

**GOODWILL INDUSTRIES OF  
NORTH LOUISIANA, INC.  
SHREVEPORT, LOUISIANA  
DECEMBER 31, 2017**

**GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.**

**SHREVEPORT, LOUISIANA**

**TABLE OF CONTENTS**

**AUDITED FINANCIAL STATEMENTS**

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19

**SUPPLEMENTARY INFORMATION**

Schedule of Compensation, Benefits, and Other Payments to Agency Head	20
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**OTHER REPORTS**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Schedule of Findings and Responses	23
Summary Schedule of Prior Audit Findings	24

**AUDITED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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April 30, 2018

The Board of Directors  
Goodwill Industries of North Louisiana, Inc.  
Shreveport, Louisiana

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Goodwill Industries of North Louisiana, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. The prior year summarized comparative financial information has been derived from Goodwill's 2016 financial statements and, in our report dated April 27, 2017, we expressed an unqualified opinion on those financial statements. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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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 financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Louisiana, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter Regarding Going Concern***

The accompanying financial statements have been prepared assuming that Goodwill will continue as a going concern. As discussed in Note 17, Goodwill is not in compliance with debt covenants at December 31, 2017, requiring related debt to be classified as a current liability. This raises substantial doubt about its ability to continue as a going concern. Management's plans regarding this and other matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 20 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 April 30, 2018, on our consideration of Goodwill's internal control over financial reporting and on 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 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 Goodwill's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2017

<u>A S S E T S</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Summary Total</u>
<b><u>Current assets:</u></b>					
Cash	68,489	129,554	6,680	204,723	221,753
Investments-Note 4	1,375,321	-	-	1,375,321	1,447,556
Accounts receivable-net of allowance for bad debts of \$-0- and \$17,825	253,436	-	-	253,436	329,198
Accounts receivable-other	15,799	-	-	15,799	26,357
Inventory	264,972	-	-	264,972	357,361
Prepaid expenses and other	68,403	-	-	68,403	91,996
Total current assets	<u>2,046,420</u>	<u>129,554</u>	<u>6,680</u>	<u>2,182,654</u>	<u>2,474,221</u>
<b><u>Fixed assets:</u></b>					
Land, buildings and equipment, at cost less accumulated depreciation- Notes 5 and 9	10,977,643	-	-	10,977,643	11,444,889
<b><u>Other assets:</u></b>					
Beneficial interest in net assets of foundation-Note 15	-	-	413,838	413,838	387,341
Investment in partnership	56,980	-	-	56,980	57,345
Other assets-Note 16	45,179	-	-	45,179	40,143
Total assets	<u>13,126,222</u>	<u>129,554</u>	<u>420,518</u>	<u>13,676,294</u>	<u>14,403,939</u>

The accompanying notes to financial statements are an integral part of the financial statements.

<u>LIABILITIES AND NET ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Summary Total</u>
<b><u>Current liabilities:</u></b>					
Accounts payable	315,939	-	-	315,939	415,901
Sales tax payable	20,986	-	-	20,986	26,449
Accrued payroll and withholdings	225,982	-	-	225,982	228,788
Other payables	68,574	-	-	68,574	50,102
Current portion of long-term debt- Note 9	5,721,406	-	-	5,721,406	6,152,508
Unamortized debt issuance costs- short-term	<u>(132,010)</u>	<u>-</u>	<u>-</u>	<u>(132,010)</u>	<u>(144,583)</u>
Total current liabilities	6,220,877	-	-	6,220,877	6,729,165
<b><u>Long-term liabilities:</u></b>					
Long-term debt less portion classified as current-Note 9	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,553</u>
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,553</u>
 Total liabilities	6,220,877	-	-	6,220,877	6,730,718
<b><u>Net assets:</u></b>					
Unrestricted	6,905,345	-	-	6,905,345	7,096,284
Temporarily restricted	-	129,554	-	129,554	182,916
Permanently restricted	<u>-</u>	<u>-</u>	<u>420,518</u>	<u>420,518</u>	<u>394,021</u>
Total net assets	<u>6,905,345</u>	<u>129,554</u>	<u>420,518</u>	<u>7,455,417</u>	<u>7,673,221</u>
 Total liabilities and net assets	<u>13,126,222</u>	<u>129,554</u>	<u>420,518</u>	<u>13,676,294</u>	<u>14,403,939</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Summary Total</u>
<b><u>Public support and revenues:</u></b>					
Public support:					
Donated goods-Note 10	2,154,372	-	-	2,154,372	3,099,543
United Way contributions	74,000	-	-	74,000	-
Other contributions	<u>137,355</u>	<u>-</u>	<u>-</u>	<u>137,355</u>	<u>151,792</u>
Total public support	2,365,727	-	-	2,365,727	3,251,335
Revenues:					
Sales:					
Sales of goods purchased	8,715	-	-	8,715	24,395
Less-cost of purchased goods	<u>4,643</u>	<u>-</u>	<u>-</u>	<u>4,643</u>	<u>12,604</u>
Gross profit	4,072	-	-	4,072	11,791
Sales of donated goods	4,900,106	-	-	4,900,106	5,128,511
Contract services	1,077,156	-	-	1,077,156	985,273
Training and work adjustments fees	951,954	210,287	-	1,162,241	1,555,946
Investment return-Note 4	144,055	-	41,748	185,803	88,731
Other miscellaneous	<u>83,920</u>	<u>-</u>	<u>-</u>	<u>83,920</u>	<u>5,422</u>
Total revenues	7,161,263	210,287	41,748	7,413,298	7,775,674
Net assets released from restrictions- Note 3	<u>278,900</u>	<u>(263,649)</u>	<u>(15,251)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and reclassifications	9,805,890	(53,362)	26,497	9,779,025	11,027,009
<b><u>Expenses:</u></b>					
Production and sales	6,468,885	-	-	6,468,885	7,536,915
Workforce development	1,474,485	-	-	1,474,485	1,637,731
Contract services	915,846	-	-	915,846	854,078
Management and general	<u>1,137,613</u>	<u>-</u>	<u>-</u>	<u>1,137,613</u>	<u>1,182,377</u>
Total expenses	<u>9,996,829</u>	<u>-</u>	<u>-</u>	<u>9,996,829</u>	<u>11,211,101</u>
<b><u>Change in net assets</u></b>	(190,939)	(53,362)	26,497	(217,804)	(184,092)
<b><u>Net assets, beginning of year</u></b>	<u>7,096,284</u>	<u>182,916</u>	<u>394,021</u>	<u>7,673,221</u>	<u>7,857,313</u>
<b><u>Net assets, end of year</u></b>	<u>6,905,345</u>	<u>129,554</u>	<u>420,518</u>	<u>7,455,417</u>	<u>7,673,221</u>

