

**GOODWILL INDUSTRIES OF
NORTH LOUISIANA, INC.
SHREVEPORT, LOUISIANA
DECEMBER 31, 2014**

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	17
--	----

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Schedule of Findings and Responses	20-21
Summary Schedule of Prior Audit Findings	22

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

April 30, 2015
(except for Note 9, as to which
the date is June 15, 2015)

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, 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 2013 financial statements and, in our report dated June 25, 2014, 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.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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, 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, 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 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 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, 2014

<u>A S S E T S</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Summary Total</u>
<u>Current assets:</u>					
Cash	130,456	117,402	6,680	254,538	225,848
Investments-Note 4	2,133,050	-	-	2,133,050	3,066,022
Accounts receivable-net of allowance for bad debts of \$-0- and \$-0-	491,225	-	-	491,225	523,390
Accounts receivable-other	724	-	-	724	8,055
Inventory	424,875	-	-	424,875	479,524
Prepaid expenses and other	<u>274,477</u>	<u>-</u>	<u>-</u>	<u>274,477</u>	<u>294,106</u>
Total current assets	3,454,807	117,402	6,680	3,578,889	4,596,945
<u>Fixed assets:</u>					
Land, buildings and equipment, at cost less accumulated depreciation- Notes 5 and 9	12,467,329	-	-	12,467,329	12,932,664
<u>Other assets:</u>					
Beneficial interest in net assets of foundation-Note 15	-	-	399,216	399,216	389,902
Investment in partnership	57,967	-	-	57,967	58,273
Other assets-Note 16	<u>116,487</u>	<u>-</u>	<u>-</u>	<u>116,487</u>	<u>115,423</u>
Total assets	<u>16,096,590</u>	<u>117,402</u>	<u>405,896</u>	<u>16,619,888</u>	<u>18,093,207</u>
 <u>LIABILITIES AND NET ASSETS</u>					
<u>Current liabilities:</u>					
Accounts payable	304,068	-	-	304,068	577,358
Sales tax payable	64,469	-	-	64,469	58,724
Accrued payroll and withholdings	305,167	-	-	305,167	424,856
Other payables	92,338	-	-	92,338	72,623
Current portion of long-term debt-Note 9	<u>763,383</u>	<u>-</u>	<u>-</u>	<u>763,383</u>	<u>570,347</u>
Total current liabilities	1,529,425	-	-	1,529,425	1,703,908
<u>Long-term liabilities:</u>					
Long-term debt less portion classified as current-Note 9	<u>6,549,949</u>	<u>-</u>	<u>-</u>	<u>6,549,949</u>	<u>7,088,888</u>
Total liabilities	8,079,374	-	-	8,079,374	8,792,796
<u>Net assets:</u>					
Unrestricted	8,017,216	-	-	8,017,216	8,771,058
Temporarily restricted-Note 3	-	117,402	-	117,402	132,771
Permanently restricted-Note 3	<u>-</u>	<u>-</u>	<u>405,896</u>	<u>405,896</u>	<u>396,582</u>
Total net assets	<u>8,017,216</u>	<u>117,402</u>	<u>405,896</u>	<u>8,540,514</u>	<u>9,300,411</u>
Total liabilities and net assets	<u>16,096,590</u>	<u>117,402</u>	<u>405,896</u>	<u>16,619,888</u>	<u>18,093,207</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Summary Total</u>
<u>Public support and revenues:</u>					
Public support:					
Donated goods-Note 10	3,654,927	-	-	3,654,927	3,936,933
United Way contributions	28,722	-	-	28,722	117,819
Other contributions	<u>246,806</u>	<u>-</u>	<u>-</u>	<u>246,806</u>	<u>284,517</u>
Total public support	3,930,455	-	-	3,930,455	4,339,269
Revenues:					
Sales:					
Sales of goods purchased	323,616	-	-	323,616	424,584
Less-cost of purchased goods	<u>188,103</u>	<u>-</u>	<u>-</u>	<u>188,103</u>	<u>276,499</u>
Gross profit	135,513	-	-	135,513	148,085
Sales of donated goods	6,952,021	-	-	6,952,021	7,223,945
Contract services	1,809,940	175,000	-	1,984,940	2,055,182
Training and work adjustments fees	1,531,278	-	-	1,531,278	1,350,699
Investment return-Note 4	90,840	-	23,666	114,506	266,511
Other miscellaneous	<u>22,067</u>	<u>-</u>	<u>-</u>	<u>22,067</u>	<u>37,067</u>
Total revenues	10,541,659	175,000	23,666	10,740,325	11,081,459
Net assets released from restrictions- Note 3	<u>204,721</u>	<u>(190,369)</u>	<u>(14,352)</u>	<u>-</u>	<u>-</u>
Total public support, revenues and reclassifications	14,676,835	(15,369)	9,314	14,670,780	15,420,728
<u>Expenses:</u>					
Production and sales	9,422,221	-	-	9,422,221	9,428,822
Workforce development	2,168,817	-	-	2,168,817	2,203,340
Contract services	2,059,170	-	-	2,059,170	2,239,560
Management and general	<u>1,780,469</u>	<u>-</u>	<u>-</u>	<u>1,780,469</u>	<u>1,794,489</u>
Total expenses	<u>15,430,677</u>	<u>-</u>	<u>-</u>	<u>15,430,677</u>	<u>15,666,211</u>
<u>Change in net assets</u>	(753,842)	(15,369)	9,314	(759,897)	(245,482)
<u>Net assets, beginning of year</u>	<u>8,771,058</u>	<u>132,771</u>	<u>396,582</u>	<u>9,300,411</u>	<u>9,545,894</u>
<u>Net assets, end of year</u>	<u>8,017,216</u>	<u>117,402</u>	<u>405,896</u>	<u>8,540,514</u>	<u>9,300,411</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Production and Sales</u>	<u>Workforce Development</u>	<u>Contract Services</u>
Salaries and wages	5,000,377	1,345,562	1,394,095
Employee health and retirement benefits	178,829	139,707	342,011
Payroll taxes	<u>575,257</u>	<u>148,184</u>	<u>159,023</u>
Total salaries and related expenses	5,754,463	1,633,453	1,895,129
Professional fees and contract service	151,968	33,028	4,478
Supplies	366,142	29,409	83,128
Telecommunications	107,551	52,991	12,410
Postage and shipping	61,629	2,599	395
Occupancy	1,726,695	153,759	(1,718)
Rental and maintenance of equipment	48,125	38,132	2,750
Printing and publications	163,418	7,465	2,316
Travel and agency vehicles	310,585	80,305	33,720
Conferences, conventions and meetings	205	8,965	46
Specific assistance to individuals	35,616	11,685	144
Membership dues and support payments	88,826	15,178	16,421
Awards and grants	905	127	102
Miscellaneous	<u>227,627</u>	<u>4,729</u>	<u>217</u>
Total other expenses before depreciation expense	<u>3,289,292</u>	<u>438,372</u>	<u>154,409</u>
Total expenses before depreciation expense	9,043,755	2,071,825	2,049,538
Depreciation expense	<u>378,466</u>	<u>96,992</u>	<u>9,632</u>
Total expenses	<u>9,422,221</u>	<u>2,168,817</u>	<u>2,059,170</u>

