

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

Audit of Combined Financial Statements

December 31, 2019



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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, 2019, and the related combined statement 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.

## **LOUISIANA • TEXAS**

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, 2019, 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 VI 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 September 28, 2020 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 solely 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 effectiveness of the Organizations' 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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA  
September 28, 2020

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.  
Combined Statement of Financial Position  
December 31, 2019**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 8,908,054
Accounts Receivable, Net	3,827,009
Accrued Interest Receivable	19,372
Merchandise Inventory	1,216,329
Prepaid Expenses and Other	<u>645,139</u>
<b>Total Current Assets</b>	<u>14,615,903</u>
<b>Property and Equipment</b>	
Land	2,641,448
Building and Building Improvements	15,455,524
Machinery and Equipment	1,762,792
Furniture and Fixtures	2,055,932
Automobiles and Trucks	1,293,096
Leasehold Improvements	2,459,207
Computer Equipment	841,112
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	26,665,876
Less: Accumulated Depreciation	<u>12,125,298</u>
<b>Property and Equipment, Net</b>	<u>14,540,578</u>
Investments and Assets Limited as to Use	5,714,569
Deposits	<u>135,639</u>
<b>Total Investment and Other Assets</b>	<u>5,850,208</u>
<b>Total Assets</b>	<u>\$ 35,006,689</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, 2019**

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**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable	\$	558,078
Accrued Expenses and Taxes		1,844,106
Deferred Revenue		116,413

**Total Current Liabilities** 2,518,597

**Long-Term Liabilities**

Deferred Compensation		391,389
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**Total Long-Term Liabilities** 391,389

**Total Liabilities** 2,909,986

**Net Assets**

Without Donor Restrictions		32,096,703
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**Total Net Assets** 32,096,703

**Total Liabilities and Net Assets** \$ 35,006,689

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, 2019**

	<b>Without Donor Restrictions</b>
<b>Sales Revenue</b>	
Retail Stores	\$ 21,694,351
Contributed Revenue - Donated Goods	8,493,150
Salvage	1,537,244
<b>Total</b>	<u>31,724,745</u>
<b>Vocational Training Revenue</b>	
Janitorial, Landscaping, Switchboard Operations, and Mail Delivery	<u>8,786,058</u>
<b>Total</b>	<u>8,786,058</u>
<b>Other Sources of Income</b>	
Federal Financial Assistance	1,336,965
Other Grant Income	704,422
Investment Gain, Net	1,016,719
State Sales Tax Exclusion	1,155,798
Louisiana Rehabilitation Service	122,963
Contributions	239,538
Rent	474,000
Miscellaneous	626,250
<b>Total</b>	<u>5,676,655</u>
<b>Total Revenue and Other Income, Net</b>	<u>46,187,458</u>
<b>Expenses</b>	
Program Services	
Retail	26,644,336
Contracts	8,752,831
Workforce	4,162,779
<b>Total Program Services</b>	<u>39,559,946</u>
Management and General	<u>4,855,147</u>
<b>Total Expenses</b>	<u>44,415,093</u>
<b>Change in Net Assets</b>	1,772,365
<b>Net Assets, Beginning of Year</b>	<u>30,324,338</u>
<b>Net Assets, End of Year</b>	<u>\$ 32,096,703</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 Functional Expenses  
For the Year Ended December 31, 2019**

	Program Services			Management and General	Total
	Retail	Contracts	Workforce		
<b>Operating Expense</b>					
Salaries, Wages, Taxes, and Benefits	\$ 9,709,821	\$ 6,965,197	\$ 2,674,599	\$ 2,187,771	\$ 21,537,388
Cost of Goods Sold	9,178,307	-	-	-	9,178,307
Occupancy Cost	4,492,915	38,455	218,339	93,057	4,842,766
Repairs and General Maintenance	200,014	4,039	16,343	30,667	251,063
Supplies and Materials	396,743	480,491	90,158	80,446	1,047,838
Waste Disposal	739,663	4,906	4,495	1,849	750,913
Training and Support Service	16,968	-	495,119	-	512,087
Outreach and Marketing	6,351	693	5,935	33,404	46,383
Conference and Travel	54,250	9,345	63,879	35,821	163,295
Communication	360,400	74,595	167,849	252,366	855,210
Equipment and Vehicle Cost	269,815	325,845	20,418	105,495	721,573
Insurance	351,661	116,243	69,258	236,688	773,850
Professional Fees and Dues	90,238	313,168	199,652	593,086	1,196,144
Administrative and Other	196,563	129,530	15,381	680,503	1,021,977
	26,063,709	8,462,507	4,041,425	4,331,153	42,898,794
<b>Interest, Taxes, Depreciation, and Amortization</b>					
Taxes	-	-	-	-	-
Depreciation and Amortization	580,627	290,324	121,354	523,994	1,516,299
	580,627	290,324	121,354	523,994	1,516,299
<b>Total</b>	<b>\$ 26,644,336</b>	<b>\$ 8,752,831</b>	<b>\$ 4,162,779</b>	<b>\$ 4,855,147</b>	<b>\$ 44,415,093</b>

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, 2019**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 1,772,365
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	1,516,299
Bad Debt Expense	126,683
Net Realized Loss on Investments	18,511
Unrealized Gain on Investments	(859,035)
Increase in Accounts Receivable	(100,828)
Increase in Merchandise Inventory	(143,180)
Decrease in Prepaid Expenses and Other Assets	97,576
Decrease in Accounts Payable	(350,759)
Increase in Accrued Expenses and Taxes	396,211
Decrease in Deferred Revenue	<u>(307,598)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>2,166,245</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from Sale of Investments	275,796
Purchase of Investments	(490,589)
Purchase of Fixed Assets	<u>(938,700)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(1,153,493)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,012,752
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>7,895,302</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,908,054</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

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### Note 1. Organizations

Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill) and Goodworks, Inc. (Goodworks) (collectively, the Organizations) work with people with disabilities and other barriers to employment to improve their economic self-sufficiency through training, education, support services, and employment. While primarily known for their retail stores, the Organizations also have contract services and workforce development programs.

The Organizations work with state, federal, and commercial partners to provide contract services across 40 sites. These services support training opportunities for people with disabilities and include janitorial, grounds maintenance, warehousing, mail delivery, and switchboard operations. Workforce development programs include case management services, job readiness training, employment assistance, and supporting services opportunities. These programs work with a variety of vulnerable populations including the formerly incarcerated, disabled, homeless, and those otherwise facing barriers to employment. Included under the workforce development program is the Goodwill Technical College, a division of Goodwill, which offers industry-based certifications in broadband communication technology, hospitality and customer service, medical billing and coding, medical office administrative assistant, and Microsoft Office technology certification. The retail program operations include twenty-three (23) stores throughout Southeastern Louisiana. Goodwill's retail model is to collect gently used donations from the public and sell them throughout the retail locations or, as a last resort, through the commodity market. The Organizations' breadth of services allows them to play a part in each individual success, whether that means helping someone find a new direction, discover a hidden skill, or gain a sense of self-worth and hope for the future.

### Note 2. Summary of Significant Accounting Policies

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.

#### **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.

#### **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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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

**Notes to Combined Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Financial Statement Presentation (Continued)**

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled or removed by actions of the Organizations pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature (also referred to as an endowment fund), where the donor stipulates that resources be maintained in perpetuity. The Organizations have no net assets with donor restrictions as of December 31, 2019.

**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.

**Accounts Receivable**

Account 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.

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was \$287,151 as of December 31, 2019.

**Concentration of Credit and Market 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.

Financial instrument that potentially expose the Organizations to concentrations of credit and market risk consist primarily of cash and investments. The Organizations have experienced \$1,016,719 in net gains in these accounts for the year ended December 31, 2019. The Organizations maintain their cash accounts at four commercial banks. The amount on deposit at December 31, 2019, exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$8,101,685.

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

**Notes to Combined Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Contribution Recognition**

The Organizations record contributions as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 without donor restrictions. The Organizations report gifts of land, buildings, and equipment as support without donor restrictions 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 2019, Goodwill recognized contributed merchandise with a fair value of \$8,493,150 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.

**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.

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

**Notes to Combined Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**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 2019 was \$1,516,299.

**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 net assets without donor restrictions unless the use was restricted by explicit donor stipulations.

**Investments and Asset Limited as to Use**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the Investments and Other Assets section of the combined statement of financial position. Investments and Assets limited as to use includes investments in mutual funds, which are designated for funding the 457(b) Top Hat plan as discussed further in Note 6. 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.

**Functional Allocation of Expenses**

Expenses are initially charged directly to cost centers based on their function. Allocations are then used to distribute certain administrative costs across all programs benefiting from the expense. Allocations to programs for network activities are based on the number of emails used in each department. General business lines of insurance are allocated to programs as a percentage of personnel costs. Occupancy expenses at facilities, where multiple programs are operated, are allocated to programs based on square footage and/or number of employees in each program.

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

**Notes to Combined Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Development Expense**

Development expense for the year ended December 31, 2019 totaled \$21,591 and is included under management and general in the combined statement of activities and changes in net assets.

**Note 3. Liquidity and Availability**

Goodwill and Goodworks' financial assets available within one year of the combined statements of financial position date for general expenditure for the year ended December 31, 2019 are as follows:

Cash and Cash Equivalents	\$ 8,908,054
Accrued Interest Receivable	19,372
Accounts Receivables, Net	<u>3,827,009</u>

**Financial Assets at Year End Available to Meet Cash**

**Needs for General Expenditures within One Year** \$ 12,754,435

As part of their liquidity management, the Organizations have a policy to monitor and structure their financial assets to be available to meet their general expenditures, liabilities, and other obligations as they come due. Goodwill and Goodworks uses their budgets to help manage cash flow needs by monitoring expenses and revenues during the year. Although not expected to be needed, Goodwill could also utilize its board-designated long-term investments to manage cash flow needs for current operations.

**Note 4. Investments and Assets Limited as to Use**

Investments and assets limited as to use are summarized as follows at December 31, 2019:

	<b>Fair Market Value</b>
Equity Securities (Investments)	\$ 3,364,534
Corporate Debt Securities (Investments)	1,958,646
Equity Mutual Funds (Assets Limited as to Use)	<u>391,389</u>
<b>Total</b>	<u><u>\$ 5,714,569</u></u>



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

**Notes to Combined Financial Statements**

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**Note 5. Lease Agreements**

Goodwill leases real estate under non-cancelable operating leases expiring in various years through 2036. Combined rent expense totaled \$3,173,470 in 2019 and is included in the combined statement of activities and changes in net assets.

Future minimum lease payments as of December 31<sup>st</sup> are as follows:

<b>Year</b>	<b>Amount</b>
2020	\$ 2,768,811
2021	2,208,586
2022	1,446,503
2023	1,045,361
2024	776,252
Thereafter	<u>3,148,332</u>
<b>Total</b>	<b><u>\$ 11,393,845</u></b>

**Note 6. 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 \$618,398 to the Plan in 2019.

On March 15, 2011, Goodwill entered into two Retirement Plan Service Agreements. One agreement was for a 403(b) Employee Retirement Income Security Act of 1974 (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% of the employees' salary. 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, 2019 were \$56,884. Contributions to the 457(b) plan for the year ended December 31, 2019 were \$-0-. The liability related to the 457(b) plan totaled \$391,389 at December 31, 2019, and is included in deferred compensation in the combined statement of financial position.

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

**Notes to Combined Financial Statements**

**Note 7. 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.

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, 2019:

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>2019</b>				
Equity Securities	\$ 3,364,534	\$ 3,364,534	\$ -	\$ -
Corporate Securities	1,958,646	1,143,202	815,444	-
Equity Mutual Funds	391,389	391,389	-	-
<b>Total</b>	<b>\$ 5,714,569</b>	<b>\$ 4,899,125</b>	<b>\$ 815,444</b>	<b>\$ -</b>

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

**Notes to Combined Financial Statements**

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**Note 8. 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 Organization 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 9. Subsequent Events**

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, September 28, 2020, and determined that the following events occurred that require disclosure:

Effective January 1, 2020, the Organizations executed a separation payment to a key executive. The amount and terms were not considered significant to the financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organizations operate. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organizations, to date, the Organizations continue to monitor the potential effects.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

On July 2, 2020, the Organizations entered into a new line of credit agreement with a bank in the amount of \$2,000,000. The loan is a variable rate revolving line of credit due on demand and, if no demand, on July 1, 2021. The line of credit is collateralized by the Organizations' investment portfolio.

No further subsequent events occurring after September 28, 2020 have been evaluated for inclusion in these combined financial statements.

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

**Notes to Combined Financial Statements**

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**Note 10. Recent Accounting Pronouncements**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2020. 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. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 one year making it effective for annual reporting periods beginning after December 15, 2021. The Organizations are currently evaluating the impact ASU 2016-02 will have on the financial statements.

## **SUPPLEMENTARY INFORMATION**

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.  
Combining Statement of Financial Position  
December 31, 2019  
(With Comparative Totals for 2018)**

**Schedule I**

	Goodwill	Goodworks	Elimination	2019	2018
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 6,840,948	\$ 2,067,106	\$ -	\$ 8,908,054	\$ 7,895,302
Accounts Receivable, Net	2,552,950	1,274,059	-	3,827,009	3,852,864
Accrued Interest Receivable	19,372	-	-	19,372	19,182
Merchandise Inventory	1,216,329	-	-	1,216,329	1,073,149
Due from Related Parties	-	1,882,086	(1,882,086)	-	-
Prepaid Expenses and Other	645,139	-	-	645,139	742,715
<b>Total Current Assets</b>	<b>11,274,738</b>	<b>5,223,251</b>	<b>(1,882,086)</b>	<b>14,615,903</b>	<b>13,583,212</b>
<b>Property and Equipment</b>					
Land	2,641,448	-	-	2,641,448	2,641,448
Building and Building Improvements	15,338,092	117,432	-	15,455,524	15,260,969
Machinery and Equipment	540,616	1,222,176	-	1,762,792	1,415,020
Furniture and Fixtures	2,055,932	-	-	2,055,932	1,995,549
Automobiles and Trucks	871,194	421,902	-	1,293,096	1,211,479
Leasehold Improvements	2,459,207	-	-	2,459,207	2,275,067
Computer Equipment	841,112	-	-	841,112	774,162
Condo - Timeshare	34,995	-	-	34,995	34,995
Capitalized Interest	121,770	-	-	121,770	121,770
	24,904,366	1,761,510	-	26,665,876	25,730,459
Less: Accumulated Depreciation	10,908,879	1,216,419	-	12,125,298	10,612,282
<b>Property and Equipment, Net</b>	<b>13,995,487</b>	<b>545,091</b>	<b>-</b>	<b>14,540,578</b>	<b>15,118,177</b>
<b>Investments and Other Assets</b>					
Investments and Assets Limited as to Use	5,714,569	-	-	5,714,569	4,613,241
Deposits	135,639	-	-	135,639	135,639
<b>Total Other Assets</b>	<b>5,850,208</b>	<b>-</b>	<b>-</b>	<b>5,850,208</b>	<b>4,748,880</b>
<b>Total Assets</b>	<b>\$ 31,120,433</b>	<b>\$ 5,768,342</b>	<b>\$ (1,882,086)</b>	<b>\$ 35,006,689</b>	<b>\$ 33,450,269</b>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 401,800	\$ 156,278	\$ -	\$ 558,078	\$ 908,837
Accrued Expenses and Taxes	1,593,603	250,503	-	1,844,106	1,447,895
Deferred Revenue	116,413	-	-	116,413	424,011
Due to Related Parties	1,882,086	-	(1,882,086)	-	-
<b>Total Current Liabilities</b>	<b>3,993,902</b>	<b>406,781</b>	<b>(1,882,086)</b>	<b>2,518,597</b>	<b>2,780,743</b>
<b>Long-Term Liabilities</b>					
Deferred Compensation	391,389	-	-	391,389	345,188
<b>Total Long-Term Liabilities</b>	<b>391,389</b>	<b>-</b>	<b>-</b>	<b>391,389</b>	<b>345,188</b>
<b>Total Liabilities</b>	<b>4,385,291</b>	<b>406,781</b>	<b>(1,882,086)</b>	<b>2,909,986</b>	<b>3,125,931</b>
<b>Net Assets</b>					
Without Donor Restrictions	26,735,142	5,361,561	-	32,096,703	30,324,338
<b>Total Net Assets</b>	<b>26,735,142</b>	<b>5,361,561</b>	<b>-</b>	<b>32,096,703</b>	<b>30,324,338</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 31,120,433</b>	<b>\$ 5,768,342</b>	<b>\$ (1,882,086)</b>	<b>\$ 35,006,689</b>	<b>\$ 33,450,269</b>

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, 2019**

**Schedule II**

	Goodwill Without Donor Restrictions	Goodworks Without Donor Restrictions	Elimination	Combined Total 2019	Total 2018
<b>Sales Revenue</b>					
Retail Stores	\$ 21,694,351	\$ -	\$ -	\$ 21,694,351	\$ 20,020,471
Contributed Revenue - Donated Goods	8,493,150	-	-	8,493,150	8,144,686
Salvage	1,537,244	-	-	1,537,244	1,358,984
<b>Total</b>	<b>31,724,745</b>	<b>-</b>	<b>-</b>	<b>31,724,745</b>	<b>29,524,141</b>
<b>Vocational Training Revenue</b>					
Janitorial, Landscaping, Switchboard Operations, and Mail Delivery	3,888,652	4,897,406	-	8,786,058	8,639,565
<b>Total</b>	<b>3,888,652</b>	<b>4,897,406</b>	<b>-</b>	<b>8,786,058</b>	<b>8,639,565</b>
<b>Other Sources of Income</b>					
Federal Financial Assistance	1,336,965	-	-	1,336,965	2,432,074
Other Grant Income	704,422	-	-	704,422	95,263
Investment Loss, Net	1,016,719	-	-	1,016,719	(374,193)
State Sales Tax Exclusion	1,155,798	-	-	1,155,798	808,137
Administrative Fee Income	612,784	-	(612,784)	-	-
Louisiana Rehabilitation Service	122,963	-	-	122,963	120,209
Contributions	239,538	-	-	239,538	247,287
Loss on Sale of Assets	-	-	-	-	(3,377)
Rent	474,000	-	-	474,000	487,502
Miscellaneous	623,133	3,117	-	626,250	230,854
<b>Total</b>	<b>6,286,322</b>	<b>3,117</b>	<b>(612,784)</b>	<b>5,676,655</b>	<b>4,043,756</b>
<b>Total Revenue and Other Income</b>	<b>41,899,719</b>	<b>4,900,523</b>	<b>(612,784)</b>	<b>46,187,458</b>	<b>42,207,462</b>
<b>Expenses</b>					
<b>Program Services</b>					
Retail	26,886,812	-	(242,476)	26,644,336	25,024,693
Contracts	4,669,143	4,164,608	(80,920)	8,752,831	8,174,191
Workforce	4,404,010	-	(241,231)	4,162,779	3,953,842
<b>Total Program Services</b>	<b>35,959,965</b>	<b>4,164,608</b>	<b>(564,627)</b>	<b>39,559,946</b>	<b>37,152,726</b>
Management and General	4,243,800	659,504	(48,157)	4,855,147	4,305,696
<b>Total Expenses</b>	<b>40,203,765</b>	<b>4,824,112</b>	<b>(612,784)</b>	<b>44,415,093</b>	<b>41,458,422</b>
<b>Change in Net Assets</b>	<b>1,695,954</b>	<b>76,411</b>	<b>-</b>	<b>1,772,365</b>	<b>749,040</b>
<b>Net Assets, Beginning of Year</b>	<b>25,039,188</b>	<b>5,285,150</b>	<b>-</b>	<b>30,324,338</b>	<b>29,575,298</b>
<b>Net Assets, End of Year</b>	<b>\$ 26,735,142</b>	<b>\$ 5,361,561</b>	<b>\$ -</b>	<b>\$ 32,096,703</b>	<b>\$ 30,324,338</b>

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, 2019**

**Schedule III**

	Goodwill					Goodworks			
	Program Services			Management and General	Total	Program Services		Management and General	Total
	Retail	Contracts	Workforce			Contracts			
<b>Operating Expense</b>									
Salaries, Wages, Taxes, and Benefits	\$ 9,709,821	\$ 3,788,638	\$ 2,674,599	\$ 2,193,063	\$ 18,366,121	\$ 3,176,559	\$ (5,292)	\$ 3,171,267	
Cost of Goods Sold	9,178,307	-	-	-	9,178,307	-	-	-	
Occupancy Cost	4,735,391	115,962	459,570	(471,570)	4,839,353	3,413	-	3,413	
Repairs and General Maintenance	200,014	-	16,343	30,667	247,024	4,039	-	4,039	
Supplies and Materials	396,743	337,070	90,158	80,574	904,545	143,421	(128)	143,293	
Waste Disposal	739,663	143	4,495	1,849	746,150	4,763	-	4,763	
Training and Support Service	16,968	-	495,119	-	512,087	-	-	-	
Outreach and Marketing	6,351	522	5,935	33,036	45,844	171	368	539	
Conference and Travel	54,250	8,580	63,879	35,821	162,530	765	-	765	
Communication	360,400	43,133	167,849	252,325	823,707	31,462	41	31,503	
Equipment and Vehicle Cost	269,815	90,452	20,418	105,495	486,180	235,393	-	235,393	
Insurance	351,661	74,119	69,258	236,688	731,726	42,124	-	42,124	
Professional Fees and Dues	90,238	17,347	199,652	564,155	871,392	295,821	641,715	937,536	
Administrative and Other	196,563	130,322	15,381	657,703	999,969	(792)	22,800	22,008	
	26,306,185	4,606,288	4,282,656	3,719,806	38,914,935	3,937,139	659,504	4,596,643	
<b>Interest, Taxes, Depreciation, and Amortization</b>									
Taxes	-	-	-	-	-	-	-	-	
Depreciation and Amortization	580,627	62,855	121,354	523,994	1,288,830	227,469	-	227,469	
	580,627	62,855	121,354	523,994	1,288,830	227,469	-	227,469	
<b>Total</b>	<b>\$ 26,886,812</b>	<b>\$ 4,669,143</b>	<b>\$ 4,404,010</b>	<b>\$ 4,243,800</b>	<b>\$ 40,203,765</b>	<b>\$ 4,164,608</b>	<b>\$ 659,504</b>	<b>\$ 4,824,112</b>	

See independent auditor's report.



**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.  
Combining Statement of Functional Expenses (Continued)  
For the Year Ended December 31, 2019**

**Schedule III**

	Elimination					Combined Total				
	Program Services		Workforce	Management and General	Total	Program Services		Workforce	Management and General	Total
	Retail	Contracts				Retail	Contracts			
<b>Operating Expense</b>										
Salaries, Wages, Taxes, and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,709,821	\$ 6,965,197	\$ 2,674,599	\$ 2,187,771	\$ 21,537,388
Cost of Goods Sold	-	-	-	-	-	9,178,307	-	-	-	9,178,307
Occupancy Cost	(242,476)	(80,920)	(241,231)	564,627	-	4,492,915	38,455	218,339	93,057	4,842,766
Repairs and General Maintenance	-	-	-	-	-	200,014	4,039	16,343	30,667	251,063
Supplies and Materials	-	-	-	-	-	396,743	480,491	90,158	80,446	1,047,838
Waste Disposal	-	-	-	-	-	739,663	4,906	4,495	1,849	750,913
Training and Support Service	-	-	-	-	-	16,968	-	495,119	-	512,087
Outreach and Marketing	-	-	-	-	-	6,351	693	5,935	33,404	46,383
Conference and Travel	-	-	-	-	-	54,250	9,345	63,879	35,821	163,295
Communication	-	-	-	-	-	360,400	74,595	167,849	252,366	855,210
Equipment and Vehicle Cost	-	-	-	-	-	269,815	325,845	20,418	105,495	721,573
Insurance	-	-	-	-	-	351,661	116,243	69,258	236,688	773,850
Professional Fees and Dues	-	-	-	(612,784)	(612,784)	90,238	313,168	199,652	593,086	1,196,144
Administrative and Other	-	-	-	-	-	196,563	129,530	15,381	680,503	1,021,977
	(242,476)	(80,920)	(241,231)	(48,157)	(612,784)	26,063,709	8,462,507	4,041,425	4,331,153	42,898,794
<b>Interest, Taxes, Depreciation, and Amortization</b>										
Taxes	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortization	-	-	-	-	-	580,627	290,324	121,354	523,994	1,516,299
	-	-	-	-	-	580,627	290,324	121,354	523,994	1,516,299
<b>Total</b>	\$ (242,476)	\$ (80,920)	\$ (241,231)	\$ (48,157)	\$ (612,784)	\$ 26,644,336	\$ 8,752,831	\$ 4,162,779	\$ 4,855,147	\$ 44,415,093

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, 2019**

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Louisiana Revised Statute (R.S) 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

<b>Purpose</b>	<b>Amount</b>
Salary	\$339,694
Benefits - Insurance	\$10,545
Benefits - Retirement	\$23,000
Benefits - Other	\$2,834
Car Allowance	\$27,066
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.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.  
Composite Score Calculation  
For the Year Ended December 31, 2019**

**Schedule V**

<b>Composite Score Calculation</b>				<b>Ratio</b>	<b>Calculated Strength Factor Score</b>	<b>Final Strength Factor Score</b>	<b>Weighted Score</b>	
<b>Primary Reserve Ratio</b>	=	<u>Expendable Net Assets</u>	<u>17,556,125</u>	<b>0.3953</b>	10 x Primary Reserve Ratio <b>3.9530</b>	<b>3.0000</b>	40% <b>1.2000</b>	
		Total Expenses	44,415,093					
<b>Equity Ratio</b>	=	<u>Modified Net Assets</u>	<u>32,096,703</u>	<b>0.9169</b>	6 x Equity Ratio <b>5.5014</b>	<b>3.0000</b>	40% <b>1.2000</b>	
		Modified Assets	35,006,689					
<b>Net Income Ratio</b>	=	<u>Change in Net Assets Without Donor Restrictions</u>	<u>1,772,365</u>	<b>0.0384</b>	1 + (50 x Net Income Ratio) <b>2.9200</b>	<b>2.9200</b>	20% <b>0.5840</b>	
		Total Revenue Without Donor Restrictions	46,187,458					
							<b>Composite Score</b>	<b>2.9840</b>

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.**  
Goodwill Technical College Revenue and Expenses  
For the Year Ended December 31, 2019

**Schedule VI**

<b>Revenue</b>	
Grant Revenue	\$ 41,173
Goodwill Supporting Grant	733,131
	<hr/>
<b>Total Revenue</b>	<b>774,304</b>
	<hr/>
<b>Operating Expense</b>	
Salaries and Wages	283,989
Benefits	341,811
	<hr/>
<b>Salaries, Wages, Taxes, and Benefits</b>	<b>625,800</b>
	<hr/>
Occupancy Cost	362,962
Supplies and Material	45,771
Training and Supportive Service	10,324
Outreach and Marketing	2,055
Conference and Travel	3,894
Communication	60,225
Equipment and Vehicle Cost	5,288
Insurance	5,686
Professional Fees and Dues	8,119
Administrative and Other	2,542
	<hr/>
<b>Total Operating Expense</b>	<b>1,132,666</b>
	<hr/>
<b>Taxes and Depreciation</b>	
Depreciation	21,938
	<hr/>
<b>Total Taxes and Depreciation</b>	<b>21,938</b>
	<hr/>
<b>Total Expense</b>	<b>1,154,604</b>
	<hr/>
<b>Net Income (Loss)</b>	<b>\$ (380,300)</b>
	<hr/> <hr/>

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, 2019**

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
<b>U.S. Department of Housing and Urban Development</b>					
Passed through Unity of Greater New Orleans Continuum of Care Program	14.267	Unity - Home at Last	LA0162B6H030; LA0260L6H031804	\$ -	\$ 293,269
Continuum of Care Program	14.267	Rapid Rehousing	LA0279L6H031600	-	184,876
Total U.S. Department of Housing and Urban Development				-	478,145
<b>U.S. Department of Justice</b>					
Direct Award Children of Incarcerated Parents	16.831	Baton Rouge Empowering Dads	2016-IG-BX-0008	-	129,745
Passed through City of New Orleans Second Chance Act Reentry Initiative	16.812	City of New Orleans Demonstration Grant	K17-1294	-	33,075
Subtotal U.S. Department of Justice Pass-Through Awards				-	33,075
Total U.S. Department of Justice				-	162,820
<b>U.S. Department of Labor</b>					
Direct Award Reintegration of Ex-Offenders	17.270	Training to Work 3	PE-27374-15-60-A-22	-	79,682
Passed through Goodwill Industries International Reintegration of Ex-Offenders	17.270	Gil Life Launch	YF-29325-16-60-A-24	-	131,388
Passed through Arbor E&T DBA Rescare Workforce Workforce Innovation Fund	17.283	Workforce Innovation Fund	-	-	116,637
Subtotal U.S. Department of Labor Pass-Through Awards				-	248,025
Total U.S. Department of Labor				-	327,707
<b>U.S. Department of Education</b>					
Passed through Southern University Rehabilitation Services Client Assistance Program	84.161	Southern University	#74040	-	30,000
Total U.S. Department of Education				-	30,000
<b>U.S. Department of Health and Human Services</b>					
Passed through State of Louisiana Department of Children and Family Services John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Aging Out of Foster Care (Lafourche, Houma)	2000225044	-	176,003
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Aging Out of Foster Care (Orleans, Jefferson)	2000225203	-	162,290
Total U.S. Department of Health and Human Services				-	338,293
<b>Total Expenditures of Federal Awards</b>				<b>\$ -</b>	<b>\$ 1,336,965</b>

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, 2019**

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**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. (Organizations) under programs of the federal government for the year ended December 31, 2019. 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 Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc., (the Organizations) which comprise the combined statement of financial position as of December 31, 2019, 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 September 28, 2020.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



**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 Professional Accounting Corporation

Metairie, LA  
September 28, 2020

## **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, 2019. 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, 2019.

## **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  
September 28, 2020

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019**

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**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)?	No
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>
Continuum of Care Program	14.267

Dollar Threshold used to Determine Type A Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

**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.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
AND GOODWORKS, INC.  
Schedule of Prior Year Findings  
For the Year Ended December 31, 2019**

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**Prior Year Findings**

**2018-001 Timely Reconciliation of Bank Statements**

*Condition:* There was a lack of adequately implemented controls over the timely and accurate reconciliation of bank statements.

*Status:* Resolved.

## AGREED-UPON PROCEDURES REPORT

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

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

**For the Period January 1, 2019 - December 31, 2019**

To the Audit Committee of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. (collectively, Goodwill) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. Goodwill's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and results are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes and tools needed to recover operations after a critical event.

Results: No exceptions noted.

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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2. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: No exceptions noted.

3. For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: All employees involved in processing payments are able to add/ modify vendor files, which is an exception to criteria 3(c). No exceptions noted to procedure 3(a), 3(b) or 3(d).

4. For each location selected under #3 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable.

Results: No exceptions noted.

***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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5. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions noted.

6. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: There was no written evidence of independent review and approval of two of the three cards tested, which is an exception to procedure 6(a). Out of the three cards tested, one of the cards tested had late fees assessed and two cards had finance charges, which is an exception to procedure 6(b).

7. Using the monthly statements or combined statements selected under #6 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).
  - a) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Metairie, LA  
September 28, 2020