

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

Audit of Combined Financial Statements

December 31, 2017



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Independent Auditor's Report

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. (the Organizations), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities and changes in net assets, 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.

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. and Goodworks, Inc. as of December 31, 2017, 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. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is 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.

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 20, 2018 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 20, 2018

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Financial Position
December 31, 2017**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 12,365,730
Accounts Receivable - Trade, Net	2,791,426
Accrued Interest Receivable	11,304
Merchandise Inventory	953,893
Prepaid Expenses and Other	<u>325,008</u>
Total Current Assets	<u>16,447,361</u>
Property and Equipment	
Land	2,234,348
Building and Building Improvements	13,633,204
Machinery and Equipment	1,410,832
Furniture and Fixtures	1,775,691
Automobiles and Trucks	1,038,939
Leasehold Improvements	2,057,763
Computer Equipment	506,805
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	22,814,347
Less: Accumulated Depreciation	<u>9,439,165</u>
Property and Equipment, Net	<u>13,375,182</u>
Investments and Other Assets	
Long Term Investments	2,175,864
Deposits	<u>135,279</u>
Total Investment and Other Assets	<u>2,311,143</u>
Total Assets	<u><u>\$ 32,133,686</u></u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Financial Position (Continued)
December 31, 2017**

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 1,062,767
Accrued Expenses and Taxes	1,248,936
Deferred Revenue	<u>246,685</u>
Total Current Liabilities	<u>2,558,388</u>
Net Assets	
Unrestricted	<u>29,575,298</u>
Total Net Assets	<u>29,575,298</u>
Total Liabilities and Net Assets	<u><u>\$ 32,133,686</u></u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017**

	Unrestricted	Total
Sales Revenue		
Retail Stores	\$ 18,353,390	\$ 18,353,390
Contributed Revenue - Donated Goods	7,893,542	7,893,542
Salvage	1,348,106	1,348,106
Total	27,595,038	27,595,038
Vocational Training Revenue		
Janitorial, Landscaping, Switchboard Operations and Mail Delivery	8,050,799	8,050,799
Total	8,050,799	8,050,799
Other Sources of Income		
Federal Financial Assistance	1,538,796	1,538,796
Other Grant Income	166,897	166,897
Investment Income	15,546	15,546
State Sales Tax Exclusion	848,329	848,329
Louisiana Rehabilitation Service	117,223	117,223
Contributions	960,532	960,532
Gain on Disposal of Assets	130,368	130,368
Rent	474,000	474,000
Miscellaneous	29,943	29,943
Total	4,281,634	4,281,634
Total Revenue and Other Income, Net	39,927,471	39,927,471
Expenses		
Retail Program - Cost of Goods Sold	7,920,692	7,920,692
Program Services	27,310,320	27,310,320
Management and General	3,452,702	3,452,702
Total Expenses	38,683,714	38,683,714
Change in Net Assets	1,243,757	1,243,757
Net Assets, Beginning of Year	28,331,541	28,331,541
Net Assets, End of Year	\$ 29,575,298	\$ 29,575,298

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Functional Expenses
For the Year Ended December 31, 2017**

	Program Services	Management and General	Total
Operating Expense			
Salaries, Wages, Taxes, and Benefits	\$ 16,675,020	\$ 1,770,772	\$ 18,445,792
Occupancy Cost	4,100,774	85,743	4,186,517
Repairs and General Maintenance	261,262	-	261,262
Supplies and Materials	1,063,898	54,791	1,118,689
Waste Disposal	609,276	-	609,276
Training and Support Service	413,226	11,452	424,678
Outreach and Marketing	117,402	85,654	203,056
Conference and Travel	103,545	19,865	123,410
Communication	502,269	198,035	700,304
Equipment and Vehicle Cost	441,597	84,393	525,990
Insurance	515,118	84,251	599,369
Professional Fees and Dues	418,866	476,717	895,583
Administrative and Other	748,967	272,050	1,021,017
	<u>25,971,220</u>	<u>3,143,723</u>	<u>29,114,943</u>
Taxes, Depreciation, and Amortization			
Taxes	279,656	-	279,656
Depreciation and Amortization	1,059,444	308,979	1,368,423
	<u>1,339,100</u>	<u>308,979</u>	<u>1,648,079</u>
Total	<u>\$ 27,310,320</u>	<u>\$ 3,452,702</u>	<u>\$ 30,763,022</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Cash Flows
For the Year Ended December 31, 2017**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 1,243,757
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	1,368,423
Gain on Disposal of Property and Equipment	(61,608)
Bad Debt Expense	595,245
Unrealized Gain on Investments	(10,326)
Increase in Accounts Receivable - Trade	(104,364)
Increase in Accrued Interest Receivable	(11,304)
Increase in Merchandise Inventory	(220,423)
Decrease in Prepaid Expenses and Other Assets	159,515
Decrease in Deposits	7,340
Increase in Accounts Payable	442,981
Increase in Accrued Expenses and Taxes	164,539
Decrease in Deferred Revenue	(235,912)
	<u>3,337,863</u>
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities	
Proceeds from Disposal of Fixed Assets	106,096
Purchase of Investments	(2,165,538)
Purchase of Fixed Assets	(2,411,965)
	<u>(4,471,407)</u>
Net Cash Used in Investing Activities	
Net Decrease in Cash and Cash Equivalents	(1,133,544)
Cash and Cash Equivalents, Beginning of Year	<u>13,499,274</u>
Cash and Cash Equivalents, End of Year	<u>\$ 12,365,730</u>
Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	<u>\$ -</u>

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

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

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill) and Goodworks, Inc. (Goodworks) (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.

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. and Goodworks, Inc. Inter-company transactions and balances have been eliminated in combination.

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 doubtful accounts was \$108,031 as of December 31, 2017.

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

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 maintain their cash accounts in five commercial banks. The amount on deposit at December 31, 2017, exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$8,456,949.

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 and changes in net assets 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 2017, Goodwill recognized contributed merchandise with a fair value of \$7,893,542 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.

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.

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

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 2017 was \$1,368,423.

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.

Inventories of new goods are carried at the lower of cost or market. Costs are determined on a first-in, first-out basis.

Investments

Investments, primarily consisting of cash and bank sweep funds, money market funds, equity securities, equity mutual funds, and fixed income securities, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the combined statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations.

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. The Organizations record investments in accordance with the *Not-for-Profit Entities* Topic of the FASB ASC which establishes standards for the recognition of fair value of investments in certain equity and debt securities with gains and losses included in the statements of activities.

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

Notes to Combined Financial Statements

Note 2. Investments

Investments are summarized as follows at December 31, 2017:

2017	Cost	Fair Market Value
Equity Securities	825,653	838,353
Equity Mutual Funds	104,982	105,465
Fixed Income	1,236,194	1,232,046
Total	\$ 2,166,830	\$ 2,175,864

The following schedule summarizes the investment gain shown in the statements of activities for the year ended December 31, 2017:

Interest and Dividend Income	\$ 5,211
Unrealized and Realized Gain, Net	<u>10,335</u>
Net Investment Gain	<u><u>\$ 15,546</u></u>

Note 3. Lease Agreements

Goodwill leases real estate under non-cancelable operating leases expiring in various years through 2036. Combined rent expense totaled \$2,925,013 in 2017 and is included in the combining statement of activities and changes in net assets.

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

Years	Amount
2018	\$ 3,100,589
2019	2,759,384
2020	2,258,436
2021	1,716,889
2022	946,227
Thereafter	<u>5,037,868</u>
Total	<u><u>\$ 15,819,393</u></u>

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

Notes to Combined Financial Statements

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 \$485,041 to the Plan in 2017.

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, 2017 were \$40,914. Contributions to the 457(b) plan for the year ended December 31, 2017 were \$143,305.

Note 5. Fair Value Measurements

FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments. FASB ASC Topic 820 establishes a fair value hierarchy which prioritizes inputs to the valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data (observable inputs) or they may be internally developed (unobservable inputs). The fair value hierarchy prioritizes the inputs to the valuation techniques used to measure fair value into three broad categories. These categories include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The market approach is used for valuing common stocks, equity mutual funds, and bond mutual funds, which are all classified within Level 1 of the fair value hierarchy. The remainder of the Organizations' investment portfolio consists of corporate bonds, which may not trade on a daily basis. Corporate bonds are generally valued based upon quoted market prices from brokers and dealers, which represent fair value, and are classified within Level 2.

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

Notes to Combined Financial Statements

Note 5. Fair Value Measurements (Continued)

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organizations believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value are comprised of the following as of December 31, 2017:

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2017				
Equity Securities	\$ 838,353	\$ 838,353	\$ -	\$ -
Equity Mutual Funds	105,465	105,465	-	-
Fixed Income	1,232,046	312,579	919,467	-
Total	\$ 2,175,864	\$ 1,256,397	\$ 919,467	\$ -

Note 6. Uncertain Tax Positions

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 believes that they have appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 7. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 20, 2018, 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.

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

Notes to Combined Financial Statements

Note 8. Recent Accounting Pronouncements

In May 2014, 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 2016-14 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.
AND GOODWORKS, INC.**

Schedule I

**Combining Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)**

	Goodwill	Goodworks	Elimination	2017	2016
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 8,707,706	\$ 3,658,024	\$ -	\$ 12,365,730	\$ 13,499,274
Accounts Receivable - Trade, Net	1,598,972	1,192,454	-	2,791,426	3,282,307
Accrued Interest Receivable	11,304	-	-	11,304	-
Merchandise Inventory	953,893	-	-	953,893	733,470
Due from Related Parties	95,255	-	(95,255)	-	-
Prepaid Expenses and Other	325,008	-	-	325,008	484,523
Total Current Assets	11,692,138	4,850,478	(95,255)	16,447,361	17,999,574
Property and Equipment					
Land	2,234,348	-	-	2,234,348	1,864,348
Building and Building Improvements	13,515,772	117,432	-	13,633,204	12,463,257
Machinery and Equipment	502,903	907,929	-	1,410,832	1,441,613
Furniture and Fixtures	1,775,691	-	-	1,775,691	1,724,629
Automobiles and Trucks	661,297	377,642	-	1,038,939	838,424
Leasehold Improvements	2,057,763	-	-	2,057,763	1,748,599
Computer Equipment	506,805	-	-	506,805	485,921
Condo - Timeshare	34,995	-	-	34,995	34,995
Capitalized Interest	121,770	-	-	121,770	121,770
	21,411,344	1,403,003	-	22,814,347	20,723,556
Less: Accumulated Depreciation	8,565,260	873,905	-	9,439,165	8,347,428
Property and Equipment, Net	12,846,084	529,098	-	13,375,182	12,376,128
Investments and Other Assets					
Long Term Investments	2,175,864	-	-	2,175,864	-
Deposits	135,279	-	-	135,279	142,619
Total Other Assets	2,311,143	-	-	2,311,143	142,619
Total Assets	\$ 26,849,365	\$ 5,379,576	\$ (95,255)	\$ 32,133,686	\$ 30,518,321
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 933,535	\$ 129,232	\$ -	\$ 1,062,767	\$ 619,786
Accrued Expenses and Taxes	1,078,238	170,698	-	1,248,936	1,084,397
Deferred Revenue	246,685	-	-	246,685	482,597
Due to Related Parties	-	95,255	(95,255)	-	-
Total Current Liabilities	2,258,458	395,185	(95,255)	2,558,388	2,186,780
Net Assets					
Unrestricted	24,590,907	4,984,391	-	29,575,298	28,331,541
Total Net Assets	24,590,907	4,984,391	-	29,575,298	28,331,541
Total Liabilities and Net Assets	\$ 26,849,365	\$ 5,379,576	\$ (95,255)	\$ 32,133,686	\$ 30,518,321

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
Combining Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

Schedule II

	Goodwill		Goodworks		Elimination	Combined Total 2017	Total 2016
	Unrestricted	Total	Unrestricted	Total			
Sales Revenue							
Retail Stores	\$ 18,353,390	\$ 18,353,390	\$ -	\$ -	\$ -	\$ 18,353,390	\$ 17,350,085
Contributed Revenue - Donated Goods	7,893,542	7,893,542	-	-	-	7,893,542	7,483,985
Salvage	1,348,106	1,348,106	-	-	-	1,348,106	995,629
Total	27,595,038	27,595,038	-	-	-	27,595,038	25,829,699
Vocational Training Revenue							
Janitorial, Landscaping, Switchboard Operations and Mail Delivery	3,684,149	3,684,149	4,366,650	4,366,650	-	8,050,799	7,487,536
Total	3,684,149	3,684,149	4,366,650	4,366,650	-	8,050,799	7,487,536
Other Sources of Income							
Federal Financial Assistance	1,538,796	1,538,796	-	-	-	1,538,796	717,786
Other Grant Income	166,897	166,897	-	-	-	166,897	67,417
Investment Income	15,546	15,546	-	-	-	15,546	2,515
State Sales Tax Exclusion	848,329	848,329	-	-	-	848,329	1,054,160
Administrative Fee Income	366,780	366,780	-	-	(366,780)	-	-
Louisiana Rehabilitation Service	117,223	117,223	-	-	-	117,223	189,681
Contributions	960,532	960,532	-	-	-	960,532	46,021
Gain on Sale of Assets	112,089	112,089	18,279	18,279	-	130,368	55,304
Rent	474,000	474,000	-	-	-	474,000	464,444
Miscellaneous	29,784	29,784	159	159	-	29,943	266,892
Total	4,629,976	4,629,976	18,438	18,438	(366,780)	4,281,634	2,864,220
Total Revenue and Other Income	35,909,163	35,909,163	4,385,088	4,385,088	(366,780)	39,927,471	36,181,455
Expenses							
Retail Program - Cost of Goods Sold	7,920,692	7,920,692	-	-	-	7,920,692	7,428,932
Program Services	23,358,629	23,358,629	3,951,691	3,951,691	-	27,310,320	25,142,335
Management and General	3,416,241	3,416,241	403,241	403,241	(366,780)	3,452,702	3,144,717
Total Expenses	34,695,562	34,695,562	4,354,932	4,354,932	(366,780)	38,683,714	35,715,984
Change in Net Assets	1,213,601	1,213,601	30,156	30,156	-	1,243,757	465,471
Net Assets, Beginning of Year	23,377,306	23,377,306	4,954,235	4,954,235	-	28,331,541	27,866,070
Net Assets, End of Year	\$ 24,590,907	\$ 24,590,907	\$ 4,984,391	\$ 4,984,391	\$ -	\$ 29,575,298	\$ 28,331,541

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combining Statement of Functional Expenses
For the Year Ended December 31, 2017**

Schedule III

	Goodwill			Goodworks			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 2017
Operating Expense												
Salaries, Wages, Taxes, and Benefits	\$ 14,148,274	\$ 1,763,922	\$ 15,912,196	\$ 2,526,746	\$ 6,850	\$ 2,533,596	\$ -	\$ -	\$ -	\$ 16,675,020	\$ 1,770,772	\$ 18,445,792
Occupancy Cost	4,093,855	85,743	4,179,598	6,919	-	6,919	-	-	-	4,100,774	85,743	4,186,517
Repairs and General Maintenance	261,262	-	261,262	-	-	-	-	-	-	261,262	-	261,262
Supplies and Materials	915,920	54,413	970,333	147,978	378	148,356	-	-	-	1,063,898	54,791	1,118,689
Waste Disposal	608,026	-	608,026	1,250	-	1,250	-	-	-	609,276	-	609,276
Training and Support Service	413,226	11,452	424,678	-	-	-	-	-	-	413,226	11,452	424,678
Outreach and Marketing	115,506	85,654	201,160	1,896	-	1,896	-	-	-	117,402	85,654	203,056
Conference and Travel	102,363	19,802	122,165	1,182	63	1,245	-	-	-	103,545	19,865	123,410
Communication	472,699	198,035	670,734	29,570	-	29,570	-	-	-	502,269	198,035	700,304
Equipment and Vehicle Cost	278,424	84,393	362,817	163,173	-	163,173	-	-	-	441,597	84,393	525,990
Insurance	467,432	84,251	551,683	47,686	-	47,686	-	-	-	515,118	84,251	599,369
Professional Fees and Dues	148,784	464,592	613,376	270,082	378,905	648,987	-	(366,780)	(366,780)	418,866	476,717	895,583
Administrative and Other	218,885	255,005	473,890	530,082	17,045	547,127	-	-	-	748,967	272,050	1,021,017
	22,244,656	3,107,262	25,351,918	3,726,564	403,241	4,129,805	-	(366,780)	(366,780)	25,971,220	3,143,723	29,114,943
Interest, Taxes, Depreciation, and Amortization												
Taxes	279,656	-	279,656	-	-	-	-	-	-	279,656	-	279,656
Depreciation and Amortization	834,317	308,979	1,143,296	225,127	-	225,127	-	-	-	1,059,444	308,979	1,368,423
	1,113,973	308,979	1,422,952	225,127	-	225,127	-	-	-	1,339,100	308,979	1,648,079
Total	\$ 23,358,629	\$ 3,416,241	\$ 26,774,870	\$ 3,951,691	\$ 403,241	\$ 4,354,932	\$ -	\$ (366,780)	\$ (366,780)	\$ 27,310,320	\$ 3,452,702	\$ 30,763,022

See independent auditor's report.

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

Schedule IV

**Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2017**

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	\$307,142
Benefits - Insurance	\$7,184
Benefits - Retirement	\$22,750
Benefits - Other	\$15,118
Car Allowance	\$23,445
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Conference Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

UNIFORM GUIDANCE SECTION

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

FEDERAL GRANTOR/ PASS-THROUGH AGENCY/ PROGRAM TITLE (per CFDA)	Federal CFDA Number	Program Name	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development					
Passed through Unity of Greater New Orleans					
Continuum of Care Program	14.267	Unity - Home at Last	LA0162B6H030	\$ -	\$ 279,824
Continuum of Care Program	14.267	Rapid Rehousing	LA0279L6H031600	-	30,637
Total U.S. Department of Housing and Urban Development				-	310,461
U.S. Department of Justice					
Direct Award					
Children of Incarcerated Parents	16.831	Baton Rouge Empowering Dads	2016-IG-BX-0008	-	39,283
Passed through Goodwill Industries International					
Juvenile Mentoring Program	16.726	Trauma-Informed Approaches to Improve School Safety	2015-JU-FX-0010	-	116,780
Total U.S. Department of Justice				-	156,063
U.S. Department of Labor					
Direct Award					
Reintegration of Ex-Offenders	17.270	Training to Work 3	PE-27374-15-60-A-22	-	434,686
Subtotal U.S. Department of Labor Direct Awards				-	434,686
Passed through City of Baton Rouge & Parish of East Baton Rouge					
WIA Youth Activities	17.259	Out of School Youth - Baton Rouge	#01-16/17	-	99,297
Passed through Goodwill Industries International					
Reintegration of Ex-Offenders	17.270	GII Life Launch	YF-29325-16-60-A-24	-	214,945
Subtotal U.S. Department of Labor Pass-Through Awards				-	314,242
Total U.S. Department of Labor				-	748,928
U.S. Department of Education					
Passed through Southern University					
Rehabilitation Services Client Assistance Program	84.161	Southern University	#74040	-	2,854
Total U.S. Department of Education				-	2,854
U.S. Department of Health and Human Services					
Passed through State of Louisiana Department of Children and Family Services					
Chafee Foster Care Independence Program	93.674	Aging Out of Foster Care (Lafourche, Houma)	2000225044	-	136,717
Chafee Foster Care Independence Program	93.674	Aging Out of Foster Care (Orleans, Jefferson)	2000225203	-	166,949
Total U.S. Department of Health and Human Services				-	303,666
Total Expenditures of Federal Awards				\$ -	\$ 1,521,972

See accompanying notes to schedule of expenditures of federal awards

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. (Goodwill) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Goodwill, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Goodwill.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Goodwill has elected to use the 10 percent de minimis indirect cost rate.

**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. and Goodworks, 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. and Goodworks, Inc., (the Organizations) which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities and changes in net assets and functional expenses 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 20, 2018.

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 20, 2018

Report On Compliance For Each Major Federal Program; and on Internal Control Over Compliance Required by The Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc.'s (collectively the Organizations) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organizations' major federal programs for the year ended December 31, 2017. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal laws, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organizations' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organizations' compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Organizations complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Organizations is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organizations' internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
June 20, 2018

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017**

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)?	None Reported
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material Weakness(es) identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)?	None Reported
Type of Auditor's Report Issued on Compliance for Major Federal Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs:

<u>Title</u>	<u>CFDA Number</u>
Reintegration of Ex-Offenders	17.270

Dollar Threshold used to Determine Type A Programs:	\$750,000
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Auditee Qualified as Low-Risk Auditee?	No
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**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2017**

Part II - Schedule of Financial Statement Findings Section

No findings were noted.

Part III - Federal Awards Findings and Questioned Costs Section

No findings were noted.

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Prior Year Findings
For the Year Ended December 31, 2017**

Prior Year Findings

None