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

Management and General	2014 Total	2013 Summary Total
978,066	8,718,100	8,845,125
233,066	893,613	960,245
<u>85,074</u>	<u>967,538</u>	<u>941,043</u>
1,296,206	10,579,251	10,746,413
207,388	396,862	230,550
24,555	503,234	515,308
23,173	196,125	174,876
2,130	66,753	109,929
32,762	1,911,498	2,036,379
12,714	101,721	81,369
24,933	198,132	149,743
40,371	464,981	444,788
512	9,728	14,101
1,471	48,916	50,314
4,025	124,450	132,396
28,195	29,329	4,928
<u>48,325</u>	<u>280,898</u>	<u>407,024</u>
<u>450,554</u>	<u>4,332,627</u>	<u>4,351,705</u>
1,746,760	14,911,878	15,098,118
<u>33,709</u>	<u>518,799</u>	<u>568,093</u>
<u><u>1,780,469</u></u>	<u><u>15,430,677</u></u>	<u><u>15,666,211</u></u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	<u>Total</u>	<u>Summary</u>
		<u>Total</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(759,897)	(245,483)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net realized and unrealized (gain) on investments	(63,884)	(200,802)
(Gain) on sale of fixed assets	(9,923)	-
Depreciation	518,799	568,093
Amortization	42,711	20,647
<i>(Increase) decrease in:</i>		
Accounts receivable	39,496	(60,301)
Inventory	54,649	251,515
Prepaid expenses	19,629	(142,423)
Other assets	(1,275)	-
<i>Increase (decrease) in:</i>		
Accounts payable	(273,290)	143,908
Sales tax payable	5,745	15,614
Accrued payroll and withholdings	(119,689)	(73,192)
Other payables	<u>19,715</u>	<u>13,041</u>
Total adjustments	<u>232,683</u>	<u>536,100</u>
Net cash (used) provided by operating activities	(527,214)	290,617
<u>Cash flows from investing activities:</u>		
Proceeds from sale of assets	19,441	-
Capital purchases and improvements	(62,982)	(204,511)
Net redemption of investments	996,856	111,906
Investment in beneficial interest in assets of foundation	(9,314)	(23,974)
Decrease in investment in partnership	306	484
Purchase of intangible asset	<u>(42,500)</u>	<u>(123,883)</u>
Net cash provided (used) by investing activities	901,807	(239,978)
<u>Cash flows from financing activities:</u>		
Cash borrowings on debt	950,000	88,743
Debt reduction	<u>(1,295,903)</u>	<u>(173,262)</u>
Net cash (used) by financing activities	<u>(345,903)</u>	<u>(84,519)</u>
<u>Net increase (decrease) in cash</u>	28,690	(33,880)
<u>Cash at beginning of the year</u>	<u>225,848</u>	<u>259,728</u>
<u>Cash at end of the year</u>	<u>254,538</u>	<u>225,848</u>
<u>Cash paid during the year for interest</u>	<u>277,723</u>	<u>335,393</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

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) United Way of North Louisiana, Inc. and The Community Foundation of Shreveport-Bossier.
- (f) Miscellaneous contributions.

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

2. Significant Accounting Policies

Following is a summary of significant policies by Goodwill:

(a) Financial Statement Presentation:

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

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

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

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

(b) Contributions:

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

2. Significant Accounting Policies (Continued)

(c) Promises to Give:

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

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

(d) Contributed Goods and Services:

During the years ended December 31, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

(e) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

(f) Investments:

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

(g) Bad Debts:

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

(h) Land, Buildings and Equipment:

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

2. Significant Accounting Policies (Continued)

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

(i) Cash and Cash Equivalents:

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

(j) Prior Year Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Goodwill's financial statements for the year ended December 31, 2012. 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 \$132,307 and \$127,654 for 2014 and 2013.

(l) Income Taxes:

As a nonprofit, privately supported organization, Goodwill is 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 2011 and beyond remain subject to examination by the Internal Revenue Service.

(m) 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.

3. Restrictions on Assets

Temporarily restricted - substantially all of the restrictions on these assets relate to funds donated to help fund retirement benefits paid to a former executive director. These funds will become available for use by Goodwill's general operations after the demise of the former executive director.

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

4. Investments

Investments at December 31, 2014 and 2013, are summarized as follows:

	<u>2014</u>		
	<u>Cost</u>	<u>Approximate Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury and Agency debt securities	460,081	462,938	2,857
Corporate debt securities	660,008	654,861	(5,147)
Corporate equity securities	230,173	296,787	66,614
Government mutual funds	-	-	-
Equity mutual funds	447,542	547,347	99,805
Fixed mutual funds	128,312	120,286	(8,026)
Cash and equivalents	<u>50,831</u>	<u>50,831</u>	<u>-</u>
	<u>1,976,947</u>	<u>2,133,050</u>	<u>156,103</u>

	<u>2013</u>		
	<u>Cost</u>	<u>Approximate Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury and Agency debt securities	681,389	688,938	7,549
Corporate debt securities	864,672	858,315	(6,357)
Corporate equity securities	734,994	959,114	224,121
Government mutual funds	84,771	84,771	-
Equity mutual funds	196,108	241,372	45,264
Fixed mutual funds	167,477	163,807	(3,671)
Cash and equivalents	<u>69,705</u>	<u>69,705</u>	<u>-</u>
	<u>2,799,116</u>	<u>3,066,022</u>	<u>266,906</u>

A summary of investment return for each year follows:

	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest income	48,738	-	1,884	50,622
Net realized and unrealized gain (loss)	<u>42,102</u>	<u>-</u>	<u>21,782</u>	<u>63,884</u>
	<u>90,840</u>	<u>-</u>	<u>23,666</u>	<u>114,506</u>

4. **Investments** (Continued)

	<u>2013</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest income	61,683	730	3,296	65,709
Net realized and unrealized gain (loss)	<u>166,483</u>	<u>-</u>	<u>34,319</u>	<u>200,802</u>
	<u>228,166</u>	<u>730</u>	<u>37,615</u>	<u>266,511</u>

5. **Land, Building and Equipment**

Fixed assets and related accumulated depreciation at December 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	11,849,386	11,836,308
Equipment	3,276,576	3,251,539
Vehicles	<u>220,020</u>	<u>215,038</u>
Total depreciable assets	15,345,982	15,302,885
Accumulated depreciation	<u>(6,929,907)</u>	<u>(6,421,475)</u>
Book value of depreciable assets	8,416,075	8,881,410
Land	4,051,254	4,051,254
Work in progress	<u>-</u>	<u>-</u>
Book value of fixed assets	<u>12,467,329</u>	<u>12,932,664</u>

6. **Tax-Deferred Annuities**

Goodwill has available to its employees tax deferred annuity contracts which are administered by several investment companies. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred annuity contracts. Goodwill matches 60% of employees' contributions up to 6% of employees' gross earnings. Total contributions by Goodwill were \$42,639 and \$47,336 in 2014 and 2013.

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, Ruston, Minden, Shreve City, Kings Highway, Natchitoches (for 60 months), and Haughton (for 120 months). The Monroe and Alexandria Workforce Development rental agreements have terms of monthly and 60 months, respectively. All rental agreements are noncapitalizable. Rent expense for 2014 and 2013 was \$664,142 and \$708,798.

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 \$16,596 per vehicle. Vehicle rent expense for 2014 and 2013 was \$131,476 and \$118,987.

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:

7. **Rent** (Continued)

<u>Year Ended December 31</u>	<u>Amount</u>
2015	691,232
2016	526,777
2017	409,893
2018	294,434
2019	142,278
Thereafter	<u>57,695</u>
	<u>2,122,309</u>

8. **Commitments**

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

In addition, Goodwill also entered into an agreement to provide annually supplemental medical insurance benefits up to \$3,500 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 has 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, currently for \$87,535 per year, and to reimburse certain travel expenses of up to \$6,000 per year.

9. **Long-Term Debt**

Listed below is a schedule of long-term debt at December 31, 2014 and 2013:

<u>Due To</u>	<u>Terms</u>	<u>2014</u>	<u>2013</u>
*@#Regions Capital Advantage	Loan for \$2,765,000 to refinance debt, payable \$19,890 per month through June 2028 including interest at 3.59%.	2,550,472	2,694,768
*@#Regions Capital Advantage	Loan for \$514,000 to refinance debt, payable \$11,320 per month through June 2017 including interest at 2.75%.	327,836	452,796
*@#Regions Capital Advantage	Loan for \$1,087,000 to refinance debt, payable \$7,819 per month through June 2028 including interest at 3.59%.	1,002,669	1,059,392
*@#Regions Capital Advantage	Loan for \$3,434,000 to refinance debt, payable \$24,700 per month through June 2028 including interest at 3.59%.	3,167,611	3,346,790
Capital One	Loan for \$19,262, payable \$569 per month through July 2016 including interest at 3.95%, unsecured.	10,465	16,746

9. Long-Term Debt (Continued)

<u>Due To</u>	<u>Terms</u>	<u>2014</u>	<u>2013</u>
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.	29,279	38,743
Capital One, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (3.25% at 12-31-14) due monthly; principal and remaining unpaid items due at loan termination at lender demand; unsecured.	<u>225,000</u>	<u>50,000</u>
		7,313,332	7,659,235
<u>Less-portion classified as current</u>		<u>(763,383)</u>	<u>570,347</u>
Notes payable-long-term		<u>6,549,949</u>	<u>7,088,888</u>

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

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

#The debt agreement associated with these loans was modified on June 15, 2015 to waive certain defaults that occurred during 2014 under the original agreement. Among other provisions, and effective generally through July 2016, the modified debt agreement revises 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 adds real estate collateral securing these loans and cross-collateralizes all security to all loans held by Regions Capital Advantage.

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

2015	763,383
2016	553,742
2017	500,082
2018	440,088
2019	454,832
Thereafter	<u>4,601,205</u>
	<u>7,313,332</u>

The approximate book value of collateralized fixed assets at December 31, 2014, was \$11,331,000.

Interest expense was \$277,723 and \$335,393 for 2014 and 2013, 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 2014 and 2013, contributed merchandise with an approximate fair value of \$3,655,000 and \$3,937,000, respectively, was recognized as contribution revenue. This donated-goods merchandise requires program-related expenses and processes which are accomplished by people with disabilities and other disadvantaging conditions before it reaches the point of sale. The value of donated goods inventory and donated goods revenue is dependent upon the level of sales of donated goods and allocation estimates of processing costs. These estimates are periodically reviewed and revised by management. Donated goods included in inventory amounted to approximately \$417,000 and \$463,000 at December 31, 2014 and 2013.

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, 2014. 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, 2014. Such conditional promises amounted to approximately \$1,107,000 at December 31, 2014.

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, 2014, total cash held at financial institutions was \$347,361, none of which exceeded FDIC-insured limits by a significant amount. Substantial investment amounts, including certain mutual funds, are invested in securities of the federal government or its agencies. However, approximately \$1,670,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2014, are dependent solely upon the faith and credit of the corporate issuer.

13. **Fundraising Expenses**

Direct fundraising expenses amounted to approximately \$115,000 for 2014 and \$66,000 for 2013.

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, 2014 and 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<u>December 31, 2014:</u>				
<u>Investments:</u>				
U.S. Treasury and Agency debt securities	462,938	-	-	462,938
Corporate debt securities	654,861	-	-	654,861
Corporate equity securities	296,787	-	-	296,787
Government mutual funds	-	-	-	-
Equity mutual funds	-	547,347	-	547,347
Fixed mutual funds	-	120,286	-	120,286
Cash and equivalents	50,831	-	-	50,831
	<u>1,465,417</u>	<u>667,633</u>	<u>-</u>	<u>2,133,050</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>417,498</u>	<u>417,498</u>

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

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Value</u>
<u>December 31, 2013:</u>				
<u>Investments:</u>				
U.S. Treasury and Agency debt securities	688,938	-	-	688,938
Corporate debt securities	858,315	-	-	858,315
Corporate equity securities	959,114	-	-	959,114
Government mutual funds	84,771	-	-	84,771
Equity mutual funds	-	241,372	-	241,372
Fixed mutual funds	-	163,807	-	163,807
Cash and equivalents	<u>69,705</u>	<u>-</u>	<u>-</u>	<u>69,705</u>
	<u>2,660,843</u>	<u>405,179</u>	<u>-</u>	<u>3,066,022</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>463,236</u>	<u>463,236</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>2014</u>	<u>2013</u>
Beginning balance	463,236	716,654
Change in value	<u>(45,738)</u>	<u>(253,418)</u>
Ending balance	<u>417,498</u>	<u>463,236</u>

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

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

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

Activity of this beneficial interest is summarized as follows:

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

	<u>2014</u>	<u>2013</u>
Beginning balance, endowment fund	389,902	365,928
Interest	5,536	6,820
Net realized and unrealized gains (losses)	21,782	34,319
Administrative fees	(3,652)	(3,523)
Distributions to Goodwill	<u>(14,352)</u>	<u>(13,642)</u>
Ending balance, endowment fund	<u>399,216</u>	<u>389,902</u>

16. **Other Assets**

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

	<u>2014</u>	<u>2013</u>
Capitalized computer software costs	166,383	123,883
Accumulated amortization	<u>(63,358)</u>	<u>(20,647)</u>
Net book value	<u>103,025</u>	<u>103,236</u>

The estimated useful life of this intangible is five years, with no estimated residual value. Future estimated amortization by year is: 2015 - \$49,794; 2016 - \$29,147; 2017 - \$8,500; 2018 - \$8,500; 2019 - \$8,500.

17. **Uncertainties**

As shown in the accompanying financial statements, Goodwill has incurred a significant decline in sales and donated goods revenue during 2014 of \$654,898, which has caused a negative change in net assets of \$759,897 and a negative cash flow from operating activities of \$527,214. Smaller declines in sales and donated goods revenue during 2013 of \$426,872 resulted in a negative change in net assets of \$245,482.

Management, in an effort to address these issues, has implemented several measures to reduce costs and net cash outflows, including certain targeted personnel layoffs, an organization-wide reduction in personnel compensation, reductions in discretionary matching of retirement contributions, and cuts in planned spending for advertising and fundraising efforts. Several strategies to increase sales and cash inflows have been undertaken, such as planning for additional store locations, processing and controlling donated goods from a centralized point, advance planning for seasonal storage of goods to more quickly react to customer demand, improving store aesthetics to increase customer traffic, and holding special, recurring sales promotions on an organization-wide basis. Over time, management anticipates that successful operation of all these measures will help restore the Organization's profitability.

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. Except for certain information described in Note 9, Goodwill performed such an evaluation through April 30, 2015, the date which the financial statements were available to be issued, and noted no subsequent events. Information described in Note 9 pertaining to the modification of the debt agreement with Regions Capital Advantage was evaluated through June 15, 2015, the date of execution of that agreement.

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2014

Salary	130,727
Benefits-insurance-health	11,382
Benefits-insurance-life, disability, accidental	2,370
Car allowance	6,000
Cell phone	157
Travel	1,402
Conference travel	7,866

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 30, 2015

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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiency 2014-01, described in the accompanying schedule of findings and responses, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2014-02 and 2014-03, described in the accompanying schedule of findings and responses, to be significant deficiencies.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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*.

Goodwill's Response to Findings

Goodwill's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Goodwill's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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 & Kestel, LLC

Shreveport, Louisiana

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2014

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. One material weakness relating to the audit of the financial statements was reported.
3. Two significant deficiencies relating to the audit of the financial statements were reported.
4. No instances of noncompliance material to the financial statements of Goodwill Industries of North Louisiana, Inc. were disclosed during the audit.
5. Goodwill Industries of North Louisiana, Inc. was not subject to a federal single audit for the year ended December 31, 2014.

B. Findings - Financial Statement Audit

2014-01 Check Disbursements for Operations

Several checks and/or ranges of checks were input erroneously in Goodwill's system, as follows:

- a. Incorrect check numbers, including 65 checks in three different check number ranges.
- b. Check numbers prefixed with a "0", including 618 checks in two different check number ranges.

The payables system did not prevent or otherwise warn accounting personnel of the entry of duplicate check numbers. Erroneous entry of these checks into the system caused duplicate checks to exist in the accounting system, with each check recording a different vendor and amount (one range of 41 checks that had been prefixed with "0" was voided). As a result, checks are dated out of chronological order, making it difficult to establish a proper cutoff of cash for end of period reporting, as well as making potential duplicate or fictitious payments to vendors difficult to detect. Additional audit time was required to determine the outstanding check listing on the related December 31, 2014 bank reconciliation was complete.

In addition, one check number range of 24 checks included three different check sequences that were chronologically out of order.

Strong internal control over cash requires the sequential use in chronological order of the issuance of checks. Accordingly, we recommend that management determine if its payables system software can prevent, or at least report, the entry of duplicate check numbers, check numbers out of numerical sequence, or check dates out of chronological order. We also recommend that management implement procedures to determine that prenumbered check supplies are available for use in sequential order.

Management Response

For prenumbered check supplies, since the check numbers cannot be automatically stored in the payables system check writing process, we will maintain a check log that will record the date, first and last check number with a space for the initials of the check signer who will verify sequence. We also will determine the extent to which the payables system can prevent or report the use of duplicate check numbers or check numbers out of sequence.

2014-02 Store Funds

Management was able to document its periodic surprise count of only six retail store locations during the year, with three of those locations surprise counted twice. Several stores, including larger ones, apparently were not surprise counted. Internal control over cash and revenue would be strengthened by periodic, rotating, and documented surprise test count of all stores by an independent person of all store funds at least once per year.

Management Response

DGR Regional Operations Manager will perform monthly surprise cash audits and keep them at the DGR Division office. DGR will also have a backup person trained in this task for when the Operations Manager is unavailable.

2014-03 Store Receipts

Management was unable to locate any of the supporting documentation for store receipts for 2014 for the Bossier City store (discontinued March 31, 2014) and the Outlet store. Such documentation is critical for supporting the record of sales revenue and related accounting. We recommend that management implement procedures necessary to retain and access such documentation for control purposes.

Management Response

DGR Regional Operations manager will monthly check each store that it has daily receipts packets, organized, and kept in a secure place at each store. DGR will also have a backup person trained in this task for when the Operations Manager is unavailable.

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, 2014

- | | |
|---------|---|
| 2013-01 | <u>Out of Sequence Dates on Operating Checks</u>
Reported in 2014-01 |
| 2013-02 | <u>Store Charge Funds Surprise Counts</u>
Reported in 2014-02 |
| 2013-03 | <u>Product Purchases-Retention of Packing Slips</u>
Resolved |