

**GOODWILL INDUSTRIES OF
NORTH LOUISIANA, INC.
SHREVEPORT, LOUISIANA
DECEMBER 31, 2020**

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 24, 2021

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, 2020, 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. 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.

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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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Goodwill's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and also 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 this 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 June 24, 2021, 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, 2020

<u>A S S E T S</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Summary Total</u>
<u>Current assets:</u>				
Cash	399,572	47,180	446,752	383,065
Investments - Note 4	944,123	-	944,123	999,028
Accounts receivable - net of allowance for bad debts of \$0 and \$0	532,847	-	532,847	272,587
Accounts receivable - other	16,359	-	16,359	3,854
Inventory	90,793	-	90,793	212,962
Prepaid expenses and other	<u>77,385</u>	<u>-</u>	<u>77,385</u>	<u>65,074</u>
Total current assets	2,061,079	47,180	2,108,259	1,936,570
<u>Fixed assets:</u>				
Land, buildings and equipment, at cost less accumulated depreciation - Notes 5 and 9	9,076,607	-	9,076,607	9,436,682
<u>Other assets:</u>				
Beneficial interest in net assets of foundation-Note 15	-	433,923	433,923	417,466
Investment in partnership	56,154	-	56,154	56,413
Other assets	<u>31,624</u>	<u>-</u>	<u>31,624</u>	<u>33,451</u>
Total assets	<u>11,225,464</u>	<u>481,103</u>	<u>11,706,567</u>	<u>11,880,582</u>

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

<u>LIABILITIES AND NET ASSETS</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Summary Total</u>
<u>Current liabilities:</u>				
Accounts payable	150,586	-	150,586	285,849
Sales tax payable	20,201	-	20,201	23,846
Accrued payroll and withholdings	85,730	-	85,730	274,231
Other payables	97,995	-	97,995	37,251
Current portion of long-term debt - Note 9	668,639	-	668,639	636,421
Unamortized debt issuance costs-short term	<u>(10,697)</u>	<u>-</u>	<u>(10,697)</u>	<u>(10,697)</u>
Total current liabilities	1,012,454	-	1,012,454	1,246,901
<u>Long-term liabilities:</u>				
Long-term debt - Note 9	3,619,994	-	3,619,994	3,545,792
Unamortized debt issuance costs-long term	<u>(69,526)</u>	<u>-</u>	<u>(69,526)</u>	<u>(80,223)</u>
Total long-term liabilities	<u>3,550,468</u>	<u>-</u>	<u>3,550,468</u>	<u>3,465,569</u>
 Total liabilities	 4,562,922	 -	 4,562,922	 4,712,470
<u>Net assets:</u>				
Without donor restrictions	6,662,542	-	6,662,542	6,695,876
With donor restrictions	<u>-</u>	<u>481,103</u>	<u>481,103</u>	<u>472,236</u>
Total net assets	<u>6,662,542</u>	<u>481,103</u>	<u>7,143,645</u>	<u>7,168,112</u>
 Total liabilities and net assets	 <u>11,225,464</u>	 <u>481,103</u>	 <u>11,706,567</u>	 <u>11,880,582</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Summary Total</u>
<u>Public support and revenues:</u>				
Public support:				
Donated goods - Note 10	794,250	-	794,250	2,049,120
United Way contributions	180,287	-	180,287	95,018
Other contributions	78,505	-	78,505	131,774
Total public support	1,053,042	-	1,053,042	2,275,912
Revenues:				
Sales:				
Sales of goods purchased	44,492	-	44,492	76,255
<u>Less</u> - cost of purchased goods	34,195	-	34,195	60,350
Gross profit	10,297	-	10,297	15,905
Sales of donated goods	4,192,346	-	4,192,346	5,022,104
Contract services	1,427,809	-	1,427,809	1,203,422
Workforce Development grants and fees	1,328,279	169,835	1,498,114	1,148,016
Net investment return - Note 4	95,142	32,318	127,460	186,899
SBA PPP loan forgiveness	1,105,100	-	1,105,100	-
Other miscellaneous revenue	17,029	-	17,029	15,173
Total revenues	8,176,002	202,153	8,378,155	7,591,519
Net assets released from restrictions - Note 3	193,286	(193,286)	-	-
Total public support, revenues, and reclassifications	9,422,330	8,867	9,431,197	9,867,431
<u>Expenses:</u>				
Production and sales	5,375,133	-	5,375,133	6,026,820
Workforce development	1,777,852	-	1,777,852	1,502,935
Contract services	1,212,151	-	1,212,151	1,061,565
Management and general	1,090,528	-	1,090,528	1,091,029
Total expenses	9,455,664	-	9,455,664	9,682,349
<u>Change in net assets</u>	(33,334)	8,867	(24,467)	185,082
<u>Net assets, beginning of year</u>	6,695,876	472,236	7,168,112	6,983,030
<u>Net assets, end of year</u>	6,662,542	481,103	7,143,645	7,168,112

