,985	7,483,985
Salvage	995,629	995,629
Total	25,829,699	25,829,699
Vocational Training Revenue		
Janitorial, Landscaping, Switchboard Operations and Mail Delivery	7,487,536	7,487,536
Total	7,487,536	7,487,536
Other Sources of Income		
Federal Financial Assistance	717,786	717,786
Other Grant Income	67,417	67,417
Interest Income	2,515	2,515
State Sales Tax Exclusion	1,054,160	1,054,160
Louisiana Rehabilitation Service	189,681	189,681
Contributions	46,021	46,021
Gain on Disposal of Assets	55,304	55,304
Rent	464,444	464,444
Miscellaneous	266,892	266,892
Total	2,864,220	2,864,220
Total Revenue and Other Income, Net	36,181,455	36,181,455
Expenses		
Retail Program - Cost of Goods Sold	7,428,932	7,428,932
Program Services	25,142,335	25,142,335
Management and General	3,144,717	3,144,717
Total Expenses	35,715,984	35,715,984
Change in Net Assets	465,471	465,471
Net Assets, Beginning of Year	27,866,070	27,866,070
Net Assets, End of Year	\$ 28,331,541	\$ 28,331,541

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, 2016**

	Program Services	Management and General	Total
Operating Expense			
Salaries, Wages, Taxes, and Benefits	\$ 15,182,678	\$ 1,786,996	\$ 16,969,674
Occupancy Cost	4,098,091	17,365	4,115,456
Repairs and General Maintenance	18,394	3,477	21,871
Supplies and Materials	980,566	69,326	1,049,892
Waste Disposal	579,469	22,410	601,879
Training and Support Service	260,416	2,714	263,130
Outreach and Marketing	26,591	53,812	80,403
Conference and Travel	185,680	35,628	221,308
Communication	480,374	213,939	694,313
Equipment and Vehicle Cost	363,279	81,687	444,966
Insurance	498,255	99,459	597,714
Professional Fees and Dues	436,518	491,412	927,930
Administrative and Other	593,996	248,159	842,155
	<u>23,704,307</u>	<u>3,126,384</u>	<u>26,830,691</u>
Taxes, Depreciation, and Amortization			
Taxes	216,981	-	216,981
Depreciation and Amortization	1,221,047	18,333	1,239,380
	<u>1,438,028</u>	<u>18,333</u>	<u>1,456,361</u>
Total	<u>\$ 25,142,335</u>	<u>\$ 3,144,717</u>	<u>\$ 28,287,052</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, 2016**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 465,471
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	1,239,380
Gain on Disposal of Property and Equipment	(55,304)
Bad Debt Expense	453,566
Increase in Accounts Receivable - Trade	(575,608)
Increase in Merchandise Inventory	(55,053)
Decrease in Prepaid Expenses and Other Assets	32,361
Increase in Accounts Payable	61,451
Decrease in Accrued Expenses and Taxes	(32,035)
Decrease in Deferred Revenue	<u>(108,519)</u>
Net Cash Provided by Operating Activities	<u>1,416,396</u>
Cash Flows from Investing Activities	
Proceeds from Disposal of Fixed Assets	65,000
Purchase of Fixed Assets	<u>(1,362,061)</u>
Net Cash Used in Investing Activities	<u>(1,297,061)</u>
Cash Flows from Financing Activities	
Payments on Notes Payable	(15,000,000)
Decrease in Notes Receivable	8,400,000
Decrease in Interest Receivable	<u>4,661,174</u>
Net Cash Used in Financing Activities	<u>(1,938,826)</u>
Net Decrease in Cash and Cash Equivalents	(1,819,491)
Cash and Cash Equivalents, Beginning of Year	<u>15,318,765</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,499,274</u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	<u>\$ 46,966</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.**

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 use of Goodwill.

Financial Statement Presentation

Financial statement presentation follows the *Not-for-Profit Entities* Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). 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 \$369,893 as of December 31, 2016.

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 FASB ASC, *Accounting for Contributions Received and Contributions Made* Topic, requires that contributions be recognized as revenue when received. During 2016, Goodwill recognized contributed merchandise with a fair value of \$7,483,985 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 this Topic; 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 2016 was \$1,239,380.

Merchandise Inventory

The FASB ASC , *Accounting for Contributions Received and Contributions Made* Topic, 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. Lease Agreements

Goodwill leases real estate under operating leases expiring in various years through 2036.

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

Years	Amount
2017	\$ 3,119,088
2018	3,038,962
2019	2,709,435
2020	2,099,770
2021	1,553,443
Thereafter	<u>5,768,866</u>
Total	<u>\$ 18,289,564</u>

Combined rent expense totaled \$3,043,372 in 2016 and is included in the combining statement of activities. In accordance with the lease agreement between Goodwill and Goodwill Building, rental expense and rental income are recorded each month between Goodwill and Goodwill Building, respectively. These intercompany rental transactions are eliminated in the combined financial statements.

Note 3. 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 \$488,200 to the Plan in 2016.

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 ended December 31, 2016 were \$40,211. Contributions to the 457(b) plan for the year ended December 31, 2016 were \$175,355.

Note 4. Former Contingencies and Merger

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. The transfer of the building to Goodwill Building was subject to notes payable totaling \$15 million with interest rates ranging from 0.52% to 4.5%.

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

Notes to Combined Financial Statements

Note 4. Former Contingencies and Merger (Continued)

On March 9, 2016, Goodwill loaned Goodwill Building \$2,657,750 to be used to initiate the loan payoff. Goodwill Building made the loan 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, and they were subsequently offset against the amounts due Goodwill. The bank's offset of the debt was recorded as an intercompany transaction, which resulted in an intercompany balance of \$15,000,000 from Goodwill Building to Goodwill.

On December 31, 2016, Goodwill Industries Building, Inc. merged with Goodwill Industries of Southeastern Louisiana, Inc., to form the surviving entity, Goodwill Industries of Southeastern Louisiana, Inc. The merger occurred in order to simplify the corporate structure of the entities.

Prior to the merger, Goodwill Industries Building, Inc. was combined with Goodwill Industries of Southeastern Louisiana, Inc.'s financial statements as Goodwill exercised significant control over Goodwill Building. No significant adjustments were made to conform the individual accounting policies of the merging entities.

The following assets, liabilities and net assets were recognized in the merger as of December 31, 2016:

	Amount
Payable to Goodwill Industries	\$ (14,605,212)
Fixed Assets, Net	9,168,341
Unrestricted Net Deficit	5,436,871

Note 5. Uncertain Tax Positions

The Organizations follow the provisions of FASB ASC *Accounting for Uncertainty in Income Taxes* Topic, 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.

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

Notes to Combined Financial Statements

Note 6. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 19, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

Note 7. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for the Organizations beginning in the year ending December 31, 2019, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Organizations are currently evaluating the impact of adopting the new revenue standard on its financial statements.

In January 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. The Organizations are currently evaluating the impact ASU 2016-02 will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organizations are currently evaluating the impact the adoption of this guidance will have on its financial statements.

SUPPLEMENTARY INFORMATION

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Financial Position
December 31, 2016
(With Comparative Totals for 2015)**

Schedule I

	Goodwill	Goodworks	Goodwill Building	Elimination	2016	2015
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 9,695,887	\$ 3,803,387	\$ -	\$ -	\$ 13,499,274	\$ 15,318,765
Accounts Receivable - Trade, Net	1,764,612	1,517,695	-	-	3,282,307	3,160,265
Merchandise Inventory	733,470	-	-	-	733,470	678,417
Due from Related Parties	837,277	-	-	(837,277)	-	-
Prepaid Expenses and Other	428,487	56,036	-	-	484,523	516,884
Notes Receivable	-	-	-	-	-	8,400,000
Interest Receivable	-	-	-	-	-	4,661,174
Total Current Assets	13,459,733	5,377,118	-	(837,277)	17,999,574	32,735,505
Property and Equipment						
Land	1,864,348	-	-	-	1,864,348	1,864,348
Building and Building Improvements	12,345,825	117,432	-	-	12,463,257	11,975,662
Machinery and Equipment	485,268	956,345	-	-	1,441,613	1,713,689
Furniture and Fixtures	1,724,629	-	-	-	1,724,629	1,605,677
Automobiles and Trucks	473,978	364,446	-	-	838,424	726,161
Leasehold Improvements	1,748,599	-	-	-	1,748,599	1,541,561
Computer Equipment	485,921	-	-	-	485,921	416,564
Condo - Timeshare	34,995	-	-	-	34,995	34,995
Capitalized Interest	121,770	-	-	-	121,770	121,770
	19,285,333	1,438,223	-	-	20,723,556	20,000,427
Less: Accumulated Depreciation	7,631,888	715,540	-	-	8,347,428	7,737,284
Property and Equipment, Net	11,653,445	722,683	-	-	12,376,128	12,263,143
Other Assets						
Deposits	142,619	-	-	-	142,619	133,305
Total Other Assets	142,619	-	-	-	142,619	133,305
Total Assets	\$ 25,255,797	\$ 6,099,801	\$ -	\$ (837,277)	\$ 30,518,321	\$ 45,131,953
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 572,146	\$ 47,640	\$ -	\$ -	\$ 619,786	\$ 558,335
Accrued Expenses and Taxes	823,748	260,649	-	-	1,084,397	1,116,432
Deferred Revenue	482,597	-	-	-	482,597	591,116
Due to Related Parties	-	837,277	-	(837,277)	-	-
Notes Payable	-	-	-	-	-	15,000,000
Total Current Liabilities	1,878,491	1,145,566	-	(837,277)	2,186,780	17,265,883
Net Assets						
Unrestricted	23,377,306	4,954,235	-	-	28,331,541	27,866,070
Total Net Assets	23,377,306	4,954,235	-	-	28,331,541	27,866,070
Total Liabilities and Net Assets	\$ 25,255,797	\$ 6,099,801	\$ -	\$ (837,277)	\$ 30,518,321	\$ 45,131,953

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, 2016
(With Comparative Totals for 2015)**

Schedule II

	Goodwill		Goodworks		Goodwill Building		Elimination	Combined Total 2016	Total 2015
	Unrestricted	Total	Unrestricted	Total	Unrestricted	Total			
Sales Revenue									
Retail Stores	\$ 17,350,085	\$ 17,350,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,350,085	\$ 17,859,270
Contributed Revenue - Donated Goods	7,483,985	7,483,985	-	-	-	-	-	7,483,985	6,891,502
Salvage	995,629	995,629	-	-	-	-	-	995,629	1,095,569
Total	25,829,699	25,829,699	-	-	-	-	-	25,829,699	25,846,341
Vocational Training Revenue									
Janitorial, Landscaping, Switchboard Operations and Mail Delivery	3,098,152	3,098,152	4,389,384	4,389,384	-	-	-	7,487,536	6,141,839
Total	3,098,152	3,098,152	4,389,384	4,389,384	-	-	-	7,487,536	6,141,839
Other Sources of Income (Expenses)									
Federal Financial Assistance	717,786	717,786	-	-	-	-	-	717,786	488,312
Other Grant Income	67,417	67,417	-	-	-	-	-	67,417	44,199
Interest Income	2,515	2,515	-	-	-	-	-	2,515	653,109
State Sales Tax Exclusion	1,054,160	1,054,160	-	-	-	-	-	1,054,160	703,937
Administrative Fee Income	753,645	753,645	-	-	-	-	(753,645)	-	-
Louisiana Rehabilitation Service	189,681	189,681	-	-	-	-	-	189,681	179,997
Contributions	46,021	46,021	-	-	-	-	-	46,021	68,818
(Loss) Gain on Sale of Assets	(9,080)	(9,080)	64,384	64,384	-	-	-	55,304	250,233
Rent	464,444	464,444	-	-	363,000	363,000	(363,000)	464,444	437,266
Miscellaneous	266,583	266,583	309	309	-	-	-	266,892	212,286
Total	3,553,172	3,553,172	64,693	64,693	363,000	363,000	(1,116,645)	2,864,220	3,038,157
Total Revenue and Other Income (Expenses)	32,481,023	32,481,023	4,454,077	4,454,077	363,000	363,000	(1,116,645)	36,181,455	35,026,337
Expenses									
Retail Program - Cost of Goods Sold	7,428,932	7,428,932	-	-	-	-	-	7,428,932	6,890,306
Program Services	21,358,122	21,358,122	3,462,312	3,462,312	744,901	744,901	(423,000)	25,142,335	22,704,800
Management and General	3,112,658	3,112,658	725,704	725,704	-	-	(693,645)	3,144,717	3,432,414
Total Expenses	31,899,712	31,899,712	4,188,016	4,188,016	744,901	744,901	(1,116,645)	35,715,984	33,027,520
Change in Net Assets	581,311	581,311	266,061	266,061	(381,901)	(381,901)	-	465,471	1,998,817
Net Assets (Deficit), Beginning 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
Transfer of Net Assets from Goodwill Building to Goodwill	(5,436,871)	(5,436,871)	-	-	5,436,871	5,436,871	-	-	-
Net Assets, End of Year	\$ 23,377,306	\$ 23,377,306	\$ 4,954,235	\$ 4,954,235	\$ -	\$ -	\$ -	\$ 28,331,541	\$ 27,866,070

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, 2016**

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 2016
Operating Expense															
Salaries, Wages, Taxes, and Benefits	\$ 12,894,318	\$ 1,786,996	\$ 14,681,314	\$ 2,288,360	\$ -	\$ 2,288,360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,182,678	\$ 1,786,996	\$ 16,969,674
Occupancy Cost	4,455,351	17,365	4,472,716	5,740	-	5,740	-	-	-	(363,000)	-	(363,000)	4,098,091	17,365	4,115,456
Repairs and General Maintenance	12,523	3,477	16,000	-	-	-	5,871	-	5,871	-	-	-	18,394	3,477	21,871
Supplies and Materials	852,128	69,326	921,454	128,438	-	128,438	-	-	-	-	-	-	980,566	69,326	1,049,892
Waste Disposal	578,269	22,410	600,679	1,200	-	1,200	-	-	-	-	-	-	579,469	22,410	601,879
Training and Support Service	260,416	2,714	263,130	-	-	-	-	-	-	-	-	-	260,416	2,714	263,130
Outreach and Marketing	24,142	53,812	77,954	2,449	-	2,449	-	-	-	-	-	-	26,591	53,812	80,403
Conference and Travel	182,624	35,628	218,252	3,056	-	3,056	-	-	-	-	-	-	185,680	35,628	221,308
Communication	453,980	213,939	667,919	26,394	-	26,394	-	-	-	-	-	-	480,374	213,939	694,313
Equipment and Vehicle Cost	237,284	81,687	318,971	125,995	-	125,995	-	-	-	-	-	-	363,279	81,687	444,966
Insurance	387,957	99,459	487,416	46,443	-	46,443	63,855	-	63,855	-	-	-	498,255	99,459	597,714
Professional Fees and Dues	127,399	493,612	621,011	217,008	691,445	908,453	152,111	-	152,111	(60,000)	(693,645)	(753,645)	436,518	491,412	927,930
Administrative and Other	167,456	213,900	381,356	426,269	34,259	460,528	271	-	271	-	-	-	593,996	248,159	842,155
	<u>20,633,847</u>	<u>3,094,325</u>	<u>23,728,172</u>	<u>3,271,352</u>	<u>725,704</u>	<u>3,997,056</u>	<u>222,108</u>	<u>-</u>	<u>222,108</u>	<u>(423,000)</u>	<u>(693,645)</u>	<u>(1,116,645)</u>	<u>23,704,307</u>	<u>3,126,384</u>	<u>26,830,691</u>
Interest, Taxes, Depreciation, and Amortization															
Taxes	216,981	-	216,981	-	-	-	-	-	-	-	-	-	216,981	-	216,981
Depreciation and Amortization	507,294	18,333	525,627	190,960	-	190,960	522,793	-	522,793	-	-	-	1,221,047	18,333	1,239,380
	<u>724,275</u>	<u>18,333</u>	<u>742,608</u>	<u>190,960</u>	<u>-</u>	<u>190,960</u>	<u>522,793</u>	<u>-</u>	<u>522,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,438,028</u>	<u>18,333</u>	<u>1,456,361</u>
Total	<u>\$ 21,358,122</u>	<u>\$ 3,112,658</u>	<u>\$ 24,470,780</u>	<u>\$ 3,462,312</u>	<u>\$ 725,704</u>	<u>\$ 4,188,016</u>	<u>\$ 744,901</u>	<u>\$ -</u>	<u>\$ 744,901</u>	<u>\$ (423,000)</u>	<u>\$ (693,645)</u>	<u>\$ (1,116,645)</u>	<u>\$ 25,142,335</u>	<u>\$ 3,144,717</u>	<u>\$ 28,287,052</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, 2016**

Schedule IV

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement or local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head

William L. Jessee, President

Purpose	Amount
Salary	\$272,108
Benefits - Insurance	\$6,479
Benefits - Retirement	\$18,000
Benefits - Other	\$14,611
Car Allowance	\$19,397
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$3,126
Travel	\$0
Conference Fees	\$1,017
Conference Travel	\$3,392
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, 2016, 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 19, 2017.

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 19, 2017

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Schedule of Findings and Responses
For the Year Ended December 31, 2016**

Part I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued on Whether the Financial Statements Audited were Prepared in Accordance with GAAP: Unmodified

Internal Control Over Financial Reporting:

- Material Weakness(es) Identified? No
- Significant Deficiency(ies) Identified? None Reported

Noncompliance Material to Financial Statements Noted? No

Federal Awards – Not Applicable

Part II - Financial Statement Findings

None noted.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2016**

None noted