The accompanying notes to financial statements are an integral part of the financial statements.

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Production and Sales</u>	<u>Workforce Development</u>	<u>Contract Services</u>
Salaries and wages	3,104,145	917,477	596,613
Employee health and retirement benefits	108,594	74,069	130,075
Payroll taxes	<u>344,294</u>	<u>96,594</u>	<u>58,001</u>
Total salaries and related expenses	3,557,033	1,088,140	784,689
Professional fees and contract service	18,468	20,152	3,633
Supplies	105,887	40,624	75,854
Telecommunications	73,746	19,800	5,554
Postage and shipping	38,932	577	51
Occupancy	1,709,677	113,126	13,304
Rental and maintenance of equipment	76,283	34,186	3,292
Printing and publications	50,501	7,793	1,292
Travel and agency vehicles	254,965	37,860	9,286
Conferences, conventions and meetings	-	732	-
Specific assistance to individuals	15,705	19,505	-
Membership dues and support payments	67,038	14,956	10,495
Awards and grants	-	-	-
Miscellaneous	<u>149,049</u>	<u>2,379</u>	<u>749</u>
Total other expenses before depreciation expense	<u>2,560,250</u>	<u>311,690</u>	<u>123,510</u>
Total expenses before depreciation expense	6,117,283	1,399,830	908,199
Depreciation expense	<u>351,602</u>	<u>74,655</u>	<u>7,647</u>
Total expenses	<u>6,468,885</u>	<u>1,474,485</u>	<u>915,846</u>

The accompanying notes to financial statements are an integral part of the financial statements.

Management and General	2017 Total	2016 Summary Total
615,773	5,234,008	6,111,656
135,688	448,426	587,959
<u>46,801</u>	<u>545,690</u>	<u>623,769</u>
798,262	6,228,124	7,323,384
197,574	239,827	258,978
18,467	240,832	231,558
7,320	106,420	138,411
1,759	41,319	33,444
29,457	1,865,565	1,896,912
15,983	129,744	131,132
4,018	63,604	50,465
10,031	312,143	313,394
-	732	6,354
1,590	36,800	39,705
1,189	93,678	99,900
-	-	418
<u>21,511</u>	<u>173,685</u>	<u>203,857</u>
<u>308,899</u>	<u>3,304,349</u>	<u>3,404,528</u>
1,107,161	9,532,473	10,727,912
<u>30,452</u>	<u>464,356</u>	<u>483,189</u>
<u><u>1,137,613</u></u>	<u><u>9,996,829</u></u>	<u><u>11,211,101</u></u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	<u>Total</u>	<u>Summary</u> <u>Total</u>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	(217,804)	(184,092)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) on investments	(147,166)	(60,041)
Loss on sale of fixed assets	33,480	726
Depreciation	464,356	483,189
Amortization	28,572	46,760
<i>(Increase) decrease in:</i>		
Accounts receivable	86,320	(124,647)
Inventory	92,389	(9,805)
Prepaid expenses	23,593	44,791
Other assets	(33,608)	(1,598)
<i>Increase (decrease) in:</i>		
Accounts payable	(99,962)	74,895
Sales tax payable	(5,463)	(3,390)
Accrued payroll and withholdings	(2,806)	9,826
Other payables	<u>18,472</u>	<u>(39,267)</u>
Total adjustments	<u>458,177</u>	<u>421,439</u>
Net cash provided by operating activities	240,373	237,347
<b><u>Cash flows from investing activities:</u></b>		
Proceeds from sale of assets	14,156	153,408
Capital purchases and improvements	(44,746)	(58,744)
Net redemption of investments	219,401	261,255
Investment in beneficial interest in assets of foundation	(26,497)	(13,709)
Decrease in investment in partnership	<u>365</u>	<u>313</u>
Net cash provided by investing activities	162,679	342,523
<b><u>Cash flows from financing activities:</u></b>		
Debt reduction	<u>(420,082)</u>	<u>(621,028)</u>
Net cash (used) by financing activities	<u>(420,082)</u>	<u>(621,028)</u>
<b><u>Net (decrease) in cash</u></b>	(17,030)	(41,158)
<b><u>Cash at beginning of the year</u></b>	<u>221,753</u>	<u>262,911</u>
<b><u>Cash at end of the year</u></b>	<u>204,723</u>	<u>221,753</u>
<b><u>Cash paid during the year for interest</u></b>	<u>214,485</u>	<u>231,868</u>

The accompanying notes to financial statements are an integral part of the financial statements.

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

**1. Nature of Business**

Goodwill Industries of North Louisiana, Inc. ("Goodwill") is a nonprofit, privately supported public service organization. Revenues are derived primarily from the following:

- (a) Sales of used clothing and other household materials donated by the public and refurbished by employees who have disabilities and/or are disadvantaged.
- (b) Salvage sales.
- (c) Sub-contract work for various types of companies by employees who have disabilities and/or are disadvantaged.
- (d) Vocational rehabilitation fees and grant funding through the State of Louisiana.
- (e) The Community Foundation of North Louisiana.
- (f) Miscellaneous contributions.

Goodwill provides work opportunities and training for people who have disabilities and/or are disadvantaged, utilizing sales of reconditioned goods and contracted services to pay their wages.

**2. Significant Accounting Policies**

Following is a summary of significant policies by Goodwill:

(a) Financial Statement Presentation:

Goodwill reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of Goodwill, and/or by the passage of time.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by Goodwill. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

(b) Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

## 2. Significant Accounting Policies (Continued)

(c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to Goodwill that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Goodwill uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

(d) Contributed Goods and Services:

During the years ended December 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

(e) Estimates:

The preparation of 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.

Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of donated goods, and the estimated fair values of investment securities.

(f) Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported in the statement of financial position at their fair values. Fair values for marketable securities are based on quoted market prices. Gains and losses on the sale of marketable securities are determined using the specific identification method. Unrealized gains and losses are included in the change in net assets.

(g) Bad Debts:

Goodwill uses the allowance method to estimate uncollectible accounts receivable, when material. The allowance is based on prior years' experience and management's analysis of specific receivables. Receivables are charged off when management determines, after reviewing customer accounts, that collection is unlikely. Past due status of accounts receivable is based on contractual terms.

(h) Land, Buildings and Equipment:

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated

## 2. Significant Accounting Policies (Continued)

assets must be maintained, Goodwill reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Goodwill reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. Buildings are assigned useful lives of forty years. Furniture and equipment generally are assigned ten-year useful lives and vehicles are assigned three to five year useful lives. Goodwill uses a capitalization policy of \$1,000 for fixed assets.

(i) Cash and Cash Equivalents:

For purposes of the statement of cash flows, Goodwill considers all cash on hand and demand deposits with financial institutions to be cash equivalents. Certain demand deposits include amounts that are "swept" overnight into daily investments in U.S. Treasury or Agency Securities.

(j) Prior Year Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Goodwill's financial statements for the year ended December 31, 2016. Certain amounts for the prior year have been reclassified to conform to the current-year presentation.

(k) Advertising Costs:

Advertising costs are expensed as incurred. Such costs amounted to \$47,008 and \$42,445 for 2017 and 2016.

(l) Income Taxes:

As a nonprofit, privately supported organization, Goodwill is generally exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Goodwill is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax exempt entity, Goodwill must assess whether it has any tax positions associated with unrelated business income subject to income tax. Goodwill does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in Goodwill's accounting records.

Goodwill is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2014 and beyond remain subject to examination by the Internal Revenue Service.

Goodwill also is subject to income tax on net income that is derived from rentals, which is a business activity that is unrelated its exempt purpose. It files U.S. federal Form 990-T with the IRS to report its unrelated business taxable income. Such unrelated business taxable income amounted to \$2,374 for 2017.

(m) Beneficial Interest in Assets of Foundation:

Any transfers by Goodwill of its own funds to the Community Foundation of North

## 2. Significant Accounting Policies (Continued)

Louisiana, specifying itself as the beneficiary, are accounted for as an asset in accordance with generally accepted accounting principles.

(n) Accounting Change:

In August 2014 the FASB issued ASU 2014-15, *Presentation of Financial Statements-Going Concern*, which requires management to perform annual assessments of an entity's ability to continue as a going concern within one year from the date the financial statements are available to be issued. The entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. This ASU is effective for annual periods ending after December 15, 2016. Management's assessment is disclosed in Note 17.

(o) New Accounting Guidance Not Yet Adopted:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires 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 ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. On April 1, 2015, the FASB proposed to defer the effective date by one year until January 1, 2018, but would allow early adoption as of the original January 1, 2017, effective date. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures. The Organization has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Organization is currently evaluating the potential impact of adopting this guidance on its financial statements.

2. **Significant Accounting Policies** (Continued)

In August 2016, the FASB issued ASU No. 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*,” with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. However, an entity has the option to omit the presentation by both the natural and functional classification, as well as the disclosure about liquidity and availability of financial resources, for any comparative periods originally presented before the period of adoption. The Organization is in the process of implementing these changes.

3. **Restrictions on Assets**

**Temporarily restricted** - substantially all of the restrictions on these assets relate to use restrictions on various grants received by Goodwill. These restrictions will expire as Goodwill utilizes these funds for their intended purposes over the terms of the grants.

**Permanently restricted** - the restrictions on these assets relate to endowments received by Goodwill. Most of these assets are transferred to the Community Foundation of Shreveport-Bossier, as described in Note 15.

4. **Investments**

Investments at December 31, 2017 and 2016, are summarized as follows:

	2017		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	157,108	157,161	53
Corporate debt securities	375,846	376,013	167
Corporate equity securities	443,683	490,198	46,515
Equity mutual funds	107,445	100,480	(6,965)
Fixed mutual funds	50,775	49,313	(1,462)
Cash and equivalents	202,156	202,156	-
	<u>1,337,013</u>	<u>1,375,321</u>	<u>38,308</u>
	2016		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	253,400	250,912	(2,488)
Corporate debt securities	422,290	422,999	709
Corporate equity securities	413,670	519,707	106,037
Equity mutual funds	149,410	133,610	(15,800)
Fixed mutual funds	114,498	107,616	(6,882)
Cash and equivalents	12,712	12,712	-
	<u>1,365,980</u>	<u>1,447,556</u>	<u>81,576</u>

#### 4. Investments (Continued)

A summary of investment return for each year follows:

	2017			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest income	36,311	-	2,326	38,637
Net realized and unrealized gain	<u>107,744</u>	<u>-</u>	<u>39,422</u>	<u>147,166</u>
	<u>144,055</u>	<u>-</u>	<u>41,748</u>	<u>185,803</u>

  

	2016			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest income	29,688	-	(998)	28,690
Net realized and unrealized gain	<u>30,128</u>	<u>-</u>	<u>29,913</u>	<u>60,041</u>
	<u>59,816</u>	<u>-</u>	<u>28,915</u>	<u>88,731</u>

#### 5. Land, Building and Equipment

Fixed assets and related accumulated depreciation at December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	11,659,314	11,933,688
Equipment	2,067,178	3,284,395
Vehicles	<u>158,314</u>	<u>217,320</u>
Total depreciable assets	13,884,806	15,435,403
Accumulated depreciation	<u>(6,803,417)</u>	<u>(7,886,768)</u>
Book value of depreciable assets	7,081,389	7,548,635
Land	<u>3,896,254</u>	<u>3,896,254</u>
Book value of fixed assets	<u>10,977,643</u>	<u>11,444,889</u>

#### 6. Tax-Deferred Annuities

Goodwill has available to its employees tax deferred annuity contracts which are administered by several investment companies. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred annuity contracts. Goodwill formerly matched 60% of employees' contributions up to 6% of employees' gross earnings. The match was discontinued on March 31, 2015 in an effort to reduce costs.

#### 7. Rent

Goodwill rents various store facilities to serve as retail outlets for its household goods and other purposes. Goodwill has rental agreements for store locations in Monroe, West Monroe, Minden (through June 30, 2017), Shreve City, Natchitoches, and Haughton (for 60 months). The Pines Road location has a 60 month lease and was converted from a store location to an outlet location in April 2017. The Alexandria Workforce Development rental agreement has a term of 60 months. All rental agreements are noncapitalizable. Rent expense for 2017 and 2016 was \$645,809 and \$663,380.

7. **Rent** (Continued)

Goodwill also has agreements to lease several trucks. These lease agreements are accounted for as operating leases, and provide for lease terms of seven years at approximate annual rentals of \$18,696 per vehicle. Vehicle rent expense for 2017 and 2016 was \$139,701 and \$140,121.

A summary of future minimum rental payments under noncancellable leases for all operating leases for the next five years and in the aggregate, is as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2018	717,363
2019	577,531
2020	481,639
2021	199,894
2022	113,587
Thereafter	<u>292,058</u>
	<u>2,382,072</u>

8. **Commitments**

Goodwill entered into an agreement to provide supplemental retirement and medical benefits to a former executive director upon his retirement in January 1986. These benefits amount to approximately \$22,200 per year for the remainder of the life of the former director. The former director was deceased on December 24, 2017.

In addition, Goodwill also entered into an agreement to provide annual supplemental medical insurance benefits up to \$3,500 (adjusted annually for inflation) each to its President/CEO Emeritus and his spouse for the remainder of their lives, effective with his retirement on June 30, 2012. Goodwill also agreed to employ its President/CEO Emeritus as a consultant for five years from his retirement date of June 30, 2012, adjusted annually for inflation, and to reimburse certain travel expenses of up to \$6,000 per year.

In June 2016, an amendment to the retirement agreement was executed whereby Goodwill reduced the monthly payments to the President/CEO Emeritus and extended the payments through June 2018. Total payments made during 2017 and 2016 were \$45,204 and \$59,081, respectively.

From time to time, Goodwill is a defendant in legal actions arising from normal business activities. Management believes such actions are without merit or that the ultimate liability resulting from them will not materially affect Goodwill's financial position.

9. **Long-Term Debt**

Listed below is a schedule of long-term debt at December 31, 2017 and 2016:

<u>Due To</u>	<u>Terms</u>	<u>2017</u>	<u>2016</u>
^*@#Regions Capital Advantage	Loan for \$2,765,000 to refinance debt, payable \$19,890 per month through June 2028 including interest at 3.59%.	2,085,207	2,245,887

9. Long-Term Debt (Continued)

<u>Due To</u>	<u>Terms</u>	<u>2017</u>	<u>2016</u>
^* <sup>@</sup> #Regions Capital Advantage	Loan for \$1,087,000 to refinance debt, payable \$7,819 per month through June 2028 including interest at 3.59%.	819,773	882,936
^* <sup>@</sup> #Regions Capital Advantage	Loan for \$3,434,000 to refinance debt, payable \$24,700 per month through June 2028 including interest at 3.59%.	2,589,873	2,789,395
Progressive Waste Solutions	Capital lease for \$46,010 to acquire equipment, payable \$778 per month through March 2018 including interest at 1.20%, secured by equipment leased.	1,553	10,843
Capital One, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (4.25% at 12-31-17) due monthly; principal and remaining unpaid items due at loan termination at lender demand; unsecured.	<u>225,000</u>	<u>225,000</u>
		5,721,406	6,154,061
Portion classified as current		5,721,406	6,152,508
Less unamortized debt issuance costs-short-term		<u>(132,010)</u>	<u>(144,583)</u>
Short-term debt, less unamortized debt issuance costs		<u>5,589,396</u>	<u>6,007,925</u>
Notes payable-long-term		-	1,553
Less unamortized debt issuance costs-long-term		<u>-</u>	<u>-</u>
Long-term debt, less unamortized debt issuance costs		<u>-</u>	<u>1,553</u>

\* Goodwill entered into an agreement, dated June 28, 2013, for the issuance of revenue bonds on its behalf of the total amount of the debt incurred by the Louisiana Local Government Environmental Facilities and Community Development Authority, which serves as a conduit between the borrower and lender in order for the debt to be treated as tax-exempt. As required by state law, this agreement was approved by the Louisiana State Bond Commission.

<sup>@</sup> Debt is cross-collateralized and secured by Goodwill's stores in north Bossier City, Louisiana; Pierremont and West 70<sup>th</sup> Street, Shreveport, Louisiana; Pineville, Louisiana; Alexandria, Louisiana; and Linwood Warehouse property in Shreveport, Louisiana.

#The debt agreement associated with these loans was modified on June 15, 2015 to waive certain defaults that occurred during 2014 under the original agreement. Among other provisions, and effective generally through July 2016, the modified debt agreement revised the debt service coverage ratio required of Goodwill, and imposes limitations on the ability of Goodwill to incur additional debt, incur capital expenditures, and extend credit. In addition, effective over the life of the debt, the modified debt agreement added real estate collateral securing these loans and cross-collateralized all security to all loans held by Regions Capital Advantage. The original debt service coverage ratio requirements became effective after July 2016.

9. **Long-Term Debt** (Continued)

^ Goodwill was out of compliance with certain debt covenants as of December 31, 2017. Based on this noncompliance, the creditor has various remedies available, including the authority to demand immediate total or partial payment of the debt. Therefore, the debt has been classified as current as of December 31, 2017.

Maturities of long-term debt for the next five years are as follows:

2018	5,721,406
2019	-
2020	-
2021	-
2022	-
Thereafter	-
	<u>5,721,406</u>

The approximate book value of collateralized fixed assets at December 31, 2017, was \$9,939,185.

Interest expense was \$214,485 and \$231,868 for 2017 and 2016, respectively.

10. **Donated Goods**

Effective January 1, 1996, in conformity with generally accepted accounting principles, Goodwill began recognizing donated goods as revenue when received. During 2017 and 2016, contributed merchandise with an approximate fair value of \$2,154,000 and \$3,100,000, respectively, was recognized as contribution revenue. This donated-goods merchandise requires program-related expenses and processes which are accomplished by people with disabilities and other disadvantaging conditions before it reaches the point of sale. The value of donated goods inventory and donated goods revenue is dependent upon the level of sales of donated goods and allocation estimates of processing costs. These estimates are periodically reviewed and revised by management. Donated goods included in inventory amounted to approximately \$265,000 and \$357,000 at December 31, 2017 and 2016.

11. **Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after December 31, 2017. Future funding of such awards is conditioned upon Goodwill's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to Goodwill, they have not been recognized in the financial statements at December 31, 2017. Such conditional promises amounted to approximately \$888,828 at December 31, 2017.

12. **Concentrations of Credit Risk**

Financial instruments that potentially subject Goodwill to concentrations of credit risk consist principally of cash, investments, and receivables. Concentrations of credit risk with respect to receivables are limited, since most of these amounts are due from governmental agencies and private businesses under grants or fee for service arrangements. Goodwill maintains cash balances at several financial institutions. At December 31, 2017, total cash held at financial institutions was \$185,081, which is within the FDIC-insured limits. Substantial investment amounts, including certain mutual funds, are invested in securities of the federal government or its agencies. However, approximately \$1,016,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2017, are dependent solely upon the faith and credit of the corporate issuer.

13. **Fundraising Expenses**

Direct fundraising expenses amounted to approximately \$2,812 for 2017 and \$7,576 for 2016.

14. **Fair Value Measurements**

The following table presents Goodwill's fair value hierarchy for assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Value</u>
<b><u>December 31, 2017:</u></b>				
<b><u>Investments:</u></b>				
U.S. Treasury and Agency debt securities	157,161	-	-	157,161
Corporate debt securities	376,013	-	-	376,013
Corporate equity securities	490,198	-	-	490,198
Equity mutual funds	-	100,480	-	100,480
Fixed mutual funds	-	49,313	-	49,313
Cash and equivalents	<u>202,156</u>	<u>-</u>	<u>-</u>	<u>202,156</u>
	<u>1,225,528</u>	<u>149,793</u>	<u>-</u>	<u>1,375,321</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>264,972</u>	<u>264,972</u>
<b><u>December 31, 2016:</u></b>				
<b><u>Investments:</u></b>				
U.S. Treasury and Agency debt securities	250,912	-	-	250,912
Corporate debt securities	422,999	-	-	422,999
Corporate equity securities	519,707	-	-	519,707
Equity mutual funds	-	133,610	-	133,610
Fixed mutual funds	-	107,616	-	107,616
Cash and equivalents	<u>12,712</u>	<u>-</u>	<u>-</u>	<u>12,712</u>
	<u>1,206,330</u>	<u>241,226</u>	<u>-</u>	<u>1,447,556</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>357,361</u>	<u>357,361</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1). Fair values for other investments are determined by reference to net asset values that are not current. The fair value of donated goods inventory is estimated based on a methodology using annual processing costs and inventory turnover factors applied to the retail sales value of the goods.

Nonfinancial assets measured at fair value on a recurring basis, using significant unobservable inputs, changed in value as follows:

14. **Fair Value Measurements** (Continued)

<u>Donated Goods Inventory</u>	<u>2017</u>	<u>2016</u>
Beginning balance	357,361	335,699
Change in value	<u>(92,389)</u>	<u>21,662</u>
Ending balance	<u>264,972</u>	<u>357,361</u>

Unobservable inputs utilized include the sales value of the donated goods applied to an industry-accepted computational model that adjusts the value of those monthly sales, using inventory turnover rates and costs incurred in processing the goods sold.

15. **Beneficial Interest in Assets of Foundation**

Goodwill established an endowment fund, the income distribution of which is designated by Goodwill to help fund the cost of placement programs. Goodwill transferred control of this endowment fund in 2008 to the Community Foundation of North Louisiana. Under the terms of the agreement, variance power and legal ownership of the funds rest with the Foundation, and net investment income and capital appreciation/depreciation accumulate in the endowment fund. The Foundation is obligated to distribute 4% of the average market value of the fund to Goodwill annually, provided the average market value is greater than the amount contributed to the fund.

Activity of this beneficial interest is summarized as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance, endowment fund	387,341	373,632
Interest	6,138	2,810
Net realized and unrealized gains	39,422	29,913
Administrative fees	(3,812)	(3,808)
Distributions to Goodwill	<u>(15,251)</u>	<u>(15,206)</u>
Ending balance, endowment fund	<u>413,838</u>	<u>387,341</u>

16. **Other Assets**

Included in other assets is an intangible asset for computer software costs, as shown in the following table.

	<u>2017</u>	<u>2016</u>
Capitalized computer software costs	166,383	166,383
Accumulated amortization	<u>(150,800)</u>	<u>(142,300)</u>
Net book value	<u>15,583</u>	<u>24,083</u>

The estimated useful life of this intangible is five years, with no estimated residual value. Future estimated amortization by year is: 2018 - \$8,500; 2019 - \$7,083.

17. **Going Concern Uncertainties**

As shown in the accompanying financial statements, Goodwill has incurred a decline in sales of donated goods revenue during 2017 of \$227,749 which has caused a negative change in net assets of \$217,804. During 2016 Goodwill incurred a decline in sales of donated goods revenue of \$575,218 and a negative change in net assets of \$184,092. 2017 represents the fifth consecutive year in which Goodwill has experienced a negative change in net assets, which total \$2,090,476 cumulatively.

## 17. Going Concern Uncertainties (Continued)

Due to these factors and as indicated in Note 9, Goodwill was out of compliance with certain debt covenants as of December 31, 2017. Based on this noncompliance, the creditor has various remedies available, including the authority to demand immediate total or partial payment of the debt totaling \$5,494,853. No demand has been made as of April 30, 2018, and Goodwill continues to be current in making all debt service payments. However, because of the uncertainties surrounding its ability to satisfy creditors on a timely basis in the normal course of business should a demand be made, there is substantial doubt about the Company's ability to continue as a going concern within one year after issuance of these financial statements (April 30, 2019).

During 2016 and 2017, Goodwill Industries International hired an independent research firm to determine possible reasons for the decline in sales at Goodwill stores across the nation. Its research found that the most significant impact on the decline in sales for Goodwill nationally was the increase in online sales. Traditionally, all Goodwill retail stores have been built on a base of brick and mortar. However, shopping trends indicate that online sales is the preferred method for the majority of today's shoppers. Online retail sales have increased as steadily as brick and mortar sales have decreased.

Given these factors, Goodwill established a series of action items in order to improve financial performance, acknowledging that success of the retail operation is critical to the sustainability of the Organization.

During 2016, Goodwill had identified E-Commerce as a priority and continues to make changes based on best practices and increased efficiency to grow its online presence. Training has been given to store leadership on the best products to send to E-Commerce and each store is assigned a sales goal of E-Commerce items which is monitored each month. This department's sales for 2018 has been budgeted relatively flat as compared to the actual 2017 sales, but with, a focus on specific product lines like jewelry, musical instruments and electronics to help streamline sales volume.

Goodwill is also closely monitoring sales at the brick and mortar stores. Sales have been budgeted flat compared to 2017 sales, but related salaries and wages budgets have been reduced. Monthly store reviews are conducted wherein management reviews key business factors regarding operations. If performance or operations standards are not met, action plans are created to address shortfalls, including the reduction of those payroll hours which are tied directly to sales. A focus on donations per square foot of retail selling space also is being reviewed monthly to ensure Goodwill is capturing significant market share in donations. Two new attended donation centers are planned for Monroe and West Monroe in 2018.

After-market sales (outlet and salvage) have been moved from a warehouse environment to a store front environment. The Outlet pricing structure has also changed for the two largest categories (apparel and wares) from price per piece to a price per pound. These two changes should result in an increase in sales and a decrease in trash. After-market sales have not shown to have been significantly negatively impacted by online sales.

Given the market disruption caused by donors being able to monetize items they formerly donated as well as greater competition from consignment stores and faith based thrift stores, Goodwill will implement a robust New Goods program for all stores in 2018. Goodwill leadership has researched this business line and consulted with other Goodwill organizations currently selling New Goods. The 2018 budgeted revenue for New Goods is \$396,760. In 2017, Goodwill sold \$3,584 of New Goods on a very limited scale.

17. **Going Concern Uncertainties** (Continued)

Over time, management anticipates that successful implementation of these measures will help restore the Organization's profitability.

The ability of the organization to continue as a going concern is dependent on the success of these efforts and decisions made by the creditors.

18. **Subsequent Events**

Goodwill is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Goodwill performed such an evaluation through April 30, 2018, the date which the financial statements were available to be issued, and noted no subsequent events.

**SUPPLEMENTARY INFORMATION**

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head: David Tinkis

Salary	136,414
Benefits-insurance-health	12,123
Benefits-insurance-life, disability, accidental	1,638
Car allowance	6,000
Travel	2,935
Conference travel	2,509

**OTHER REPORTS**

# HEARD, McELROY, & VESTAL

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CERTIFIED PUBLIC ACCOUNTANTS

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April 30, 2018

The Board of Directors  
Goodwill Industries of North Louisiana, Inc.  
Shreveport, Louisiana

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

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 financial statements of Goodwill Industries of North Louisiana, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2018.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Goodwill's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill's internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill's 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 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 second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Goodwill's 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

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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 of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2017

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Goodwill Industries of North Louisiana, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Goodwill Industries of North Louisiana, Inc. were disclosed during the audit.
4. Goodwill Industries of North Louisiana, Inc. was not subject to a federal single audit for the year ended December 31, 2017.

**B. Findings - Financial Statement Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs**

Not Applicable

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2017

There were no findings and questioned costs from the prior year.

# HEARD, McELROY, & VESTAL

LLC

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June 25, 2018

Board of Directors  
Goodwill Industries of North Louisiana, Inc.  
Shreveport, Louisiana

Louisiana Legislative Auditor  
Baton Rouge, Louisiana

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Goodwill Industries of North Louisiana, Inc. (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, 2017 through December 31, 2017. Goodwill's management is responsible for those C/C areas identified in the SAUPs. These Statewide Agreed-Upon Procedures were applied only to the Workforce Development control and compliance areas, as these are the areas that involve the use of public monies.

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*, issued by the Comptroller General of the United States. 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 associated findings are as follows:

### Written Policies and Procedures

---

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

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*Exception: The entity does not have written policies or procedures concerning the budget process.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

- 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.

*Exception: The entity has a purchasing policy, but it does not completely describe the process of purchase initiation nor does it have a purchase order system. In addition, the purchasing policy does not address how vendors are added to the vendor list, and does not describe the controls in place to ensure compliance with bid laws or the documentation necessary to be maintained for bid and price quotes.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

- c) Disbursements, including processing, reviewing, and approving.

*Exception: The entity does not have written policies and procedures that address processing, reviewing, and approving disbursements.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

- d) Receipts, including receiving, recording, and preparing deposits.

*Exception: The entity does not have written policies and procedures that address receiving, recording and preparing deposits.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*Exception: Written policies and procedures address some aspects of reviewing and approving time and attendance records, but do not cover payroll processing steps and the responsibilities of those carrying them out.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

- 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.

*Exception: Although the entity has a written policy on contractual relations, it does not address the types of services that require written contracts, standard terms and conditions, the legal review process, the approval process, or the monitoring process.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

- 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, and (5) monitoring card usage.

*The entity has adequate policies and procedures dealing with credit cards, fuel cards, and purchase cards, although there is no description of the approval process for the purchase card.*

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*Written policies and procedures address mileage reimbursements only, which typically is the only travel expense incurred by the entity outside of those paid by credit card.*

- 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. Note: Ethics requirements are not applicable to nonprofits.

*Not applicable, as the entity is a nonprofit, 501(c)(3) corporation.*

- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*Not applicable, as the entity is a nonprofit, 501(c)(3) corporation.*

Board (or Finance Committee, if applicable)

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2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*The entity's Board of Directors met six times during the year, which exceeded the requirement of at least quarterly meetings set forth in the entity's bylaws.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*Each board meeting's minutes refer to budget-to-actual financial statement comparisons, as well as other financial reporting. No deficit spending took place during the fiscal year.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*At least one board meeting's minutes referenced non-budgetary financial information.*

### Bank Reconciliations

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

*A list of bank accounts was obtained from management.*

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

*Bank reconciliations were prepared for the single account for each month in the fiscal year.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

*The bank reconciliation evidenced review by an independent member of management.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*No reconciling items greater than 6 months old were noted.*

## Collections

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- 5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

*Cash/checks are collected at a single location (Main Office).*

- 6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*Exception: Each person responsible for handling cash is not bonded/insured. However, each person responsible for collecting cash does not deposit the cash in the bank, record the cash transaction, reconcile the related bank account, or share the cash drawer with another employee.*

*Management's Response: It is not cost beneficial for Goodwill to bond every employee who handles cash. There are compensating controls on the deposit of checks and therefore the risk of not bonding employees is minimal.*

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*The entity has a formal process to reconcile cash receipts to the amounts recorded on the general ledger by an individual not responsible for cash collections.*

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether

the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

*Cash receipts selected for this procedure were deposited within one business day of collection.*

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

*No exceptions were noted.*

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

*The entity has the process of requiring the bookkeeper to compare cash received or payments made through ACH to the applicable billing.*

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

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8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*A listing of disbursements made during the year was obtained.*

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*Exception: The entity does not use a purchase order system; however, the invoice/supporting documentation reflects the detail of products/services purchased and approval prior to payment. The entity does not require approval for recurring monthly payments, or utilities.*

*Management's Response: At this time a purchase order system is cost prohibitive. Goodwill currently is using payment authorization by management as a control.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*Exception: The entity does not use a purchase order system.*

*Management's Response: At this time a purchase order system is cost prohibitive. Goodwill currently is using payment authorization by management as a control.*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

*Exception: All payments for purchases were supported by an approved invoice and, when applicable, related shipping documents. As noted above, not all purchases are required to have a purchase order. The entity does not use formal receiving reports.*

*Management's Response: At this time a purchase order system is cost prohibitive. Goodwill currently is using payment authorization by management as a control.*

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

*The A/P Clerk is responsible for processing disbursements, but has no authority or rights to add vendors.*

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*Exception: Individuals with signatory authority may initiate purchases, but purchases over \$1,000 must be approved by CEO.*

*Management's Response: Goodwill will update its Policies and Procedures to include new systems and staff changes.*

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check

stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

*The supply of unused checks is kept in a locked cabinet under the custody of individuals with no check signing authority.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*The entity does not use a signature stamp or signature machine.*

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

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

*A listing of active credit cards and related information was obtained, and management represented to us that the listing was complete.*

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

*A combined statement was reviewed, included in the combined statement are statements for each individual card. Supporting documentation was reviewed and approved in writing by an individual independent of the cardholder.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*No finance charges or late fees were assessed.*

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

*Exception: With the following exception, all credit card transactions were supported by an original itemized receipt. One employee selected for testing lost three invoices. When this happens, the entity requires the purchase to be examined by the cardholder's supervisor to determine if the purchase was reasonable. The transactions in question were determined to be reasonable.*

*Management's Response: Goodwill is rewriting its policy regarding missing receipts. Expenses that are charged and missing the receipt will be refunded by the employee and not recorded as an expense.*

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*Exception: Three receipts tested for meals did not have the participants listed; however they were small purchases. HNV notes that the larger meal purchases had the names of the participants listed. The entity amended its policy to provide that when meals are purchased for the card holder the name of the participant is not necessary.*

*Management's Response: Goodwill is rewriting its Policies and Procedures to require that all attendees present for meal purchases be listed on the receipt.*

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*Except for items mentioned above, each transaction on the monthly is supported by required documentation.*

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

*No transaction was required to meet bid or quote procedures.*

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the

requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions were noted.*

## Travel and Expense Reimbursement

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

*A listing of all travel and related expense reimbursements, by person, during the fiscal year was obtained from the general ledger.*

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*The entity uses the guidelines of the State of Louisiana to reimburse travel and meals. The rates included in the entity's policy and for reimbursement did not exceed those stated in the guidelines.*

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

*No exceptions were noted.*

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

*No exceptions were noted.*

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

*No exceptions were noted.*

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions were noted.*

## Contracts

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- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

*A listing of all contracts that were in effect during the year was obtained.*

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

*A formal written contract supports the service arrangement and amount paid for the single vendor selected.*

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*The single contract selected was not subject to the Louisiana Public Bid Law or Procurement Code; however, quotes were solicited during the contract selection process.*

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

*The contract was amended, which was provided for in the original contract terms. The contract was reduced from 50 to 35 users.*

Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

*The invoice and related payment of the selected contract complied with its terms.*

- d) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*Not applicable.*

## Payroll and Personnel

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- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

*A listing of all employees and their related compensation was obtained.*

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure.*

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

*Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.*

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

*All applicable employees documented their daily attendance and leave.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Written documentation of approved attendance and leave records of all applicable employees is maintained.*

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

*The entity maintained written leave records on all applicable employees tested.*

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

*The entity does not pay out PTO that has accrued. It is lost at termination of employment.*

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

*All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.*

## Ethics (excluding nonprofits)

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26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

*Not applicable, since the entity is a nonprofit.*

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

*Not applicable, since the entity is a nonprofit.*

## Debt Service (excluding nonprofits)

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*Not applicable, since the entity is a nonprofit.*

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*Not applicable, since the entity is a nonprofit.*

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*Not applicable, since the entity is a nonprofit.*

## Other

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the

misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management represented that the entity had no misappropriations of public funds or assets during the fiscal year.*

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We observed the notice posted on the entity's website and on its premises.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*Not applicable.*

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 result 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.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana