

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

Audit of Combined Financial Statements

December 31, 2018



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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, 2018, 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.

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. as of December 31, 2018, 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.

Emphasis of a Matter

As discussed in Note 10 to the financial statements, in 2018, the Organizations adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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 V 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 26, 2019 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
June 26, 2019

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Financial Position
December 31, 2018**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 7,895,302
Accounts Receivable, Net	3,852,864
Accrued Interest Receivable	19,182
Merchandise Inventory	1,073,149
Prepaid Expenses and Other	<u>742,715</u>
Total Current Assets	<u>13,583,212</u>
Property and Equipment	
Land	2,641,448
Building and Building Improvements	15,260,969
Machinery and Equipment	1,415,020
Furniture and Fixtures	1,995,549
Automobiles and Trucks	1,211,479
Leasehold Improvements	2,275,067
Computer Equipment	774,162
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	25,730,459
Less: Accumulated Depreciation	<u>10,612,282</u>
Property and Equipment, Net	<u>15,118,177</u>
Investments and Other Assets	
Investments and Assets Limited as to Use	4,613,241
Deposits	<u>135,639</u>
Total Investment and Other Assets	<u>4,748,880</u>
Total Assets	<u><u>\$ 33,450,269</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, 2018**

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 908,837
Accrued Expenses and Taxes	1,447,895
Deferred Revenue	<u>424,011</u>
Total Current Liabilities	<u>2,780,743</u>
Long-Term Liabilities	
Deferred Compensation	<u>345,188</u>
Total Long-Term Liabilities	<u>345,188</u>
Total Liabilities	<u>3,125,931</u>
Net Assets	
Without Donor Restrictions	<u>30,324,338</u>
Total Net Assets	<u>30,324,338</u>
Total Liabilities and Net Assets	<u>\$ 33,450,269</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, 2018

	Without Donor Restrictions
Sales Revenue	
Retail Stores	\$ 20,020,471
Contributed Revenue - Donated Goods	8,144,686
Salvage	1,358,984
Total	<u>29,524,141</u>
Vocational Training Revenue	
Janitorial, Landscaping, Switchboard Operations, and Mail Delivery	<u>8,639,565</u>
Total	<u>8,639,565</u>
Other Sources of Income	
Federal Financial Assistance	2,432,074
Other Grant Income	95,263
Investment Loss, Net	(374,193)
State Sales Tax Exclusion	808,137
Louisiana Rehabilitation Service	120,209
Contributions	247,287
Loss on Disposal of Assets	(3,377)
Rent	487,502
Miscellaneous	230,854
Total	<u>4,043,756</u>
Total Revenue and Other Income, Net	<u>42,207,462</u>
Expenses	
Program Services	
Retail	25,024,693
Contracts	8,174,191
Workforce	3,953,842
Program Services Total	<u>37,152,726</u>
Management and General	<u>4,305,696</u>
Total Expenses	<u>41,458,422</u>
Change in Net Assets	749,040
Net Assets, Beginning of Year	<u>29,575,298</u>
Net Assets, End of Year	<u><u>\$ 30,324,338</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 Functional Expenses
For the Year Ended December 31, 2018**

	Program Services			Management and General	Total
	Retail	Contracts	Workforce		
Operating Expense					
Salaries, Wages, Taxes, and Benefits	\$ 9,079,479	\$ 6,440,917	\$ 2,336,302	\$ 1,998,197	\$ 19,854,895
Cost of Goods Sold	8,627,930	-	-	-	8,627,930
Occupancy Cost	4,115,182	37,358	259,389	150,873	4,562,802
Repairs and General Maintenance	180,774	8,761	23,969	37,415	250,919
Supplies and Materials	473,510	538,353	117,378	68,224	1,197,465
Waste Disposal	631,674	4,322	4,414	20,950	661,360
Training and Support Service	15,788	300	758,124	-	774,212
Outreach and Marketing	59,671	7,762	9,196	98,918	175,547
Conference and Travel	44,382	9,094	59,355	54,515	167,346
Communication	380,999	88,598	129,630	230,911	830,138
Equipment and Vehicle Cost	247,811	307,055	6,586	99,921	661,373
Insurance	335,066	119,944	50,793	169,701	675,504
Professional Fees and Dues	83,967	331,406	94,632	506,420	1,016,425
Administrative and Other	201,809	16,016	20,142	347,328	585,295
	<u>24,478,042</u>	<u>7,909,886</u>	<u>3,869,910</u>	<u>3,783,373</u>	<u>40,041,211</u>
Interest, Taxes, Depreciation, and Amortization					
Taxes	-	-	12,698	-	12,698
Depreciation and Amortization	546,651	264,305	71,234	522,323	1,404,513
	<u>546,651</u>	<u>264,305</u>	<u>83,932</u>	<u>522,323</u>	<u>1,417,211</u>
Total	<u>\$ 25,024,693</u>	<u>\$ 8,174,191</u>	<u>\$ 3,953,842</u>	<u>\$ 4,305,696</u>	<u>\$ 41,458,422</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, 2018**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 749,040
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	1,404,513
Net Realized Loss on Disposal of Assets	3,377
Bad Debt Expense	90,000
Net Realized Gain on Investments	(2,186)
Unrealized Loss on Investments	427,162
Increase in Accounts Receivable	(1,151,438)
Increase in Merchandise Inventory	(119,256)
Increase in Prepaid Expenses and Other Assets	(417,707)
Increase in Deposits	(360)
Decrease in Accounts Payable	(153,930)
Increase in Accrued Expenses and Taxes	198,959
Increase in Deferred Revenue	177,326
	<u>1,205,500</u>
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities	
Proceeds from Sale of Investments	230,187
Purchase of Investments	(2,755,229)
Purchase of Fixed Assets	(3,150,886)
	<u>(5,675,928)</u>
Net Cash Used in Investing Activities	
Net Decrease in Cash and Cash Equivalents	(4,470,428)
Cash and Cash Equivalents, Beginning of Year	<u>12,365,730</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,895,302</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. 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 37 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 & 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

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, 2018.

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 \$160,468 as of December 31, 2018.

The Organizations have recorded a receivable amounting to \$185,372 pending the resolution of a recently filed insurance claim. This amount is included within accounts receivable on the combined statement of financial position as of December 31, 2018.

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.

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

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit and Market Risk (Continued)

Financial instrument that potentially expose the Organizations to concentrations of credit and market risk consist primarily of cash and investments. The Organizations have experienced \$374,193 in net losses in these accounts for the year ended December 31, 2018. The Organizations maintain their cash accounts at four commercial banks. The amount on deposit at December 31, 2018, exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$6,413,202.

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 2018, Goodwill recognized contributed merchandise with a fair value of \$8,144,686 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 2. 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 2018 was \$1,404,513.

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.

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

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Development Expense

Development expense for the year ended December 31, 2018 totaled \$17,291 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 consolidated statements of financial position date for general expenditure are as follows:

Financial Assets	12/31/2018
Cash and Cash Equivalents	\$ 7,895,302
Accrued Interest Receivable	19,182
Accounts Receivables, Net	<u>3,852,864</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 11,767,348</u>

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

Notes to Combined Financial Statements

Note 3. Liquidity and Availability (Continued)

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, 2018:

	Fair Market Value
Equity Securities	\$ 2,578,904
Corporate Debt Securities	1,689,149
Equity Mutual Funds	<u>345,188</u>
Total	<u>\$ 4,613,241</u>

Note 5. Lease Agreements

Goodwill leases real estate under non-cancelable operating leases expiring in various years through 2036. Combined rent expense totaled \$3,069,340 in 2018 and is included in the combined statement of activities and changes in net assets.

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

Years	Amount
2019	\$ 3,126,090
2020	2,768,811
2021	2,208,586
2022	1,446,503
2023	1,052,695
Thereafter	<u>3,910,604</u>
Total	<u>\$ 14,513,289</u>

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

Notes to Combined Financial Statements

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 \$585,867 to the Plan in 2018.

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, 2018 were \$47,502. Contributions to the 457(b) plan for the year ended December 31, 2018 were \$76,585. The liability related to the 457(b) plan totaled \$345,188 at December 31, 2018, and is included in deferred compensation in the combined statement of financial position.

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.

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

Notes to Combined Financial Statements

Note 7. Fair Value Measurements (Continued)

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, 2018:

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2018				
Equity Securities	\$ 2,578,904	\$ 2,578,904	\$ -	\$ -
Corporate Securities	1,689,149	690,243	998,906	-
Equity Mutual Funds	345,188	345,188	-	-
Total	\$ 4,613,241	\$ 3,614,335	\$ 998,906	\$ -

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 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 9. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 26, 2019, 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 10. 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*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organizations implemented ASU 2016-14 and have adjusted the presentation in these combined financial statements accordingly.

SUPPLEMENTARY INFORMATION

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combining Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)**

Schedule I

	Goodwill	Goodworks	Elimination	2018	2017
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 5,263,618	\$ 2,631,684	\$ -	\$ 7,895,302	\$ 12,365,730
Accounts Receivable, Net	1,960,649	1,892,215	-	3,852,864	2,791,426
Accrued Interest Receivable	19,182	-	-	19,182	11,304
Merchandise Inventory	1,073,149	-	-	1,073,149	953,893
Due from Related Parties	-	704,423	(704,423)	-	-
Prepaid Expenses and Other	742,715	-	-	742,715	325,008
Total Current Assets	9,059,313	5,228,322	(704,423)	13,583,212	16,447,361
Property and Equipment					
Land	2,641,448	-	-	2,641,448	2,234,348
Building and Building Improvements	15,143,537	117,432	-	15,260,969	13,633,204
Machinery and Equipment	493,925	921,095	-	1,415,020	1,410,832
Furniture and Fixtures	1,995,549	-	-	1,995,549	1,775,691
Automobiles and Trucks	787,302	424,177	-	1,211,479	1,038,939
Leasehold Improvements	2,275,067	-	-	2,275,067	2,057,763
Computer Equipment	774,162	-	-	774,162	506,805
Condo - Timeshare	34,995	-	-	34,995	34,995
Capitalized Interest	121,770	-	-	121,770	121,770
	24,267,755	1,462,704	-	25,730,459	22,814,347
Less: Accumulated Depreciation	9,612,427	999,855	-	10,612,282	9,439,165
Property and Equipment, Net	14,655,328	462,849	-	15,118,177	13,375,182
Investments and Other Assets					
Investments and Assets Limited as to Use	4,613,241	-	-	4,613,241	2,175,864
Deposits	135,639	-	-	135,639	135,279
Total Other Assets	4,748,880	-	-	4,748,880	2,311,143
Total Assets	\$ 28,463,521	\$ 5,691,171	\$ (704,423)	\$ 33,450,269	\$ 32,133,686
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 729,078	\$ 179,759	\$ -	\$ 908,837	\$ 1,062,767
Accrued Expenses and Taxes	1,221,633	226,262	-	1,447,895	1,248,936
Deferred Revenue	424,011	-	-	424,011	246,685
Due to Related Parties	704,423	-	(704,423)	-	-
Total Current Liabilities	3,079,145	406,021	(704,423)	2,780,743	2,558,388
Long-Term Liabilities					
Deferred Compensation	345,188	-	-	345,188	-
Total Long-Term Liabilities	345,188	-	-	345,188	-
Total Liabilities	3,424,333	406,021	(704,423)	3,125,931	2,558,388
Net Assets					
Without Donor Restrictions	25,039,188	5,285,150	-	30,324,338	29,575,298
Total Net Assets	25,039,188	5,285,150	-	30,324,338	29,575,298
Total Liabilities and Net Assets	\$ 28,463,521	\$ 5,691,171	\$ (704,423)	\$ 33,450,269	\$ 32,133,686

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, 2018**

Schedule II

	Goodwill Without Donor Restrictions	Goodworks Without Donor Restrictions	Elimination	Combined Total 2018	Total 2017
Sales Revenue					
Retail Stores	\$ 20,020,471	\$ -	\$ -	\$ 20,020,471	\$ 18,353,390
Contributed Revenue - Donated Goods	8,144,686	-	-	8,144,686	7,893,542
Salvage	1,358,984	-	-	1,358,984	1,348,106
Total	29,524,141	-	-	29,524,141	27,595,038
Vocational Training Revenue					
Janitorial, Landscaping, Switchboard Operations and Mail Delivery	3,805,516	4,834,049	-	8,639,565	8,050,799
Total	3,805,516	4,834,049	-	8,639,565	8,050,799
Other Sources of Income					
Federal Financial Assistance	2,432,074	-	-	2,432,074	1,538,796
Other Grant Income	95,263	-	-	95,263	166,897
Investment Loss, Net	(374,193)	-	-	(374,193)	15,546
State Sales Tax Exclusion	808,137	-	-	808,137	848,329
Administrative Fee Income	490,544	-	(490,544)	-	-
Louisiana Rehabilitation Service	120,209	-	-	120,209	117,223
Contributions	247,287	-	-	247,287	960,532
Loss on Sale of Assets	(3,377)	-	-	(3,377)	130,368
Rent	487,502	-	-	487,502	474,000
Miscellaneous	230,463	391	-	230,854	29,943
Total	4,533,909	391	(490,544)	4,043,756	4,281,634
Total Revenue and Other Income	37,863,566	4,834,440	(490,544)	42,207,462	39,927,471
Expenses					
Program Services					27,310,320
Retail	25,024,693	-	-	25,024,693	
Contracts	4,186,728	3,987,463	-	8,174,191	
Workforce	3,953,842	-	-	3,953,842	
Program Services Total	33,165,263	3,987,463	-	37,152,726	27,310,320
Management and General	4,250,022	546,218	(490,544)	4,305,696	3,452,702
Total Expenses	37,415,285	4,533,681	(490,544)	41,458,422	30,763,022
Change in Net Assets	448,281	300,759	-	749,040	9,164,449
Net Assets, Beginning of Year	24,590,907	4,984,391	-	29,575,298	29,575,298
Net Assets, End of Year	\$ 25,039,188	\$ 5,285,150	\$ -	\$ 30,324,338	\$ 38,739,747

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, 2018**

Schedule III

	Goodwill					Goodworks		
	Program Services			Management and General	Total	Program Services	Management and General	Total
	Retail	Contracts	Workforce					
Operating Expense								
Salaries, Wages, Taxes, and Benefits	\$ 9,079,479	\$ 3,423,477	\$ 2,336,302	\$ 1,998,197	\$ 16,837,455	\$ 3,017,440	\$ -	\$ 3,017,440
Cost of Goods Sold	8,627,930	-	-	-	8,627,930	-	-	-
Occupancy Cost	4,115,182	30,211	259,389	150,873	4,555,655	7,147	-	7,147
Repairs and General Maintenance	180,774	8,761	23,969	37,415	250,919	-	-	-
Supplies and Materials	473,510	398,286	117,378	67,852	1,057,026	140,067	372	140,439
Waste Disposal	631,674	1,384	4,414	20,950	658,422	2,938	-	2,938
Training and Support Service	15,788	300	758,124	-	774,212	-	-	-
Outreach and Marketing	59,671	7,421	9,196	98,918	175,206	341	-	341
Conference and Travel	44,382	8,567	59,355	54,484	166,788	527	31	558
Communication	380,999	57,315	129,630	230,897	798,841	31,283	14	31,297
Equipment and Vehicle Cost	247,811	104,053	6,586	99,921	458,371	203,002	-	203,002
Insurance	335,066	64,086	50,793	169,701	619,646	55,858	-	55,858
Professional Fees and Dues	83,967	10,460	94,632	478,120	667,179	320,946	518,844	839,790
Administrative and Other	201,809	16,372	20,142	320,371	558,694	(356)	26,957	26,601
	<u>24,478,042</u>	<u>4,130,693</u>	<u>3,869,910</u>	<u>3,727,699</u>	<u>36,206,344</u>	<u>3,779,193</u>	<u>546,218</u>	<u>4,325,411</u>
Interest, Taxes, Depreciation, and Amortization								
Taxes	-	-	12,698	-	12,698	-	-	-
Depreciation and Amortization	546,651	56,035	71,234	522,323	1,196,243	208,270	-	208,270
	<u>546,651</u>	<u>56,035</u>	<u>83,932</u>	<u>522,323</u>	<u>1,208,941</u>	<u>208,270</u>	<u>-</u>	<u>208,270</u>
Total	<u>\$ 25,024,693</u>	<u>\$ 4,186,728</u>	<u>\$ 3,953,842</u>	<u>\$ 4,250,022</u>	<u>\$ 37,415,285</u>	<u>\$ 3,987,463</u>	<u>\$ 546,218</u>	<u>\$ 4,533,681</u>

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, 2018**

Schedule III (Continued)

	Elimination					Combined Total				
	Program Services			Management and General	Total	Program Services			Management and General	Total
	Retail	Contracts	Workforce			Retail	Contracts	Workforce		
Operating Expense										
Salaries, Wages, Taxes, and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,079,479	\$ 6,440,917	\$ 2,336,302	\$ 1,998,197	\$ 19,854,895
Cost of Goods Sold	-	-	-	-	-	8,627,930	-	-	-	8,627,930
Occupancy Cost	-	-	-	-	-	4,115,182	37,358	259,389	150,873	4,562,802
Repairs and General Maintenance	-	-	-	-	-	180,774	8,761	23,969	37,415	250,919
Supplies and Materials	-	-	-	-	-	473,510	538,353	117,378	68,224	1,197,465
Waste Disposal	-	-	-	-	-	631,674	4,322	4,414	20,950	661,360
Training and Support Service	-	-	-	-	-	15,788	300	758,124	-	774,212
Outreach and Marketing	-	-	-	-	-	59,671	7,762	9,196	98,918	175,547
Conference and Travel	-	-	-	-	-	44,382	9,094	59,355	54,515	167,346
Communication	-	-	-	-	-	380,999	88,598	129,630	230,911	830,138
Equipment and Vehicle Cost	-	-	-	-	-	247,811	307,055	6,586	99,921	661,373
Insurance	-	-	-	-	-	335,066	119,944	50,793	169,701	675,504
Professional Fees and Dues	-	-	-	(490,544)	(490,544)	83,967	331,406	94,632	506,420	1,016,425
Administrative and Other	-	-	-	-	-	201,809	16,016	20,142	347,328	585,295
	-	-	-	(490,544)	(490,544)	24,478,042	7,909,886	3,869,910	3,783,373	40,041,211
Interest, Taxes, Depreciation, and Amortization										
Taxes	-	-	-	-	-	-	-	12,698	-	12,698
Depreciation and Amortization	-	-	-	-	-	546,651	264,305	71,234	522,323	1,404,513
	-	-	-	-	-	546,651	264,305	83,932	522,323	1,417,211
Total	\$ -	\$ -	\$ -	\$ (490,544)	\$ (490,544)	\$ 25,024,693	\$ 8,174,191	\$ 3,953,842	\$ 4,305,696	\$ 41,458,422

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, 2018**

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	\$324,467
Benefits - Insurance	\$9,112
Benefits - Retirement	\$18,500
Benefits - Other	\$2,834
Car Allowance	\$24,209
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$2,009
Travel	\$0
Conference Fees	\$1,285
Conference Travel	\$6,625
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, 2018**

Schedule V

Composite Score Calculation				Ratio	Calculated Strength Factor Score	Final Strength Factor Score	Weighted Score	
Primary Reserve Ratio	=	Expendable Net Assets	15,206,161	0.3668	10 x Primary Reserve Ratio	3.0000	40%	1.2000
		Total Expenses	41,458,422					
Equity Ratio	=	Modified Net Assets	30,324,338	0.9065	6 x Equity Ratio	3.0000	40%	1.2000
		Modified Assets	33,450,269					
Net Income Ratio	=	Change in Net Assets Without Donor Restrictions	749,040	0.0177	1 + (50 x Net Income Ratio)	1.8850	20%	0.3770
		Total Revenue Without Donor Restrictions	42,207,462					
							Composite Score	2.7770

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, 2018**

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; LA0260L6H031804	\$ -	\$ 282,442
Continuum of Care Program	14.267	Rapid Rehousing	LA0279L6H031600	-	266,654
Total U.S. Department of Housing and Urban Development				-	549,096
U.S. Department of Justice					
Direct Award Children of Incarcerated Parents	16.831	Baton Rouge Empowering Dads	2016-IG-BX-0008	-	146,751
Passed through Goodwill Industries International Juvenile Mentoring Program	16.726	Good Guides	2015-JU-FX-0010	-	56,869
Passed through City of New Orleans Second Chance Act Reentry Initiative	16.812	Second Chance Technology Grant	K15-643	-	63,450
Second Chance Act Reentry Initiative	16.812	City of New Orleans Demonstration Grant	K17-1294	-	47,475
Subtotal U.S. Department of Justice Pass-Through Awards				-	167,794
Total U.S. Department of Justice				-	314,545
U.S. Department of Labor					
Direct Award Reintegration of Ex-Offenders	17.270	Training to Work 3	PE-27374-15-60-A-22	-	513,453
Passed through Goodwill Industries International Reintegration of Ex-Offenders	17.270	GII Life Launch	YF-29325-16-60-A-24	-	282,702
Passed through Arbor E&T DBA Rescare Workforce Workforce Innovation Fund	17.283	Workforce Innovation Fund	-	-	169,277
Subtotal U.S. Department of Labor Pass-Through Awards				-	451,979
Total U.S. Department of Labor				-	965,432
U.S. Department of Education					
Passed through Southern University Rehabilitation Services Client Assistance Program	84.161	Southern University	#74040	-	63,228
Total U.S. Department of Education				-	63,228
U.S. Department of Health and Human Services					
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	-	170,401
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Aging Out of Foster Care (Orleans, Jefferson)	2000225203	-	167,140
Total U.S. Department of Health and Human Services				-	337,541
Total Expenditures of Federal Awards				\$ -	\$ 2,229,842

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, 2018

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, 2018. 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, 2018, 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 26, 2019.

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. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-001 that we consider to be significant deficiencies.

LOUISIANA • TEXAS

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*.

Organizations Response to Findings

The Organizations' response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Organizations' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
June 26, 2019

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, 2018. 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, 2018.

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 26, 2019

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018**

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)?	Yes
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
Chafee Foster Care Independence Program	93.674

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, 2018**

Part II - Schedule of Financial Statement Findings Section

2018-001 Timely Reconciliation of Bank Statements

Criteria: A cash reconciliation should be prepared on a timely basis to determine that all cash transactions have been recorded properly and to discover bank errors.

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

Context: During audit testing, we noted the following:

- Bank reconciliations were not being performed on a regular and timely basis
- Some bank transactions were not recorded timely to the general ledger
- Some outstanding items on bank reconciliations were not sufficiently investigated

Cause: The Organizations did not devote adequate resources to the timely, proper, and accurate reconciliation of bank statements.

Effect: Without adequate controls in place over the timely reconciliation of accounts, the Organizations could fail to timely identify errors and malfeasance related to cash transactions and could result in unmeaningful and inaccurate financial statements. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations. In addition, the risk of loss of a proper audit trail is increased as a result of the untimely reconciliations.

Recommendation: It is recommended that the Organizations revisit and evaluate current reconciliation procedures and take steps to modify current procedures as deemed necessary. In addition, management should develop procedures to ensure that account reconciliation differences are identified, researched, and resolved on a timely basis.

Management's Response: Goodwill has revised its cash reconciliation procedures to include an initial high-level review of the bank statements upon receipt followed by a more detailed review of the transactions and comparison to the general ledger on a timely basis. Goodwill has implemented controls to ensure that all cash reconciliations are completed within 2 months of month end and that reconciling items greater than 6 months are thoroughly investigated with appropriate investigation documentation maintained.

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, 2018**

Prior Year Findings

No

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, 2018 – December 31, 2018

Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. and
The Louisiana Legislative Auditor

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, 2018 through December 31, 2018. 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

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) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Procedures 1(i) and 1(j) are not applicable to Goodwill. No exceptions noted.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: No exceptions noted to procedure 2(a). Procedures 2(b) and 2(c) are not applicable to Goodwill as public funds do not comprise more than 10% of the entity's collections during the fiscal period, and it is not a governmental entity.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions noted.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: No exceptions noted.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: No exceptions noted.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions noted.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions noted.

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

- 8. 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.

- 9. For each location selected under #8 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 9(c). An employee responsible for processing payments is also responsible for mailing/ distributing the payments, which is an exception to procedure 9(d). No exceptions noted to procedure 9(a) or 9(b).

10. For each location selected under #8 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 #9, as applicable.

Results: No exceptions noted in procedure 10(a). For procedure 10(b), applicable segregation of duties under procedures 9(a) and 9(b) was tested without exception. Testing of segregation of duties under procedure 9(c) and 9(d) is not applicable due to the results noted above.

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

11. 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.

12. 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 one of the two cards tested, which is an exception to procedure 12(a). Out of the two cards tested, one of the cards tested had late fees assessed and another card had finance charges, which is an exception to procedure 12(b).

13. Using the monthly statements or combined statements selected under #12 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).

Results: Out of the sample of fifteen total transactions tested, one receipt was not itemized to identify precisely what was purchased, nine transactions did not have written documentation of the business/ public purpose at the time of payment processing, and none of the meal charges selected for testing had documentation of the individuals participating at the time of payment processing.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: No exceptions noted.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions noted.

Other

20. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: This procedure is not applicable to Goodwill as there were no misappropriations of public funds and assets during the fiscal period.

21. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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
June 26, 2019

June 26, 2019

LaPorte, APAC
111 Veterans Blvd, Suite 600
Metairie, LA 70005

Following are our responses to the exceptions noted in your report on the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures performed for the fiscal year ended December 31, 2018:

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

9(c) Management Response:

Goodwill has revised its policies and procedures to have an employee, not responsible for processing payments, periodically review a report of vendor file changes. Goodwill also implemented a new vendor request which requires dual authorization.

9(d) Management Response:

Goodwill has revised its policies and procedures to have an employee not responsible for processing payments place the checks in the mail.

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

12(a) Management Response:

Although not formally documented, credit card statements are currently being reviewed by someone other than the authorized card holder. Goodwill has updated its procedures to document the independent review and approval of credit card statements by either the President or CFO.

12(b) Management Response:

Goodwill has revised its policies and procedures to ensure the timely payment of credit card statements to avoid finance charges and late fees.

13 Management Response:

Goodwill has revised its policies and procedures to require written documentation of the business purpose of all credit card purchases and a list of all attendees present for meal purchases.

Please accept these responses to the exceptions noted in your report on the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures. Please do not hesitate to contact me should you have any questions or comments.

Regards,



Jodee Eyster Daroca, CPA
Vice President and Chief Financial Officer
Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc.