GOODWILL INDUSTRIES OF

NORTH LOUISIANA, INC.

SHREVEPORT, LOUISIANA

DECEMBER 31, 2018

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENT

HEARD, MCELROY, & VESTAL
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April 29, 2019

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, 2018, 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 2017 financial statements and, in our report dated April 30, 2018, 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.

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, 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 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, 2018, 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.

Emphasis of Matter Effect of Adopting New Accounting Standard

As discussed in Note 2, the Financial Accounting Standards board issued Accounting Standards Update ("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. Goodwill adopted ASU 2016-14 for the year ended December 31, 2018. 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 29, 2019, 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, 2018

ASSETS	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Summary Total
Current assets:				
Cash	70,144	106,497	176,641	204,723
Investments - Note 4	1,063,945	-	1,063,945	1,375,321
Accounts receivable - net of allowance for bad debts of $0 and $0	301,232	-	301,232	253,436
Accounts receivable - other	10,420	-	10,420	15,799
Inventory	216,643	-	216,643	264,972
Prepaid expenses and other	58,263	-	58,263	68,403
Total current assets	1,720,647	106,497	1,827,144	2,182,654
Fixed assets:				
Land, buildings and equipment, at cost less accumulated depreciation - Notes 5 and 9	9,745,180	-	9,745,180	10,977,643
Other assets:				
Beneficial interest in net assets of foundation-Note 15	-	381,927	381,927	413,838
Investment in partnership	56,674	-	56,674	56,980
Other assets	37,660	-	37,660	45,179
Total assets	11,560,161	488,424	12,048,585	13,676,294

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

LIABILITIES AND NET ASSETS	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Summary Total
Current liabilities:				
Accounts payable	330,623	-	330,623	315,939
Sales tax payable	24,220	-	24,220	20,986
Accrued payroll and withholdings	246,771	-	246,771	225,982
Other payables	38,825	-	38,825	68,574
Current portion of long-term debt - Note 9	4,526,732	-	4,526,732	5,721,406
Unamortized debt issuance costs-short term	(101,616)	-	(101,616)	(132,010)
Total current liabilities	5,065,555	-	5,065,555	6,220,877
Total liabilities	5,065,555	-	5,065,555	6,220,877
Net assets:				
Without donor restrictions	6,494,606	-	6,494,606	6,905,345
With donor restrictions	-	488,424	488,424	550,072
Total net assets	6,494,606	488,424	6,983,030	7,455,417
Total liabilities and net assets	11,560,161	488,424	12,048,585	13,676,294

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Summary Total
Public support and revenues:				
Public support:				
Donated goods - Note 10	1,805,780	-	1,805,780	2,154,372
United Way contributions	60,000	-	60,000	74,000
Other contributions	202,416	-	202,416	137,355
Total public support	2,068,196	-	2,068,196	2,365,727
Revenues:				
Sales:				
Sales of goods purchased	90,002	-	90,002	8,715
Less - cost of purchased goods	65,666	-	65,666	4,643
Gross profit	24,336	-	24,336	4,072
Sales of donated goods	5,044,426	-	5,044,426	4,900,106
Contract services	1,124,342	-	1,124,342	1,077,156
Training and work adjustment fees	790,169	249,400	1,039,569	1,162,241
Investment return - Note 4	(45,704)	(16,653)	(62,357)	185,803
Gain (loss) on disposal of fixed assets	(195,460)	-	(195,460)	-
Other miscellaneous revenue	73,317	-	73,317	83,920
Total revenues	6,815,426	232,747	7,048,173	7,413,298
Net assets released from restrictions - Note 3	294,395	(294,395)	-	-
Total public support, revenues, and reclassifications	9,178,017	(61,648)	9,116,369	9,779,025
Expenses:				
Production and sales	6,113,232	-	6,113,232	6,468,885
Workforce development	1,374,676	-	1,374,676	1,474,485
Contract services	969,475	-	969,475	915,846
Management and general	1,131,373	-	1,131,373	1,137,613
Total expenses	9,588,756	-	9,588,756	9,996,829
Change in net assets	(410,739)	(61,648)	(472,387)	(217,804)
Net assets, beginning of year	6,905,345	550,072	7,455,417	7,673,221
Net assets, end of year	6,494,606	488,424	6,983,030	7,455,417

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Production and Sales	Workforce Development	Contract Services
Salaries and wages	2,931,209	884,946	639,068
Employee benefits	64,016	69,900	135,535
Payroll taxes	279,464	89,682	58,219
Total salaries and related expenses	3,274,689	1,044,528	832,822
Professional fees	75,753	7,573	2,579
Supplies	113,377	26,937	73,098
Telecommunications	75,576	18,493	6,185
Postage and shipping	30,407	493	87
Building rent	571,768	41,672	-
General and liability insurance	109,623	21,491	2,788
Mortgage interest	160,626	13,439	-
Other occupancy	826,489	36,894	(5,237)
Equipment rental and maintenance	77,844	28,882	13,318
Printing, advertising and subscriptions	43,668	7,380	651
Agency vehicles and travel	233,993	36,404	20,518
Specific assistance-community	12,218	15,211	-
Membership dues and support payments	64,298	12,965	10,928
Bank service charges	119,583	-	127
Miscellaneous	9,987	2,553	4,430
Total other expenses before depreciation	2,525,210	270,387	129,472
Total expenses before depreciation	5,799,899	1,314,915	962,294
Depreciation	313,333	59,761	7,181
Total expenses	6,113,232	1,374,676	969,475

Management and General	2018 Total	2017 Summary Total
608,880	5,064,103	5,234,008
92,917	362,368	448,426
45,017	472,382	545,690
746,814	5,898,853	6,228,124
194,584	280,489	239,827
15,423	228,835	240,832
6,772	107,026	106,420
3,047	34,034	41,319
-	613,440	645,809
16,103	150,005	153,998
6,989	181,054	205,543
16,462	874,608	860,215
19,975	140,019	129,744
10,973	62,672	63,604
12,150	303,065	312,143
2,098	29,527	37,532
1,644	89,835	93,678
21,240	140,950	145,810
23,630	40,600	27,875
351,090	3,276,159	3,304,349
1,097,904	9,175,012	9,532,473
33,469	413,744	464,356
1,131,373	9,588,756	9,996,829

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Total	2017 Summary Total
Cash flows from operating activities:		
Change in net assets	(472,387)	(217,804)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	80,347	(147,166)
Loss on sale of fixed assets	195,460	33,480
Other gain	(23,191)	-
Depreciation	413,744	464,356
Amortization	20,447	28,572
(Increase) decrease in:		
Accounts receivable	(42,417)	86,320
Inventory	48,329	92,389
Prepaid expenses	10,140	23,593
Other assets	(12,928)	(33,608)
Increase (decrease) in:		
Accounts payable	14,684	(99,962)
Sales tax payable	3,234	(5,463)
Accrued payroll and withholdings	20,789	(2,806)
Other payables	(29,749)	18,472
Total adjustments	698,889	458,177
Net cash provided by operating activities	226,502	240,373
Cash flows from investing activities:		
Proceeds from sale of assets	1,018,682	14,156
Capital purchases and improvements	(372,232)	(44,746)
Net redemption of investments	231,029	219,401
Change in beneficial interest in assets of foundation	31,911	(26,497)
Decrease in investment in partnership	306	365
Net cash provided by investing activities	909,696	162,679
Cash flows from financing activities:		
Debt reduction	(1,164,280)	(420,082)
Net cash (used) by financing activities	(1,164,280)	(420,082)
Net (decrease) in cash	(28,082)	(17,030)
Cash at beginning of the year	204,723	221,753
Cash at end of the year	176,641	204,723
Cash paid during the year for interest	191,698	214,485

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

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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Board for specific purposes.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of Goodwill, and/or by the passage of time. Also included are 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 based 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2018 and 2017, 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 support without donor restrictions 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

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

those donated 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 net assets with door restrictions to net assets without donor restrictions 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, 2017. 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 $38,336 and $47,008 for 2018 and 2017.

(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 2015 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 to its exempt purpose. It files U.S. federal Form 990-T with the IRS to report its unrelated business taxable income.

2. **<u>Significant Accounting Policies</u>** **(Continued)**

(m) <u>Beneficial Interest in Assets of Foundation</u>:
Any transfers by Goodwill of its own funds to the Community Foundation of North Louisiana, specifying itself as the beneficiary, are accounted for as an asset in accordance with generally accepted accounting principles.

(n) <u>Going Concern</u>:
ASU 2014-15, *Presentation of Financial Statements-Going Concern*, 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. Management's assessment is disclosed in Note 17.

(o) <u>New Accounting Guidance Not Yet Adopted</u>:
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, 2019, 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)

(p) New Financial Statement Presentation:
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. The Organization adopted this standard for the year ended December 31, 2018 and its implementation is reflected in the financial statements.

(q) Functional Expenses
Goodwill charges expenses to applicable functions (departments) as incurred. Expenses are allocated to departments based upon square footage occupied. Some allocations, such as dues paid to Goodwill Industries International, are made annually based upon revenue. Goodwill does not allocate the management and general expenses related to accounting, human resources, IT services, and executive leadership.

(r) Liquidity and Availability
Goodwill strives to maintain liquid financial assets sufficient to meet its general operating expenditures. At December 31, 2018, Goodwill estimates that it has approximately two months of expenses in liquid assets. Accounts receivable are primarily from governmental agencies and are managed closely to ensure they are being paid promptly in order to provide for payment of accounts payable.

Goodwill has $1,445,741 of financial assets available within one year of the balance sheet date, comprised of cash of $70,144, accounts receivable of $311,652, and short term investments of $1,063,945. None of the financial assets is subject to donor restrictions or contractual restrictions that make them unavailable within one year.

3. Restrictions on Assets

Included in net assets with donor restrictions are various grants received by Goodwill with use restrictions. These restrictions will expire as Goodwill utilizes these funds for their intended purposes over the terms of the grants. Also included in net assets with donor restrictions are 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, 2018 and 2017, are summarized as follows:

	2018		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	138,252	137,542	(710)
Corporate debt securities	391,117	388,217	(2,900)
Corporate equity securities	462,982	418,643	(44,339)
Equity mutual funds	48,162	36,655	(11,507)
Cash and equivalents	82,888	82,888	-
	1,123,401	1,063,945	(59,456)

4. Investments (Continued)

	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	-
	1,337,013	1,375,321	38,308

A summary of investment return for each year follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	16,828	1,162	17,990
Net realized and unrealized gain (loss)	(62,532)	(17,815)	(80,347)
	(45,704)	(16,653)	(62,357)

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest income	36,311	2,326	38,637
Net realized and unrealized gain	107,744	39,422	147,166
	144,055	41,748	185,803

5. Land, Building, and Equipment

Fixed assets and related accumulated depreciation at December 31, 2018 and 2017 are as follows:

	2018	2017
Buildings and improvements	10,651,407	11,659,314
Equipment	1,991,101	2,067,178
Vehicles	138,000	158,314
Total depreciable assets	12,780,508	13,884,806
Accumulated depreciation	(6,511,582)	(6,803,417)
Book value of depreciable assets	6,268,926	7,081,389
Land	3,476,254	3,896,254
Book value of fixed assets	9,745,180	10,977,643

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 2018 and 2017 was $613,440 and $645,809.

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 2018 and 2017 was $126,710 and $139,701.

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:

Year Ended December 31	Amount
2019	714,774
2020	615,503
2021	342,143
2022	266,976
2023	233,573
Thereafter	394,576
	2,567,545

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 2018 and 2017 were $30,852 and $45,204, 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, 2018 and 2017:

Due To	Terms	2018	2017
^*@#Regions Capital Advantage	Loan for $2,765,000 to refinance debt, payable $19,890 per month through June 2028 including interest at 3.59%.	1,918,663	2,085,207
^*@#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
^*@#Regions Capital Advantage	Loan for $3,434,000 to refinance debt, payable $24,700 per month through June 2028 including interest at 3.59%.	2,383,069	2,589,873
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
Capital One, N.A.	Line of credit for $225,000; interest at Wall Street Journal prime (5.25% at 12-31-18) due monthly; principal and remaining unpaid items due at loan termination at lender demand; unsecured.	225,000	225,000
		4,526,732	5,721,406
Portion classified as current		4,526,732	5,721,406
Less unamortized debt issuance costs-short-term		(101,616)	(132,010)
Short-term debt, less unamortized debt issuance costs		4,425,116	5,589,396

* 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.

@ Debt is cross-collateralized and secured by Goodwill's stores in north Bossier City, Louisiana; Pierremont and West 70th Street, Shreveport, Louisiana; Pineville, Louisiana; and Alexandria, 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, 2018. Based on this noncompliance, the creditor has various remedies available, including the authority to impose a higher default interest rate on the debt while in default. The creditor also has the authority to demand immediate total or partial payment of the debt. The creditor has not expressed intent to exercise either of these remedies; however, due to the authority to demand payment, the debt has been classified as current as of December 31, 2018.

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

2019	4,526,732
2020	-
2021	-
2022	-
2023	-
Thereafter	-
	4,526,732

The approximate book value of collateralized fixed assets at December 31, 2018 was $9,391,125.

Interest expense was $191,698 and $214,485 for 2018 and 2017, 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 2018 and 2017, contributed merchandise with an approximate fair value of $1,806,000 and $2,154,000, respectively, was recognized as contribution revenue. This donated-goods merchandise requires program-related expenses and processes that 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 $203,000 and $264,000 at December 31, 2018 and 2017.

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, 2018. 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, 2018. Such conditional promises amounted to approximately $462,742 at December 31, 2018.

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, 2018, total cash held at financial institutions was $146,224, 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 $844,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2018, are dependent solely upon the faith and credit of the corporate issuer.

13. **Fundraising Expenses**

Direct fundraising expenses amounted to approximately $22,084 for 2018 and $2,812 for 2017.

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, 2018 and 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
December 31, 2018:				
Investments:				
U.S. Treasury and Agency debt securities	137,542	-	-	137,542
Corporate debt securities	388,217	-	-	388,217
Corporate equity securities	418,643	-	-	418,643
Equity mutual funds	-	36,655	-	36,655
Cash and equivalents	82,888	-	-	82,888
	1,027,290	36,655	-	1,063,945
Donated goods inventory	-	-	203,323	203,323
December 31, 2017:				
Investments:				
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	202,156	-	-	202,156
	1,225,528	149,793	-	1,375,321
Donated goods inventory	-	-	264,272	264,272

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:

Donated Goods Inventory	2018	2017
Beginning balance	264,272	357,361
Change in value	(60,949)	(93,089)
Ending balance	203,323	264,272

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

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:

	2018	2017
Beginning balance, endowment fund	413,838	387,341
Interest	5,009	6,138
Net realized and unrealized gain (loss)	(17,815)	39,422
Administrative fees	(3,847)	(3,812)
Distributions to Goodwill	(15,258)	(15,251)
Ending balance, endowment fund	381,927	413,838

16. **Other Assets**

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

	2018	2017
Capitalized computer software costs	166,383	166,383
Accumulated amortization	(159,299)	(150,800)
Net book value	7,084	15,583

The estimated useful life of this intangible is five years, with no estimated residual value. Future estimated amortization by year is: 2019 - $7,084.

17. **Going Concern Uncertainties**

As shown in the accompanying financial statements, Goodwill has a negative change in net assets of $472,387. During 2017, Goodwill incurred a negative change in net assets of $217,804. 2018 represents the sixth consecutive year in which Goodwill has experienced a negative change in net assets, which total $2,562,563 cumulatively.

Due to these factors and as indicated in Note 9, Goodwill was out of compliance with certain debt covenants as of December 31, 2018. Based on this noncompliance, the creditor has various remedies available, including the authority to demand immediate total or partial payment of the debt totaling $4,301,731. No demand has been made as of April 29, 2019, 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 Organization's ability to continue as a going concern within one year after issuance of these financial statements (April 29, 2020).

17. Going Concern Uncertainties (Continued)

During prior years, 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.

Based on this research, Goodwill identified E-Commerce as a priority and continues to make changes based on best practices and increased efficiency to grow its online presence. All stores receive continuous training on the best products to send to E-commerce to maximize the sales potential for donated items. Each store is assigned a sales goal of E-Commerce items which is monitored each month. E-commerce sales for 2019 are budgeted to increase over 2018.

Goodwill continues to closely monitor sales at the brick and mortar stores and therefore, during 2018, Goodwill had a series of consultants and subject-matter experts, recommended by Goodwill Industries International, visit all of the locations and make recommendations to increase the sustainability of the Organization. It was the consensus of the consultants that Goodwill concentrate on a few key areas to master, particularly in the areas of more efficiently processing donations followed by increasing donations.

Given these recommendations, 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.

Goodwill began converting the store backroom processing system to "1-touch" that more efficiently processes donations, gets more product to the sales floor faster, and cuts down on the need for storage space as product is on the sales floor rather than in the backroom. While resetting stores to the new processing system, all stores receive a sales floor make-over including new signs, cleaning, and re-organizing to give customers a clean and enjoyable shopping experience. During 2018 one of the stores was fully converted, and in 2019 all remaining stores will be converted.

Goodwill will concentrate on finding new streams of donations including adding new attended donation sites, closing low performing donation sites and conducting monthly donation drives with neighborhoods, schools and churches.

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 deficiencies.

In the last two quarters of 2018, many of the stores showed an increase in actual sales compared to budgeted sales. The store sales budgets for 2019 have been increased to reflect 2018 actual sales as well as new potential sales when all stores are fully converted into the new system.

17. Going Concern Uncertainties (Continued)

Also in 2018, Goodwill sold the Linwood warehouse location, which housed the after-market (outlet and salvage) department. After-market sales were moved to a leased location which is more secure and allows for a more efficient layout. The combination of less raw goods in storage due to the 1-touch system as well as a better location has allowed after-market to explore new lines of revenue beyond apparel, cardboard and linen. In 2018, Goodwill added metal scrap revenue. In 2019, Goodwill will add stuffed toy salvage revenue and continues to look for other revenue lines for items.

Goodwill will continue to sell new goods but on a much smaller scale so that labor hours are used in areas that are more profitable.

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 29, 2019, 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, 2018

Agency Head: David Tinkis

Salary	141,048
Bonus	131
Benefits-insurance-health	12,852
Benefits-insurance-life, disability, accidental	1,412
Car allowance	6,000
Travel	4,187
Conference travel	5,936

OTHER REPORTS

Heard, McElroy, & Vestal
LLC
Certified Public Accountants
333 Texas Street, Suite 1525
Shreveport, Louisiana 71101
318-429-1525 Phone • 318-429-2070 Fax

April 29, 2019

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, 2018, 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 29, 2019.

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 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, 2018

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, 2018.

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, 2018

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

HEARD, MCELROY, & VESTAL
LLC
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318-429-1525 PHONE • 318-429-2070 FAX

June 27, 2019

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, 2018 through December 31, 2018. 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 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):[1]

[1] *For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.*

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

The entity has an adequate policy regarding budgeting; however, HMV notes that the date of the policy is 6/21/2019.

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.

The entity has an adequate policy regarding purchasing; however, HMV notes that the date of the policy is 6/21/2019.

c) ***Disbursements***, including processing, reviewing, and approving

Exception: Goodwill did not produce a policy related to disbursements.

Management's Response: Goodwill has a written policy for disbursements awaiting review and approval in July 2019.

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).

Exception: Goodwill did not produce a policy related to receipts/collections.

Management's Response: Goodwill has a written policy for receipts/collections awaiting review and approval in July 2019.

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

The entity has an adequate policy regarding payroll; however, HMV notes that the revision date of the policy is 6/21/2019. The additions to the policy address the payroll processing steps.

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: The entity has a policy related to contracting; however, it does not include types of services requiring written contracts, standard terms and conditions, legal review, approval process, or a monitoring process.

Management's Response: Goodwill will revise the policy on contracting in July 2019.

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)

The entity has an adequate policy regarding credit cards; however, HMV notes that the revision date of the policy is 6/21/2019. This revision updated the policy to include the approval process.

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

Exception: The entity has a policy related to travel and expense reimbursement; however, it does not address dollar thresholds by category of expenses.

Management's Response: Goodwill will revise the policy on travel and expense reimbursements to address dollar thresholds by category of expenses in July 2019.

i) ***Ethics***[2], 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.

Not applicable to Goodwill as a non-profit organization.

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

Not applicable to Goodwill as a non-profit organization.

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

---

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

   A listing of locations was obtained from management.

3. For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

[2] The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

An employee can initiate a purchase request, which is then approved by any chief or director

b) At least two employees are involved in processing and approving payments to vendors.

The Bookkeeper processes vendor payments and payments are approved by any chief or director.

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.

The Senior Accountant has the ability to add/modify vendor files; however, she does not process payments.

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.

Checks are mailed by the Accounts Payable Clerk, who does not process vendor payments.

4. For each location selected under #2 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.

For all selections, the disbursement matched the related invoice.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable.

Exception: The selections did not show documentation regarding segregation of duties.

Management's Response: With the exception of the CFO, all payable invoices are approved on their face by the chief or director, none of whom has access to invoice processing. The CFO does approve some invoices and also has access to invoice processing; however, all invoices are entered into the system by the Accounts Payable Clerk.

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

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

A listing of locations was obtained from management.

6. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined

statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

   Someone other than the cardholder approved, in writing, all of the five cards selected.

b) Observe that finance charges and late fees were not assessed on the selected statements.

   Exception: Finance Charges and late fees were assessed on the selected statements

   Management's Response: The Capital One credit card is used as a tool for cash flow constraints and will have finance charges and late fees.

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

   1) An original itemized receipt that identifies precisely what was purchased

      Exception: Two of the selected transactions were not supported by an itemized receipt showing what was purchased.

      Management's Response: In the rare instance that a credit card receipt is not provided with the credit card report, the supervisor must sign off on the item on the face of the report indicating she has investigated the charge and agrees that it is for a legitimate business purpose.

   2) Written documentation of the business/public purpose

      Exception: One of the selected transactions did not have written documentation of the business/public purpose of the transaction.

      Management's Response: This was a rare case and not caught by the approver. This was a monthly recurring charge and is legitimate.

   3) Documentation of the individuals participating in meals (for meal charges only)

      No exceptions.

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