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, 2020

	<u>Production and Sales</u>	<u>Workforce Development</u>	<u>Contract Services</u>
Salaries and wages	2,482,506	1,206,154	799,225
Employee benefits	56,309	93,252	135,408
Payroll taxes	247,418	107,629	71,011
Total salaries and related expenses	<u>2,786,233</u>	<u>1,407,035</u>	<u>1,005,644</u>
Professional fees	27,519	12,226	57,318
Supplies	125,706	40,304	69,291
Telecommunications	63,082	17,430	3,954
Postage and shipping	20,966	548	65
Building rent	626,667	44,317	-
General and liability insurance	110,737	37,889	4,142
Mortgage interest	123,292	11,212	-
Other occupancy	762,680	42,532	(5,468)
Equipment rental and maintenance	104,466	26,023	8,321
Printing, advertising and subscriptions	11,835	9,778	141
Agency vehicles and travel	161,195	25,668	23,437
Specific assistance-community	4,261	26,456	5
Membership dues and support payments	45,266	17,675	13,410
Bank service charges	91,479	-	-
Miscellaneous	16,806	1,335	21,306
Total other expenses before depreciation	<u>2,295,957</u>	<u>313,393</u>	<u>195,922</u>
Total expenses before depreciation	5,082,190	1,720,428	1,201,566
Depreciation	<u>292,943</u>	<u>57,424</u>	<u>10,585</u>
Total expenses	<u>5,375,133</u>	<u>1,777,852</u>	<u>1,212,151</u>

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

Management and General	2020 Total	2019 Summary Total
605,595	5,093,480	5,271,400
62,041	347,010	327,500
44,502	470,560	475,929
<u>712,138</u>	<u>5,911,050</u>	<u>6,074,829</u>
221,471	318,534	229,411
15,391	250,692	240,278
5,359	89,825	99,918
1,658	23,237	32,167
-	670,984	673,945
21,093	173,861	167,366
-	134,504	148,106
14,841	814,585	839,131
21,521	160,331	146,644
8,591	30,345	31,506
5,991	216,291	286,246
5,345	36,067	48,814
1,583	77,934	97,481
18,425	109,904	140,744
14,816	54,263	38,789
<u>356,085</u>	<u>3,161,357</u>	<u>3,220,546</u>
1,068,223	9,072,407	9,295,375
<u>22,305</u>	<u>383,257</u>	<u>386,974</u>
<u>1,090,528</u>	<u>9,455,664</u>	<u>9,682,349</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 Total	2019 Summary Total
<u>Cash flows from operating activities:</u>		
Change in net assets	(24,467)	185,082
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gain) on investments	(109,779)	(163,762)
Other loss (gain)	4,945	(3,635)
SBA PPP loan forgiveness	(1,105,100)	-
Depreciation	383,257	386,974
Amortization	10,696	17,780
<i>(Increase) decrease in:</i>		
Accounts receivable	(272,765)	35,211
Inventory	122,169	3,681
Prepaid expenses	(12,311)	(6,811)
Other assets	1,827	(13,571)
<i>Increase (decrease) in:</i>		
Accounts payable	(135,263)	(44,774)
Sales tax payable	(3,645)	(374)
Accrued payroll and withholdings	(188,501)	27,460
Other payables	60,744	(1,574)
Total adjustments	<u>(1,243,726)</u>	<u>236,605</u>
Net cash provided (used) by operating activities	(1,268,193)	421,687
<u>Cash flows from investing activities:</u>		
Proceeds from sale of assets	-	4,200
Capital purchases and improvements	(28,126)	(79,040)
Net redemption of investments	164,684	228,679
Change in beneficial interest in assets of foundation	(16,457)	(35,539)
Decrease in investment in partnership	259	261
Net cash provided by investing activities	<u>120,360</u>	<u>118,561</u>
<u>Cash flows from financing activities:</u>		
Borrowings	1,637,878	46,384
Debt reduction	(426,358)	(380,208)
Net cash provided (used) by financing activities	<u>1,211,520</u>	<u>(333,824)</u>
<u>Net increase in cash</u>	63,687	206,424
<u>Cash at beginning of the year</u>	<u>383,065</u>	<u>176,641</u>
<u>Cash at end of the year</u>	<u>446,752</u>	<u>383,065</u>
<u>Cash paid during the year for interest</u>	<u>157,618</u>	<u>161,383</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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. Conditional contributions, which are those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met.

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, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

(e) Revenue and Revenue Recognition:

Goodwill recognizes sales of goods at the time the sale is made, which is when control of the purchased good passes to the customer and satisfies Goodwill's performance obligation. Returns are not allowed, and exchanges of equal value do occur but are not monitored.

Revenues from contract services, which include both Federal and state-sourced contracts, derive from the provision of specific services that customarily include janitorial, groundskeeping, and switchboard. The contracts generally are for one year, with automatic renewals that allow termination notice by either party without penalty. Performance obligations under these contracts, which consist of a series of distinct promises that generally have the same pattern of transfer on a monthly basis, are satisfied over time as the service is provided.

Certain training and other grants consist of fee for services rendered arrangements that specify performance measures to be met. The performance obligations under these grants are satisfied upon completion of each specific measure, at which point the related revenue is recognized and billed.

(f) 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.

2. Significant Accounting Policies (Continued)

(g) 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.

(h) 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.

(i) 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 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 donor 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.

(j) 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.

(k) 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, 2019. Certain amounts for the prior year may be reclassified to conform to the current-year presentation.

(l) Advertising Costs:

Advertising costs are expensed as incurred. Such costs amounted to \$11,070 and \$18,999 for 2020 and 2019.

2. Significant Accounting Policies (Continued)

(m) 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 2017 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.

(n) Beneficial Interest in Assets of Foundation:

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.

(o) New Accounting Guidance Not Yet Adopted:

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, 2021 and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply

2. Significant Accounting Policies (Continued)

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.

(p) 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.

(q) Liquidity and Availability of Financial Assets:

Goodwill strives to maintain liquid financial assets sufficient to meet its general operating expenditures. At December 31, 2020, 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 \$1,892,901 of financial assets available within one year of the balance sheet date, comprised of cash of \$399,572, accounts receivable of \$549,206, and short term investments of \$944,123. None of these 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 held by the Community Foundation of North Louisiana, as described in Note 15.

4. Investments

Investments at December 31, 2020 and 2019 are summarized as follows:

	2020		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	12,247	17,139	4,892
Corporate debt securities	360,028	370,416	10,388
Corporate equity securities	399,668	478,182	78,514
Cash and equivalents	78,386	78,386	-
	<u>850,329</u>	<u>944,123</u>	<u>93,794</u>

4. **Investments** (Continued)

	2019		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	114,081	116,916	2,835
Corporate debt securities	351,010	356,145	5,135
Corporate equity securities	450,501	482,142	31,641
Cash and equivalents	<u>43,825</u>	<u>43,825</u>	<u>-</u>
	<u>959,417</u>	<u>999,028</u>	<u>39,611</u>

A summary of investment return for each year follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net interest income	14,998	2,683	17,681
Net realized and unrealized gain (loss)	<u>80,144</u>	<u>29,635</u>	<u>109,779</u>
	<u>95,142</u>	<u>32,318</u>	<u>127,460</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Net interest income	19,299	3,838	23,137
Net realized and unrealized gain (loss)	<u>116,516</u>	<u>47,246</u>	<u>163,762</u>
	<u>135,815</u>	<u>51,084</u>	<u>186,899</u>

5. **Land, Building, and Equipment**

Fixed assets and related accumulated depreciation at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	10,677,120	10,687,492
Equipment	1,966,738	1,987,096
Vehicles	<u>132,605</u>	<u>132,605</u>
Total depreciable assets	12,776,463	12,807,193
Accumulated depreciation	<u>(7,176,110)</u>	<u>(6,846,765)</u>
Book value of depreciable assets	5,600,353	5,960,428
Land	<u>3,476,254</u>	<u>3,476,254</u>
Book value of fixed assets	<u>9,076,607</u>	<u>9,436,682</u>

6. **Employee Benefits Plan**

Goodwill has available to its employees a section 403(b) Thrift defined contribution retirement plan which is administered by several investment companies. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred plan. Goodwill may elect, but is not obligated, to make additional discretionary contributions to the plan. No such contributions were made for 2020.

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, Shreve City, Natchitoches, and Haughton (for 60 months). The Pines Road location has a 60-month lease, converted from a store location to an outlet location in April 2017, and terminated in 2020. The Alexandria Workforce Development rental agreement has a term of 60 months. All rental agreements are noncapitalizable. Rent expense for 2020 and 2019 was \$670,984 and \$673,946.

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 plus mileage. Vehicle rent expense for 2020 and 2019 was 95,264 and 100,494.

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>
2021	632,794
2022	557,627
2023	527,052
2024	432,469
2025	333,577
Thereafter	<u>30,621</u>
	<u>2,514,140</u>

8. Commitments

Goodwill is obligated to provide annual supplemental medical insurance benefits up to a maximum limit each to its President/CEO Emeritus and his spouse for the remainder of their lives, effective with his retirement on June 30, 2012.

9. Long-Term Debt

Listed below is a schedule of long-term debt at December 31, 2020 and 2019:

Due To	Terms	2020	2019
*Mooring Capital	Loan for \$2,765,000 to refinance debt, payable \$19,890 per month through June 2028 including interest at 3.59%.	1,567,120	1,746,042
*Mooring Capital	Loan for \$3,434,000 to refinance debt, payable \$24,700 per month through June 2028 including interest at 3.59%.	1,946,541	2,168,716
Capital One, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (3.25% at 12-31-20) due monthly; principal and remaining unpaid items due at loan termination at lender demand; unsecured.	225,000	225,000
Small Business Administration	Economic Injury Disaster Loan for \$500,000 for working capital; payable \$2,136 per month commencing April 2022 for thirty years; interest at 2.75%; secured by all corporate tangible and intangible personal property	500,000	-
Various	Loans for equipment and vehicle; interest at 5.42%-7.00%; monthly payments varying from \$219 to \$1,466; original maturities vary from 24 to 60 months; secured by the equipment financed.	49,972	42,455
Total debt		4,288,633	4,182,213
Less unamortized debt issuance costs		(80,223)	(90,920)
Total debt, net		4,208,410	4,091,293
Portion classified as current		668,639	636,421
Portion classified as long-term		3,619,994	3,545,792
Total debt		4,288,633	4,182,213

9. Long-Term Debt (Continued)

*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.

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. Accordingly, this 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 original debt service coverage ratios reverted to the original requirements after July 2016.

Goodwill again was out of compliance with certain debt covenants as of December 31, 2019. Based on this noncompliance, Regions Capital Advantage had various remedies available, including the authority to impose a higher default interest rate on the debt while in default, and the authority to demand immediate total or partial payment of the debt. The creditor never expressed an intent to demand immediate total or partial debt repayment and had expressed no intent to impose default interest until 2020. Due to the authority of Regions Capital Advantage to demand payment, the debt typically is classified as current. However, subsequent to December 31, 2019 but prior to the issuance of the 2019 audited financial statements, Regions Capital Advantage sold this debt to Mooring Capital. Therefore, the debt no longer is in default, and current and long-term classifications are shown at December 31, 2020 and 2019. The uncertainty created by the imposition of default interest is further discussed in Note 17.

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

2021	668,639
2022	449,111
2023	464,777
2024	479,319
2025	491,567
Thereafter	<u>1,735,220</u>
	<u>4,288,633</u>

The approximate book value of collateralized fixed assets at December 31, 2020 was \$8,841,373.

Interest expense was \$157,618 and \$161,383 for 2020 and 2019, 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 2020 and 2019, contributed merchandise with an approximate fair value of \$794,000 and \$2,049,000, 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 \$86,000 and \$205,000 at December 31, 2020 and 2019.

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, 2020. 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, 2020. Such conditional promises amounted to approximately \$2,011,000 at December 31, 2020.

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, 2020, total cash held at financial institutions was \$422,232, none of which is over the FDIC-insured limits. Substantial investment amounts, including certain mutual funds, are invested in securities of the federal government or its agencies. However, approximately \$849,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2020, are dependent solely upon the faith and credit of the corporate issuer. Goodwill monitors the credit worthiness of these institutions and believes the credit risk to be minimal.

13. Fundraising Expenses

Direct fundraising expenses amounted to approximately \$6,214 for 2020 and \$14,573 for 2019.

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, 2020 and 2019:

	Quoted Process in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<u>December 31, 2020:</u>				
<u>Investments:</u>				
U.S Treasury and Agency debt securities	17,139	-	-	17,139
Corporate debt securities	370,416	-	-	370,416
Corporate equity securities	478,182	-	-	478,182
Cash and equivalents	78,386	-	-	78,386
	<u>944,123</u>	<u>-</u>	<u>-</u>	<u>944,123</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>85,682</u>	<u>85,682</u>

14. Fair Value Measurements (Continued)

	Quoted Process in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<u>December 31, 2019:</u>				
<u>Investments:</u>				
U.S Treasury and Agency debt securities	116,916	-	-	116,916
Corporate debt securities	356,145	-	-	356,145
Corporate equity securities	482,142	-	-	482,142
Cash and equivalents	43,825	-	-	43,825
	<u>999,028</u>	<u>-</u>	<u>-</u>	<u>999,028</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>205,485</u>	<u>205,485</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:

<u>Donated Goods Inventory</u>	<u>2020</u>	<u>2019</u>
Beginning balance	205,485	203,323
Change in value	<u>(119,803)</u>	<u>2,162</u>
Ending balance	<u>85,682</u>	<u>205,485</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.

15. **Beneficial Interest in Assets of Foundation** (Continued)

Activity of this beneficial interest is summarized as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance, endowment fund	417,466	381,927
Net interest income	2,683	3,838
Net realized and unrealized gain (loss)	29,635	47,246
Distributions to Goodwill	<u>(15,861)</u>	<u>(15,545)</u>
Ending balance, endowment fund	<u>433,923</u>	<u>417,466</u>

16. **Revenue From Contracts and Related Receivables**

Disaggregated revenue from contracts with customers and related receivables follows:

	<u>2020</u>	<u>2019</u>
<u>Revenue from Contracts with Customers</u>		
Sales of goods:		
Purchased new	44,492	76,255
Donated	4,192,346	5,022,104
Contract services	1,427,809	1,203,422
Workforce Development (LRS fees)	258,085	282,830
 <u>Accounts Receivable from Contracts with Customers</u>		
Contract services	311,351	96,256
Workforce Development (LRS fees)	28,000	15,500

17. **Uncertainties**

As shown in the accompanying financial statements, Goodwill had a negative change in net assets for 2020 of \$24,467. Positive trends from the previous year continued into the 1st quarter of 2020 until the arrival of the COVID-19 pandemic.

Most notably, the following occurred:

- Goodwill stores saw declining sales beginning in early March. The Governor issued the Stay-at-Home order on March 22, 2020, and stores were closed until mid-May. Re-opening began in May and continued through August until all stores were re-opened. Stores continue to be open at reduced hours due to staffing shortages.
- Goodwill experienced significant layoffs when the Stay-at-Home order was issued. Additional employees were furloughed or worked remotely to ensure their safety.
- Goodwill secured a loan of \$1,105,100 through the Federal SBA Paycheck Protection Program (PPP) and a loan of \$500,000 through the SBA EIDL program, which allowed Goodwill to offer the laid off/furloughed employees their pre-shut down positions back. Goodwill received 100% forgiveness of the PPP loan, as reflected in the 2020 statement of activities.
- Goodwill management negotiated discount and forbearance lease amendments for several of its leased properties and vehicles.

17. Uncertainties (Continued)

Prior to the COVID-19 outbreak, Goodwill was pursuing re-financing of its debt held with Regions Capital Advantage (Regions). For a variety of reasons including COVID-19, the re-finance was not able to be completed. In June, Goodwill was informed that Mooring Capital LLC (Mooring) had acquired the debt from Regions. Mooring advised Goodwill that default interest asserted as payable by Goodwill to Regions in January of 2020 had also been transferred to them and was now payable to Mooring. However, the default interest is imposed only by a Bond Purchase Agreement executed between Goodwill and Regions, and Louisiana Local Governmental Environmental Facilities and Community Development Authority. Goodwill has not been provided with any evidence that the Bond Purchase Agreement was assigned to Mooring.

Goodwill engaged legal counsel in August 2020 to seek a course of action to dispute Mooring's claim for the default interest and to obtain copies of all documents related to Region's transfer of Goodwill's debt to Mooring. To date the only documents produced indicate that only the tax-exempt bonds were transferred to Mooring along with the related mortgages. The bonds themselves were not in default, as all payments have been made on time to both Regions and Mooring. The default interest calculated by Regions occurred because of debt covenant defaults as defined in the Bond Purchase Agreement. No documents have been provided to Goodwill of an assignment of that agreement to Mooring that would identify Mooring as having rights to that interest. Goodwill intends to vigorously dispute the assertion of the default interest using various defenses available. A specific amount of potential liability, if any, cannot be reasonably estimated at this time. The potential liability related to default interest at December 31, 2020 ranges from \$0 to \$790,000.

From time to time, Goodwill is a defendant in other 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.

The impact of COVID-19 has been significant on the community and the retail industry. Goodwill continues to make positive progress in returning to profitability in 2021. Goodwill received a second PPP loan amounting to \$1,105,197 in January 2021 and intends to use this second PPP loan for employee wages in order to qualify for full forgiveness in 2021.

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 June 24, 2021, the date which the financial statements were available to be issued and noted no subsequent events other than matters included in Note 17.

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2020

Agency Head: David Tinkis

Salary	146,473
Bonus	1,596
Benefits-insurance-health	13,588
Benefits-insurance-life, disability, accidental	1,553
Car allowance	6,000
Travel	2,469
Conferences	3,116

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenue Recognized	Expenditures
<u>U. S Department of Housing and Urban Development:</u>				
Passed through the City of Shreveport, Louisiana:				
COVID-19 Emergency Job Training and Placement	14.218	25,000	25,000	25,000
Choice Neighborhoods	14.889	31,590	<u>21,779</u>	<u>21,779</u>
			46,779	46,779
<u>U. S Department of Labor:</u>				
Passed through Goodwill Industries International, Inc.:				
Reintegration of Ex-Offenders-Life Launch	17.270	707,940	153,587	153,587
<u>U. S Department of Health and Human Services:</u>				
Passed through the Louisiana Department of Children and Family Services:				
Chafee Foster Care Program-Good Transitions Shreveport-2019	93.674	136,648	52,625	52,625
Chafee Foster Care Program-Good Transitions Shreveport-2020	93.674	143,317	52,315	52,315
Chafee Foster Care Program-Good Transitions Alexandria-2019	93.674	157,146	63,278	63,278
Chafee Foster Care Program-Good Transitions Alexandria-2020	93.674	163,778	<u>57,072</u>	<u>57,072</u>
			225,290	225,290
<u>U. S. Small Business Administration</u>				
COVID-19 Economic Injury Disaster Loan	59.008	500,000	<u>500,000</u>	<u>500,000</u>
Total Federal Awards			<u>925,656</u>	<u>925,656</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Goodwill Industries of North Louisiana, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Goodwill Industries of North Louisiana did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance. It elected to not use the 10% de minimis cost rate for indirect costs.

2. Loans Outstanding

Goodwill Industries of North Louisiana had the following loan balance outstanding at June 30, 2020. This loan balance is included in the schedule of expenditures of federal awards.

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount</u>
COVID-19 Economic Injury Disaster Loan	59.008	500,000

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 24, 2021

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, 2020, 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 June 24, 2021.

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) as a basis for designing 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.

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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 financial statements. 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

HEARD, McELROY, & VESTAL

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318-429-1525 PHONE • 318-429-2070 FAX

June 24, 2021

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

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries of North Louisiana, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Goodwill Industries of North Louisiana, Inc.'s major federal programs for the year ended December 31, 2020. Goodwill Industries of North Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Goodwill Industries of North Louisiana, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, Goodwill Industries of North Louisiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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. No material weaknesses relating to the audit of major federal award programs are reported.
5. The auditor's report on compliance for major federal award programs expresses an unmodified opinion.
6. There are no audit findings relative to major federal award programs of Goodwill Industries of North Louisiana, Inc.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
COVID-19 Economic Injury Disaster Loan	59.008

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Goodwill Industries of North Louisiana, Inc. does not qualify as a low-risk auditee because it was not subject to a federal single audit for the previous two audit periods.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

None

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2020

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