

**GOODWILL INDUSTRIES OF  
NORTH LOUISIANA, INC.  
SHREVEPORT, LOUISIANA  
DECEMBER 31, 2019**

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

**SHREVEPORT, LOUISIANA**

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**AUDITED FINANCIAL STATEMENT**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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December 3, 2020

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from Goodwill's 2018 financial statements and, in our report dated April 29, 2019 we expressed an unqualified opinion on those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2019, 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.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, 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, 2019

<u>A S S E T S</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Summary Total</u>
<b><u>Current assets:</u></b>				
Cash	328,295	54,770	383,065	176,641
Investments - Note 4	999,028	-	999,028	1,063,945
Accounts receivable - net of allowance for bad debts of \$0 and \$0	272,587	-	272,587	301,232
Accounts receivable - other	3,854	-	3,854	10,420
Inventory	212,962	-	212,962	216,643
Prepaid expenses and other	<u>65,074</u>	<u>-</u>	<u>65,074</u>	<u>58,263</u>
Total current assets	1,881,800	54,770	1,936,570	1,827,144
<b><u>Fixed assets:</u></b>				
Land, buildings and equipment, at cost less accumulated depreciation - Notes 5 and 9	9,436,682	-	9,436,682	9,745,180
<b><u>Other assets:</u></b>				
Beneficial interest in net assets of foundation-Note 15	-	417,466	417,466	381,927
Investment in partnership	56,413	-	56,413	56,674
Other assets	<u>33,451</u>	<u>-</u>	<u>33,451</u>	<u>37,660</u>
<b>Total assets</b>	<u>11,408,346</u>	<u>472,236</u>	<u>11,880,582</u>	<u>12,048,585</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>2019 Total</u>	<u>2018 Summary Total</u>
<b><u>Current liabilities:</u></b>				
Accounts payable	285,849	-	285,849	330,623
Sales tax payable	23,846	-	23,846	24,220
Accrued payroll and withholdings	274,231	-	274,231	246,771
Other payables	37,251	-	37,251	38,825
Current portion of long-term debt - Note 9	636,421	-	636,421	4,526,732
Unamortized debt issuance costs-short term	<u>(10,697)</u>	<u>-</u>	<u>(10,697)</u>	<u>(101,616)</u>
Total current liabilities	1,246,901	-	1,246,901	5,065,555
<b><u>Long-term liabilities:</u></b>				
Long-term debt - Note 9	3,545,792	-	3,545,792	-
Unamortized debt issuance costs-long term	<u>(80,223)</u>	<u>-</u>	<u>(80,223)</u>	<u>-</u>
Total long-term liabilities	<u>3,465,569</u>	<u>-</u>	<u>3,465,569</u>	<u>-</u>
 Total liabilities	 4,712,470	 -	 4,712,470	 5,065,555
<b><u>Net assets:</u></b>				
Without donor restrictions	6,695,876	-	6,695,876	6,494,606
With donor restrictions	<u>-</u>	<u>472,236</u>	<u>472,236</u>	<u>488,424</u>
Total net assets	<u>6,695,876</u>	<u>472,236</u>	<u>7,168,112</u>	<u>6,983,030</u>
 Total liabilities and net assets	 <u>11,408,346</u>	 <u>472,236</u>	 <u>11,880,582</u>	 <u>12,048,585</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Summary Total</u>
<b><u>Public support and revenues:</u></b>				
Public support:				
Donated goods - Note 10	2,049,120	-	2,049,120	1,805,780
United Way contributions	95,018	-	95,018	60,000
Other contributions	131,774	-	131,774	202,416
Total public support	<u>2,275,912</u>	<u>-</u>	<u>2,275,912</u>	<u>2,068,196</u>
Revenues:				
Sales:				
Sales of goods purchased	76,255	-	76,255	90,002
<u>Less</u> - cost of purchased goods	<u>60,350</u>	<u>-</u>	<u>60,350</u>	<u>65,666</u>
Gross profit	15,905	-	15,905	24,336
Sales of donated goods	5,022,104	-	5,022,104	5,044,426
Contract services	1,203,422	-	1,203,422	1,124,342
Workforce Development grants and fees	1,045,800	102,216	1,148,016	1,039,569
Net investment return - Note 4	135,815	51,084	186,899	(62,357)
Gain (loss) on disposal of fixed assets	-	-	-	(195,460)
Other miscellaneous revenue	15,173	-	15,173	73,317
Total revenues	<u>7,438,219</u>	<u>153,300</u>	<u>7,591,519</u>	<u>7,048,173</u>
Net assets released from restrictions - Note 3	<u>169,488</u>	<u>(169,488)</u>	<u>-</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>9,883,619</u>	<u>(16,188)</u>	<u>9,867,431</u>	<u>9,116,369</u>
<b><u>Expenses:</u></b>				
Production and sales	6,026,820	-	6,026,820	6,113,232
Workforce development	1,502,935	-	1,502,935	1,374,676
Contract services	1,061,565	-	1,061,565	969,475
Management and general	1,091,029	-	1,091,029	1,131,373
Total expenses	<u>9,682,349</u>	<u>-</u>	<u>9,682,349</u>	<u>9,588,756</u>
<b><u>Change in net assets</u></b>	<u>201,270</u>	<u>(16,188)</u>	<u>185,082</u>	<u>(472,387)</u>
<b><u>Net assets, beginning of year</u></b>	<u>6,494,606</u>	<u>488,424</u>	<u>6,983,030</u>	<u>7,455,417</u>
<b><u>Net assets, end of year</u></b>	<u>6,695,876</u>	<u>472,236</u>	<u>7,168,112</u>	<u>6,983,030</u>

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, 2019

	<u>Production and Sales</u>	<u>Workforce Development</u>	<u>Contract Services</u>
Salaries and wages	2,938,932	993,046	719,732
Employee benefits	64,695	68,311	129,262
Payroll taxes	<u>277,374</u>	<u>89,547</u>	<u>63,422</u>
Total salaries and related expenses	3,281,001	1,150,904	912,416
Professional fees	31,880	9,674	2,910
Supplies	116,014	29,156	76,267
Telecommunications	69,033	19,066	5,524
Postage and shipping	29,494	722	40
Building rent	633,117	40,828	-
General and liability insurance	114,899	29,281	3,501
Mortgage interest	135,799	12,307	-
Other occupancy	789,882	37,115	299
Equipment rental and maintenance	87,861	26,133	11,588
Printing, advertising and subscriptions	21,091	6,207	628
Agency vehicles and travel	204,381	43,576	26,564
Specific assistance-community	17,986	21,426	-
Membership dues and support payments	68,695	15,408	11,969
Bank service charges	119,619	-	-
Miscellaneous	<u>9,007</u>	<u>3,612</u>	<u>745</u>
Total other expenses before depreciation	<u>2,448,758</u>	<u>294,511</u>	<u>140,035</u>
Total expenses before depreciation	5,729,759	1,445,415	1,052,451
Depreciation	<u>297,061</u>	<u>57,520</u>	<u>9,114</u>
Total expenses	<u>6,026,820</u>	<u>1,502,935</u>	<u>1,061,565</u>

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

Management and General	2019 Total	2018 Summary Total
619,690	5,271,400	5,064,103
65,232	327,500	362,368
45,586	475,929	472,382
<u>730,508</u>	<u>6,074,829</u>	<u>5,898,853</u>
184,947	229,411	280,489
18,841	240,278	228,835
6,295	99,918	107,026
1,911	32,167	34,034
-	673,945	613,440
19,685	167,366	150,005
-	148,106	181,054
11,835	839,131	874,608
21,062	146,644	140,019
3,580	31,506	62,672
11,725	286,246	303,065
9,402	48,814	29,527
1,409	97,481	89,835
21,125	140,744	140,950
25,425	38,789	40,600
<u>337,242</u>	<u>3,220,546</u>	<u>3,276,159</u>
1,067,750	9,295,375	9,175,012
<u>23,279</u>	<u>386,974</u>	<u>413,744</u>
<u>1,091,029</u>	<u>9,682,349</u>	<u>9,588,756</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 Total	2018 Summary Total
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	185,082	(472,387)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(163,762)	80,347
Loss on sale of fixed assets	-	195,460
Other gain	(3,635)	(23,191)
Depreciation	386,974	413,744
Amortization	17,780	20,447
(Increase) decrease in:		
Accounts receivable	35,211	(42,417)
Inventory	3,681	48,329
Prepaid expenses	(6,811)	10,140
Other assets	(13,571)	(12,928)
Increase (decrease) in:		
Accounts payable	(44,774)	14,684
Sales tax payable	(374)	3,234
Accrued payroll and withholdings	27,460	20,789
Other payables	(1,574)	(29,749)
Total adjustments	<u>236,605</u>	<u>698,889</u>
Net cash provided by operating activities	421,687	226,502
<b><u>Cash flows from investing activities:</u></b>		
Proceeds from sale of assets	4,200	1,018,682
Capital purchases and improvements	(79,040)	(372,232)
Net redemption of investments	228,679	231,029
Change in beneficial interest in assets of foundation	(35,539)	31,911
Decrease in investment in partnership	261	306
Net cash provided by investing activities	<u>118,561</u>	<u>909,696</u>
<b><u>Cash flows from financing activities:</u></b>		
Borrowings	46,384	-
Debt reduction	(380,208)	(1,164,280)
Net cash (used) by financing activities	<u>(333,824)</u>	<u>(1,164,280)</u>
<b><u>Net increase (decrease) in cash</u></b>	206,424	(28,082)
<b><u>Cash at beginning of the year</u></b>	<u>176,641</u>	<u>204,723</u>
<b><u>Cash at end of the year</u></b>	<u>383,065</u>	<u>176,641</u>
<b><u>Cash paid during the year for interest</u></b>	<u>161,383</u>	<u>191,698</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

**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, 2019 and 2018, 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 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, 2018. 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 \$18,999 and \$38,336 for 2019 and 2018.

## 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 2016 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) New Accounting Guidance Adopted

Goodwill adopted Accounting Standards Update (ASU) No. 2014-09, “*Revenue from Contracts with Customers*,” as amended, as management believes the standard improves the usefulness and understandability of its financial reporting. It also adopted ASU No. 2018-08, “*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.” Together, these standards replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers, and help distinguish contributions from revenue contracts. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. This standard is effective for fiscal years beginning after December 15, 2018. Goodwill adopted this standard for the year ended December 31, 2019. Analysis of the provisions of these standards resulted in no significant changes in the way the Organization recognized revenue; however, presentation and disclosures of revenue have been enhanced in accordance with these standards.

(q) Functional Expenses

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

(r) Liquidity and Availability of Financial Assets

Goodwill strives to maintain liquid financial assets sufficient to meet its general operating expenditures. At December 31, 2019, 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 \$1,603,764 of financial assets available within one year of the balance sheet date, comprised of cash of \$328,295, accounts receivable of \$276,441, and short term investments of \$999,028. 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 transferred to the Community Foundation of Shreveport-Bossier, as described in Note 15.



4. **Investments**

Investments at December 31, 2019 and 2018 are summarized as follows:

	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	43,825	43,825	-
	<u>959,417</u>	<u>999,028</u>	<u>39,611</u>
	2018		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	138,252	137,542	(710)
Corporate debt securities	391,117	388,217	(2,900)
Corporate equity securities	462,982	418,643	(44,339)
Equity mutual funds	48,162	36,655	(11,507)
Cash and equivalents	82,888	82,888	-
	<u>1,123,401</u>	<u>1,063,945</u>	<u>(59,456)</u>

A summary of investment return for each year follows:

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

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

Fixed assets and related accumulated depreciation at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	10,687,492	10,651,407
Equipment	1,987,096	1,991,101
Vehicles	<u>132,605</u>	<u>138,000</u>
Total depreciable assets	12,807,193	12,780,508.00
Accumulated depreciation	<u>(6,846,765)</u>	<u>(6,511,582)</u>
Book value of depreciable assets	5,960,428	6,268,926.00
Land	<u>3,476,254</u>	<u>3,476,254</u>
Book value of fixed assets	<u><u>9,436,682</u></u>	<u><u>9,745,180</u></u>

6. **Tax-Deferred Annuities**

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

7. **Rent**

Goodwill rents various store facilities to serve as retail outlets for its household goods and other purposes. Goodwill has rental agreements for store locations in Monroe, West Monroe, Shreve City, Natchitoches, and Haughton (for 60 months). The Pines Road location has a 60-month lease and was converted from a store location to an outlet location in April 2017. The Alexandria Workforce Development rental agreement has a term of 60 months. All rental agreements are noncapitalizable. Rent expense for 2019 and 2018 was \$673,946 and \$613,440.

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 \$17,359 per vehicle. Vehicle rent expense for 2019 and 2018 was \$100,494 and \$126,710.

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>
2020	739,023
2021	455,942
2022	380,775
2023	347,373
2024	252,617
Thereafter	<u>306,077</u>
	<u><u>2,481,807</u></u>

## 8. Commitments

Goodwill entered into an agreement to provide annual supplemental medical insurance benefits up to \$3,500 (adjusted annually for inflation) each to its President/CEO Emeritus and his spouse for the remainder of their lives, effective with his retirement on June 30, 2012. Goodwill also agreed to employ its President/CEO Emeritus as a consultant for five years from his retirement date of June 30, 2012, adjusted annually for inflation, and to reimburse certain travel expenses of up to \$6,000 per year. In June 2016, an amendment to the retirement agreement was executed whereby Goodwill reduced the monthly payments to the President/CEO Emeritus and extended the payments through June 2018. Total payments made during 2019 and 2018 were \$-0- and \$30,852, respectively.

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

## 9. Long-Term Debt

Listed below is a schedule of long-term debt at December 31, 2019 and 2018:

<u>Due To</u>	<u>Terms</u>	<u>2019</u>	<u>2018</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%.	1,746,042	1,918,663
*Regions Capital Advantage	Loan for \$3,434,000 to refinance debt, payable \$24,700 per month through June 2028 including interest at 3.59%.	2,168,716	2,383,069
Capital One, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (4.75% at 12-31-19) due monthly; principal and remaining unpaid items due at loan termination at lender demand; unsecured.	225,000	225,000
Various	Loans totaling \$46,384 for equipment and vehicle; interest at 5.42%-7.00%; monthly payments varying from \$218 to \$428; maturities vary from 36 months to 60 months; secured by the equipment financed.	42,455	-
Total debt		4,182,213	4,526,732
Less unamortized debt issuance costs		(90,920)	(101,616)
Total debt, net		4,091,293	4,425,116
Portion classified as current		636,421	4,526,732
Portion classified as long-term		3,545,792	-
Total debt		4,182,213	4,526,732

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 70<sup>th</sup> 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 and 2018. 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 has 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 was classified as current as of December 31, 2018. However, subsequent to December 31, 2019 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, 2019. The uncertainty created by the imposition of default interest is further discussed in Note 18.

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

2020	636,421
2021	426,744
2022	440,033
2023	453,670
2024	467,901
Thereafter	<u>1,757,444</u>
	<u>4,182,213</u>

The approximate book value of collateralized fixed assets at December 31, 2019 was \$9,122,983.

Interest expense was \$161,383 and \$191,698 for 2019 and 2018, 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 2019 and 2018, contributed merchandise with an approximate fair value of \$2,049,000 and \$1,806,000, 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 \$205,000 and \$203,000 at December 31, 2019 and 2018.

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, 2019. 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, 2019. Such conditional promises amounted to approximately \$354,000 at December 31, 2019.

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, 2019, total cash held at financial institutions was \$378,397, a portion 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 \$838,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2019, 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 \$14,573 for 2019 and \$22,084 for 2018.

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, 2019 and 2018:

	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>

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, 2018:</u>				
<u>Investments:</u>				
U.S Treasury and Agency debt securities	137,542	-	-	137,542
Corporate debt securities	388,217	-	-	388,217
Corporate equity securities	418,643	-	-	418,643
Equity mutual funds	-	36,655	-	36,655
Cash and equivalents	82,888	-	-	82,888
	<u>1,027,290</u>	<u>36,655</u>	<u>-</u>	<u>1,063,945</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>203,323</u>	<u>203,323</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>2019</u>	<u>2018</u>
Beginning balance	203,323	264,272
Change in value	<u>2,162</u>	<u>(60,949)</u>
Ending balance	<u>205,485</u>	<u>203,323</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>2019</u>	<u>2018</u>
Beginning balance, endowment fund	381,927	413,838
Net interest income	3,838	1,162
Net realized and unrealized gain (loss)	47,246	(17,815)
Distributions to Goodwill	<u>(15,545)</u>	<u>(15,258)</u>
Ending balance, endowment fund	<u>417,466</u>	<u>381,927</u>

16. **Other Assets**

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

	<u>2019</u>	<u>2018</u>
Capitalized computer software costs	166,383	166,383
Accumulated amortization	<u>(166,383)</u>	<u>(159,299)</u>
Net book value	<u>-</u>	<u>7,084</u>

The estimated useful life of this intangible is five years, with no estimated residual value. This asset was fully amortized during 2019.

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

Disaggregated revenue from contracts with customers and related receivables follows:

	<u>2019</u>	<u>2018</u>
<b><u>Revenue from Contracts with Customers</u></b>		
Sales of goods:		
Purchased new	76,255	90,002
Donated	5,022,104	5,044,426
Contract services	1,203,422	1,124,342
Workforce Development (LRS fees)	282,830	252,832
<b><u>Accounts Receivable from Contracts with Customers</u></b>		
Contract services	96,256	151,478
Workforce Development (LRS fees)	15,500	18,500

18. **Uncertainties**

As shown in the accompanying financial statements, Goodwill had a positive change in net assets for 2019 of \$185,082. This was the first positive change in net assets in seven years and was the result of significant improvements in the Donated Goods Retail division and the Contracts division.

## 18. Uncertainties (Continued)

Positive trends continued into the 1<sup>st</sup> 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 \$509,900 through the SBA EIDL program, which allowed Goodwill to offer the laid off/furloughed employees their pre-shut down positions back. Goodwill expects 100% of the PPP loan to be forgiven as it was used solely for eligible payroll.
- Goodwill management negotiated discount and forbearance lease amendments for several of its leased properties and vehicles.

Prior to the COVID-19 outbreak, Goodwill was pursuing re-financing of its debt held with Regions Capital Advantage. 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 had acquired the debt from Regions Capital Advantage. Mooring Capital LLC 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 Capital.

Having engaged legal counsel, Goodwill intends to seek a course of action and vigorously dispute the assertion of the default interest using various defenses available. The amount of potential liability cannot be reasonably estimated at this time. Potential liability related to default interest at December 31, 2019 ranges from \$0 to \$744,700. Mooring has advised Goodwill that there are no other covenants to maintain and therefore no defaults to be considered.

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. It is unknown at this time what challenges could return or manifest themselves as the pandemic continues. Goodwill continues to implement best practices to ensure that revenue centers perform well despite the impact of the pandemic. Goodwill continues to survive the retail challenges and is committed to implementing effective strategies to return to profitability. Through September 30, 2020, the estimated change in net assets for 2020 is \$(943,000). This amount does not include anticipated PPP loan forgiveness of up to \$1,105,100 which would be reflected as revenue.

## 19. 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 December 3, 2020, the date which the financial statements were available to be issued, and noted no subsequent events other than matters included in Note 18.



**SUPPLEMENTARY INFORMATION**

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head: David Tinkis

Salary	141,048
Bonus	7,400
Benefits-insurance-health	12,852
Benefits-insurance-life, disability, accidental	1,448
Car allowance	6,000
Travel	5,386
Conferences	4,908

**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

December 3, 2020

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, 2019, 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 December 3, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Goodwill's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodwill's internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill's internal control.

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

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Goodwill's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED DECEMBER 31, 2019

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Goodwill Industries of North Louisiana, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Goodwill Industries of North Louisiana, Inc. were disclosed during the audit.
4. Goodwill Industries of North Louisiana, Inc. was not subject to a federal single audit for the year ended December 31, 2019.

**B. Findings - Financial Statement Audit**

None

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

Not Applicable

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SHREVEPORT, LOUISIANA 71101  
318-429-1525 PHONE • 318-429-2070 FAX

December 3, 2020

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

Louisiana Legislative Auditor  
Baton Rouge, Louisiana

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

We have performed the procedures enumerated below, which were agreed to by Goodwill Industries of North Louisiana, Inc. (Goodwill) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2019 through December 31, 2019. Goodwill's management is responsible for those C/C areas identified in the SAUPs. These Statewide Agreed-Upon Procedures were applied only to the Workforce Development control and compliance areas, as these are the areas that involve the use of public monies.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget  
*The entity has an adequate policy regarding budgeting.*
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

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*The entity has an adequate policy regarding purchasing.*

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

*The entity has an adequate policy regarding disbursements.*

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*The entity has an adequate policy regarding receipts/collections.*

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

*The entity has an adequate policy regarding payroll/personnel.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*The entity has a policy regarding contracts, which includes a section added November 11, 2020 to address legal review.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

*The entity has an adequate policy regarding credit cards.*

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

*The entity has a policy regarding travel and expense reimbursement, which includes a section added November 11, 2020 to address dollar thresholds by category of expense.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*Not applicable to Goodwill as a non-profit organization.*

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

*Not applicable to Goodwill as a non-profit organization.*

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*Exception: The entity has a policy regarding disaster recovery/business continuity which was approved January 25, 2020. However, the policy does not address the timely application of all available system and software patches/updates.*

*Management's Response: Goodwill is in the process of revising this policy to include the application of all available system and software patches/updates.*

#### **Board or Finance Committee**

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*Not applicable due to no exceptions in previous year.*

#### **Bank Reconciliations**

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*Not applicable due to no exceptions in previous year.*

#### **Collections (excluding EFTs)**

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*Not applicable due to no exceptions in previous year.*

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

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

*A listing of locations was obtained from management.*

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

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

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

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

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

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

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

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

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

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]

4. For each location selected under #2 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

*For all selections, the disbursement matched the related invoice.*

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

*For all selections, no exceptions noted.*

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

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

*A listing of locations was obtained from management.*

6. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or

electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

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

*Finance charges and late fees were not assessed on the selected statements.*

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

*The entity’s transactions were supported, without exception, by (1) an original itemized receipt that identifies exactly what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).*

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

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*Not applicable due to no exceptions in previous year.*

### ***Contracts***

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*Not applicable due to no exceptions in previous year.*

### ***Payroll and Personnel***

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*Not applicable due to no exceptions in previous year.*

### ***Ethics***

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

### ***Debt Service***

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

*Other*

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*Not applicable due to no exceptions in previous year.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana