

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Audit of Combined Financial Statements

December 31, 2023



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Independent Auditor's Report

To the Boards of Directors
Goodwill Industries of Southeastern
Louisiana, Inc. and Goodworks, Inc.

Report on the Audits of the Financial Statements

Opinion

We have audited the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. (the Organizations), which comprise the combined statement of financial position as of December 31, 2023, the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and other schedules listed in the table of contents are 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 accompanying supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 on our consideration of the Organizations' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the Organizations' 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 the Organizations' internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
June 25, 2024

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
Combined Statement of Financial Position
December 31, 2023

Assets

Current Assets

Cash and Cash Equivalents	\$ 4,002,385
Accounts Receivable, Net	3,502,854
Accrued Interest Receivable	20,890
Merchandise Inventory	2,029,363
Prepaid Expenses and Other	<u>241,200</u>

Total Current Assets	<u>9,796,692</u>
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Property and Equipment

Land	2,641,448
Building and Building Improvements	18,067,670
Machinery and Equipment	2,532,318
Furniture and Fixtures	2,890,244
Automobiles and Trucks	2,228,471
Leasehold Improvements	5,818,434
Computer Equipment	1,869,816
Construction in Progress	7,362,879
Condo - Timeshare	<u>156,765</u>

43,568,045

Less: Accumulated Depreciation	<u>17,979,423</u>
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Property and Equipment, Net	<u>25,588,622</u>
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Investment and Other Assets

Investments and Assets Limited as to Use	7,765,175
Right-of-Use Assets, Operating Leases	29,012,187
Deposits	<u>188,200</u>

Total Investment and Other Assets	<u>36,965,562</u>
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Total Assets	<u><u>\$ 72,350,876</u></u>
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The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Financial Position (Continued)
December 31, 2023**

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 678,552
Accrued Expenses and Taxes	1,550,901
Deferred Revenue	83,317
Line of Credit	559,948
Operating Lease Liabilities, Current Portion	<u>2,796,870</u>
Total Current Liabilities	<u>5,669,588</u>
Long-Term Liabilities	
Operating Lease Liabilities, Net of Current Portion	26,490,157
Deferred Compensation	<u>175,942</u>
Total Long-Term Liabilities	<u>26,666,099</u>
Total Liabilities	<u>32,335,687</u>
Net Assets	
Without Donor Restrictions	<u>40,015,189</u>
Total Net Assets	<u>40,015,189</u>
Total Liabilities and Net Assets	<u>\$ 72,350,876</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
Combined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023

	Without Donor Restrictions
Sales Revenue	
Retail Stores	\$ 27,665,630
Contributed Revenue - Donated Goods	11,665,335
Salvage and Recycling	2,253,748
Total	<u>41,584,713</u>
Vocational Training Revenue	
Janitorial, Landscaping, Switchboard Operations, and Mail Delivery	9,464,923
Total	<u>9,464,923</u>
Other Sources of Income	
Federal Financial Assistance	2,493,510
Other Grant Income	957,207
Investment Gain, Net	777,268
State Sales Tax Exclusion	1,181,170
Louisiana Rehabilitation Service	160,166
Contributions	209,010
Gain on Disposal of Assets	27,909
Miscellaneous	419,858
Total	<u>6,226,098</u>
Total Revenue and Other Income, Net	<u>57,275,734</u>
Expenses	
Program Services	
Retail	36,509,063
Employment Service Contracts	9,501,738
Workforce	6,080,026
Total Program Services	<u>52,090,827</u>
Support Services	
Management and General	6,238,620
Total Support Services	<u>6,238,620</u>
Total Expenses	<u>58,329,447</u>
Change in Net Assets	(1,053,713)
Net Assets, Beginning of Year	<u>41,068,902</u>
Net Assets, End of Year	<u>\$ 40,015,189</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Functional Expenses
For the Year Ended December 31, 2023**

	<u>Program Services</u>			<u>Support Services</u>	<u>Total</u>
	<u>Retail</u>	<u>Employment Service Contracts</u>	<u>Workforce</u>	<u>Management and General</u>	
Operating Expense					
Salaries, Wages, Taxes, and Benefits	\$ 13,072,108	\$ 7,459,667	\$ 4,042,407	\$ 3,010,459	\$ 27,584,641
Cost of Goods Sold	12,299,038	-	-	-	12,299,038
Occupancy Cost	5,820,618	11,826	51,566	1,290,737	7,174,747
Repairs and General Maintenance	388,097	12,097	28,767	18,093	447,054
Supplies and Materials	523,117	652,562	127,734	59,687	1,363,100
Waste Disposal	1,023,819	9,325	12,651	-	1,045,795
Training and Support Service	159	5,371	717,025	27,062	749,617
Outreach and Marketing	32,570	-	17,900	373,003	423,473
Conference and Travel	65,857	12,220	118,925	126,493	323,495
Communication	442,242	58,925	258,327	100,778	860,272
Equipment and Vehicle Cost	437,463	463,872	42,073	144,636	1,088,044
Insurance	721,889	190,116	112,210	79,241	1,103,456
Professional Fees and Dues	198,746	344,624	300,915	603,837	1,448,122
Administrative and Other	444,428	8,503	4,875	270,739	728,545
	<u>35,470,151</u>	<u>9,229,108</u>	<u>5,835,375</u>	<u>6,104,765</u>	<u>56,639,399</u>
Depreciation and Amortization					
Depreciation and Amortization	<u>1,038,912</u>	<u>272,630</u>	<u>244,651</u>	<u>133,855</u>	<u>1,690,048</u>
	<u>1,038,912</u>	<u>272,630</u>	<u>244,651</u>	<u>133,855</u>	<u>1,690,048</u>
Total	<u>\$ 36,509,063</u>	<u>\$ 9,501,738</u>	<u>\$ 6,080,026</u>	<u>\$ 6,238,620</u>	<u>\$ 58,329,447</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combined Statement of Cash Flows
For the Year Ended December 31, 2023**

Cash Flows from Operating Activities

Change in Net Assets	\$ (1,053,713)
Adjustment to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	1,690,048
Credit Loss Expense	45,588
Unrealized and Realized Gain on Investments	(453,666)
Decrease in Accounts Receivable	202,718
Decrease in Accrued Interest Receivable	21,585
Increase in Merchandise Inventory	(384,722)
Decrease in Prepaid Expenses and Other Assets	245,516
Decrease in Right-of-Use Assets, Operating Leases	2,182,547
Decrease in Deposits	47,669
Decrease in Accounts Payable	(493,074)
Decrease in Accrued Expenses and Taxes	(304,936)
Decrease in Lease Liabilities	(2,089,041)
Decrease in Deferred Revenue	(35,473)

Net Cash Used in Operating Activities (378,954)

Cash Flows from Investing Activities

Proceeds from Sale of Investments	10,744,486
Purchase of Investments	(3,869,359)
Purchase of Property Held in Construction in Progress	(6,338,506)
Purchase of Fixed Assets	(4,523,002)

Net Cash Used in Investing Activities (3,986,381)

Cash Flows from Financing Activities

Proceeds from Line fo Credit	559,948
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Net Cash Provided by Financing Activities 559,948

Net Decrease in Cash and Cash Equivalents (3,805,387)

Cash and Cash Equivalents, Beginning of Year 7,807,772

Cash and Cash Equivalents, End of Year \$ 4,002,385

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

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. AND GOODWORKS, INC.

Notes to Combined Financial Statements

Note 1. Organizations

Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill) and Goodworks, Inc. (Goodworks) (collectively, the Organizations) offers opportunities to people with employment barriers to improve their economic self-sufficiency through training, education, support services, and employment. While primarily known for their retail stores, the Organizations also have employment services contract and workforce development programs.

The Organizations work with state, federal, and commercial partners to provide employment services contracts across 47 sites. These services support training opportunities for people with employment barriers and include janitorial, grounds maintenance, warehousing, and mail delivery. Workforce development programs include case management services, job readiness training, employment assistance, digital literacy, and supporting services opportunities. These programs work with a variety of vulnerable populations including the formerly incarcerated, disabled, homeless, and those otherwise facing barriers to employment. Included under the workforce development program is the Goodwill Technical College, a division of Goodwill, which offers industry-based certifications in hospitality and customer service, medical billing and coding, medical office administrative assistant, phlebotomy service, and IT help desk service. The retail program operations include twenty-two (22) stores and four (4) attended donation centers (ADC) throughout Southeastern Louisiana. Goodwill's retail model is to collect gently used donations from the public and sell them throughout the retail locations or, as a last resort, through the commodity market. The Organizations' breadth of services allows them to play a part in each individual success, whether that means helping someone find a new direction, discover a hidden skill, or gain a sense of self-worth and hope for the future.

Note 2. Summary of Significant Accounting Policies

The Organizations follow the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on *Audits of Voluntary Health and Welfare Organizations*, which constitute generally accepted accounting principles.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the *Not-for-Profit Entities* Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, the Organizations are required to report information regarding their financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or that can be fulfilled or removed by actions of the Organizations pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature (also referred to as an endowment fund), where the donor stipulates that resources be maintained in perpetuity. The Organizations have no net assets with donor restrictions as of December 31, 2023.

Use of Estimates

The preparation of the combined 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.

Combination of Financial Statements

The accompanying combined financial statements include the accounts of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. Inter-company transactions and balances have been eliminated in combination.

Accounts Receivable

Account receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses as noted below. Accounts receivable totaled \$3,751,160 as of January 1, 2023.

Effective January 1, 2023, the Organizations carry accounts receivables net of an allowance for credit losses. The measurement and recognition of credit losses involves the use of judgment. Management's assessment of expected credit losses includes consideration of current and expected economic conditions, market and industry factors affecting the Organizations' customers (including their financial condition), the aging of account balances, historical credit loss experience, customer concentrations, customer creditworthiness, and other sources of payment. Management evaluates its experience with historical losses and then applies this historical loss ratio to financial assets with similar characteristics. The Organizations' historical loss ratio or its determination of risk pools may be adjusted for changes in customer, economic, market or other circumstances. The Organizations may also establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected and the loss can be reasonably estimated. Amounts are written off against the allowance when they are considered to be uncollectible, and reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate. As of December 31, 2023, the total allowance recorded for credit losses was \$-0-.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit and Market Risk

Goodwill's services are rendered to people with barriers to employment, including disabilities or other disadvantaging conditions in southeastern Louisiana. All of the training fees and grants are generated from services to clients with barriers. Goodwill grants credit to several state offices for the above stated training fees.

Financial instruments that potentially expose the Organizations to concentrations of credit and market risk consist primarily of cash and investments. The Organizations have experienced \$777,268 in net gains in these accounts for the year ended December 31, 2023. The Organizations maintain their cash accounts at four commercial banks. The amount on deposit at December 31, 2023, exceeded the insurance limits of the Federal Deposit Insurance Corporation by \$3,063,572.

Contribution Recognition

The Organizations record contributions as donor restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities and changes in net assets as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period, are reported as without donor restrictions. The Organizations report gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Material and Service

The FASB ASC, *Accounting for Contributions Received and Contributions Made* Topic, requires that contributions be recognized as revenue when received. During 2023, Goodwill recognized contributed merchandise with a fair value of \$11,665,335 as contribution revenue.

A certain number of volunteers have donated amounts of their time in the Organizations' program services. However, these services do not meet all of the applicable requirements of this Topic; therefore, no amounts have been reflected in the combined financial statements for these donated services.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Goodwill was formed in 1947, to provide services to persons with disabilities. This organization was chartered in the state of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Goodworks was formed in 1998, in order to service government contracts. This organization was chartered in the state of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

The Organizations consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. Excluding land, the Organizations use the straight-line depreciation method over the useful lives of its property and equipment. Buildings and improvements are depreciated over thirty years. Furniture and fixtures are depreciated over seven years. Machinery and equipment, automobiles, and trucks are depreciated over five years and computer equipment is depreciated over three years. Leasehold improvements are being amortized over the life of the lease. The Organizations capitalize fixed assets with costs of \$1,000 or greater and a useful life of one year or more. Depreciation expense for 2023 was \$1,690,048.

Merchandise Inventory

The FASB ASC, *Accounting for Contributions Received and Contributions Made* Topic, requires that contributions be recognized as inventory when received and be carried at fair value. Management estimates the fair value of inventory using a gross margin method. Inventories of new goods are carried at the lower of cost or market. Costs are determined on a first-in, first-out basis.

Investments

Investments, primarily consisting of cash and bank sweep funds, money market funds, equity securities, equity mutual funds, and fixed income securities, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the combined statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations. Investment gain, net on the statement of activities and changes in net assets includes interest income, realized and unrealized gains on investments net of investment fees.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and Assets Limited as to Use

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the investments and other assets section of the combined statement of financial position. Investments and assets limited as to use includes investments in mutual funds, which are designated for funding the 457(b) Top Hat plan as discussed further in Note 6. The Organizations record investments in accordance with the *Not-for-Profit Entities* Topic of the FASB ASC which establishes standards for the recognition of fair value of investments in certain equity and debt securities with gains and losses included in the combined statement of activities and changes in net assets.

Allowance for Credit Losses - Debt Securities

Debt securities with a fair value less than its amortized cost basis is considered impaired. Management evaluates debt securities in an unrealized loss position on an annual basis, and more frequently when economic or market conditions warrant such evaluation. If the Organizations has the intent to sell the security, or it is more likely than not that the Organizations will be required to sell the security, the total impairment loss is recognized as an adjustment to the amortized cost basis of the of the investment and reflected in the combined statements of activities. The new amortized cost basis is not adjusted for subsequent recoveries in fair value.

If the Organizations does not have the intent to sell and determines that it is not more likely than not that it will be required to sell the security, management evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, management may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security. To the extent that the security's amortized cost basis exceeds the present value of cash flows expected to be collected, an allowance for credit losses is recorded. Recoveries of credit losses can be reversed in subsequent periods. At December 31, 2023, there was no allowance for credit loss related to their debt securities.

Functional Allocation of Expenses

Expenses are initially charged directly to cost centers based on their function. Allocations are then used to distribute certain administrative costs across all programs benefiting from the expense. Allocations to programs for network activities are based on the number of emails used in each department. General business lines of insurance are allocated to programs as a percentage of personnel costs. Occupancy expenses at facilities, where multiple programs are operated, are allocated to programs based on square footage and/or number of employees in each program.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Adopted and Change of Accounting Principle

As of January 1, 2023, the Organizations adopted Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments*, and all subsequently issued related amendments, which changed the methodology used to recognize impairment of the Organizations' contract receivables and debt securities. Under this ASU, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected to occur over the asset's remaining life. This is in contrast to previous generally accepted accounting principles in the United States of America (U.S. GAAP), under which credit losses were not recognized until it was probable that a loss had been incurred. The Organizations performed its expected credit loss calculation based on historical write-offs, including consideration of then-existing economic conditions and expected future conditions. The Organizations deemed that the adoption of ASU 2016-13 was not material to the financial statements; therefore, a cumulative-effect adjustment to record its estimate of the allowance for credit losses upon adoption is not considered necessary to include in the accompanying financial statements.

Note 3. Liquidity and Availability

The Organizations' financial assets available within one year of the combined statements of financial position date for general expenditure for the year ended December 31, 2023 are as follows:

Cash and Cash Equivalents	\$ 4,002,385
Accrued Interest Receivable	20,890
Accounts Receivables, Net	<u>3,502,854</u>

Financial Assets at Year End Available to Meet Cash

Needs for General Expenditures within One Year \$ 7,526,129

As part of their liquidity management, the Organizations have a policy to align availability of financial assets to the timing of general expenditures or the settlement of liabilities and other obligations. Goodwill and Goodworks use their budgets to help manage cash flow needs by monitoring expenses and revenues during the year. Goodwill could also utilize its board-designated long-term investments to manage cash flow needs for current operations.

In addition, the Organizations have an available revolving line of credit in the amount of \$5,000,000, as noted in Note 9. The Organizations have \$559,948 outstanding on this line as of December 31, 2023.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 4. Investments and Assets Limited as to Use

Investments and assets limited as to use are summarized as follows at December 31, 2023:

	Fair Market Value
Equity Securities (Investments)	\$ 4,254,184
Corporate Debt Securities (Investments)	1,991,247
REIT	132,066
Equity Mutual Funds	1,211,736
Equity Mutual Funds (Assets Limited as to Use)	<u>175,942</u>
Total	<u>\$ 7,765,175</u>

Note 5. Leases

Goodwill leases real estate under non-cancelable operating leases expiring in various years through 2036. Combined rent expense totaled \$4,188,342 in 2023 and is included in the combined statement of activities and changes in net assets.

Future minimum lease payments as of December 31st are as follows:

Year Ending December 31,	Amount
2024	\$ 3,962,094
2025	3,769,162
2026	3,713,702
2027	3,311,721
2028	3,063,445
Thereafter	<u>19,825,516</u>
	37,645,640
Less: Imputed Interest	<u>8,358,613</u>
Lease Obligations Under Operating Leases	<u>\$ 29,287,027</u>

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 5. Leases (Continued)

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets.

The Organizations adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organizations have applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organizations' historical accounting treatment under ASC Topic 840, *Leases*.

The Organizations determine if an arrangement is a lease at inception of the contract. ROU assets represent the right to use the underlying assets for the lease term, and lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organizations elected the practical expedient method that allows lessees to use a risk-free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

The Organizations lease various properties and office space. The Organizations' operating lease agreements typically have initial terms of 5 to 10 years. In line with Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*, the Organizations do not record ROU assets and lease liabilities on leases with an initial term of 12 months, or less, in the statement of financial position.

The Organizations' operating leases may include one or more options to renew, with renewals extending the lease term for multiple years. The exercise of lease renewal options is at the Organizations' sole discretion. The Organizations consider it reasonably likely that renewal options will be exercised; therefore, renewal options are recognized as part of ROU assets and lease liabilities.

The balances of ROU assets and lease liabilities related to the Organizations' operating leases at December 31, 2023 were \$29,012,187 and \$29,287,027, respectively.

The Organizations elected the practical expedient method that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 5. Leases (Continued)

The Organizations are the lessee of certain property under the terms of non-cancelable lease agreements accounted for as operating leases. The leases expire in various years through 2024 or beyond.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2023:

Lease Cost	
Operating Lease Cost	\$ <u>4,188,342</u>
Total Lease Cost	\$ <u>4,188,342</u>

Other Information

Weighted-Average Remaining Lease Term (in Years):	
Operating Leases	12.3
Weighted-Average Discount Rate Applied (%):	
Operating Leases	4.13

Note 6. Pension Plan and Health and Welfare Benefit Plan

Goodwill initiated a defined contribution pension plan (the Plan) in 1993 for the employees of its federal contracts. The Plan does not have any minimum eligibility requirements to participate. Employer contributions vary based on terms of each Federal contract and regular hours of each employee. When Goodworks was formed in 1998, it assumed responsibility for Plan contributions from Goodwill. Goodworks contributed \$589,047 to the Plan in 2023.

On March 15, 2011, Goodwill entered into two Retirement Plan Service Agreements. One agreement was for a 403(b) Employee Retirement Income Security Act of 1974 (ERISA) plan and the other was for a 457(b) Top Hat plan. The 403(b) plan is for full-time employees. Goodwill matches 50% of the employees' contribution to a maximum of 3% of the employees' salary. The 457(b) Top Hat Plan is no longer participatory and will be closed upon retirement of the remaining two participants. Contributions to the 403(b) plan for the year ended December 31, 2023 were \$35,585. Contributions to the 457(b) plan for the year ended December 31, 2023 were \$-0-. Distributions from the 457(b) plan for the year ended December 31, 2023 were \$-0-. The liability related to the 457(b) plan totaled \$175,942 at December 31, 2023, and is included in deferred compensation in the combined statement of financial position.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 7. Fair Value Measurements

FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments. FASB ASC Topic 820 establishes a fair value hierarchy which prioritizes inputs to the valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data (observable inputs) or they may be internally developed (unobservable inputs). The fair value hierarchy prioritizes the inputs to the valuation techniques used to measure fair value into three broad categories. These categories include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The market approach is used for valuing common stocks, equity mutual funds, and bond mutual funds, which are all classified within Level 1 of the fair value hierarchy. The remainder of the Organizations' investment portfolio consists of corporate bonds, which may not trade on a daily basis. Corporate bonds are generally valued based upon quoted market prices from brokers and dealers, which represent fair value, and are classified within Level 2.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organizations believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 7. Fair Value Measurements (Continued)

Assets measured at fair value are comprised of the following as of December 31, 2023:

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity Securities	\$ 4,254,184	\$ 4,254,184	\$ -	\$ -
Corporate Securities	1,991,247	1,441,847	549,400	-
REIT	132,066	132,066	-	-
Equity Mutual Funds	1,387,678	1,387,678	-	-
Total	\$ 7,765,175	\$ 7,215,775	\$ 549,400	\$ -

Note 8. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that they have appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 9. Line of Credit

On June 14, 2021, Goodwill entered into a new line of credit agreement with a bank in the amount of \$2,000,000. During 2022 the line increased to \$5,000,000. The loan is a variable rate revolving line of credit due on demand and, if no demand, on June 14, 2024. The line of credit is collateralized by the Organizations' investment portfolio. The balance outstanding as of December 31, 2023 totaled \$559,948.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Notes to Combined Financial Statements

Note 10. Related-Party Transactions

Goodwill intends to apply for participation in Student Financial Aid under the Title IV programs administered by U.S. Department of Education (ED) pursuant to the Higher Education Act of 1965, as amended (HEA). Goodwill must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the financial statements. This information is required by ED and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

There were no related party transactions for the year ended December 31, 2023.

Note 11. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 25, 2024, and determined that the following event occurred that requires disclosure:

Goodwill entered into a new market tax credit loan with Capital One Bank, AMCREF Capital, and River Gorge Capital on June 5, 2024. Goodwill established a new entity, Goodwill East Building, Inc. as a result of the transaction. All transactions related to the new market tax credit loan will flow through this new organization. Goodwill East Building, Inc. will be included in the Organizations combined financials for 2024.

No other subsequent events occurring after June 25, 2024 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combining Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)**

Schedule I

	Goodwill	Goodworks	Elimination	2023	2022
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 3,587,117	\$ 415,268	\$ -	\$ 4,002,385	\$ 7,807,772
Accounts Receivable, Net	2,059,087	1,443,767	-	3,502,854	3,751,160
Accrued Interest Receivable	20,890	-	-	20,890	42,475
Merchandise Inventory	2,029,363	-	-	2,029,363	1,644,641
Due from Related Parties	-	3,513,363	(3,513,363)	-	-
Prepaid Expenses and Other	241,200	-	-	241,200	486,716
Total Current Assets	7,937,657	5,372,398	(3,513,363)	9,796,692	13,732,764
Property and Equipment					
Land	2,641,448	-	-	2,641,448	2,641,448
Building and Building Improvements	17,931,838	135,832	-	18,067,670	16,510,442
Machinery and Equipment	889,510	1,642,808	-	2,532,318	2,233,307
Furniture and Fixtures	2,890,244	-	-	2,890,244	2,752,339
Automobiles and Trucks	1,787,117	441,354	-	2,228,471	2,048,876
Leasehold Improvements	5,818,434	-	-	5,818,434	4,376,611
Computer Equipment	1,864,670	5,146	-	1,869,816	1,279,522
Construction In Progress	7,362,879	-	-	7,362,879	1,024,373
Condo - Timeshare	156,765	-	-	156,765	34,995
Capitalized Interest	-	-	-	-	121,770
	41,342,905	2,225,140	-	43,568,045	33,023,683
Less: Accumulated Depreciation	16,290,603	1,688,820	-	17,979,423	16,224,642
Property and Equipment, Net	25,052,302	536,320	-	25,588,622	16,799,041
Investments and Other Assets					
Investments and Assets Limited as to Use	7,765,175	-	-	7,765,175	13,776,002
Right-of-Use Assets, Operating Leases	29,012,187	-	-	29,012,187	31,194,734
Deposits	188,200	-	-	188,200	235,869
Total Other Assets	36,965,562	-	-	36,965,562	45,206,605
Total Investment and Assets	\$ 69,955,521	\$ 5,908,718	\$ (3,513,363)	\$ 72,350,876	\$ 75,738,410

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combining Statement of Financial Position (Continued)
December 31, 2023
(With Comparative Totals for 2022)**

Schedule I

	Goodwill	Goodworks	Elimination	2023	2022
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 604,975	\$ 73,577	\$ -	\$ 678,552	\$ 1,171,626
Accrued Expenses and Taxes	1,357,385	193,516	-	1,550,901	1,855,837
Deferred Revenue	83,317	-	-	83,317	118,790
Line of Credit	559,948	-	-	559,948	-
Operating Lease Liabilities, Current Portion	2,796,870	-	-	2,796,870	2,794,665
Due to Related Parties	3,513,363	-	(3,513,363)	-	-
Total Current Liabilities	8,915,858	267,093	(3,513,363)	5,669,588	5,940,918
Long-Term Liabilities					
Operating Lease Liabilities, Net of Current Portion	26,490,157	-	-	26,490,157	28,581,403
Deferred Compensation	175,942	-	-	175,942	147,187
Total Long-Term Liabilities	26,666,099	-	-	26,666,099	28,728,590
Total Liabilities	35,581,957	267,093	(3,513,363)	32,335,687	34,669,508
Net Assets					
Without Donor Restrictions	34,373,564	5,641,625	-	40,015,189	41,068,902
Total Net Assets	34,373,564	5,641,625	-	40,015,189	41,068,902
Total Liabilities and Net Assets	\$ 69,955,521	\$ 5,908,718	\$ (3,513,363)	\$ 72,350,876	\$ 75,738,410

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
Combining Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

Schedule II

	Goodwill Without Donor Restrictions	Goodworks Without Donor Restrictions	Elimination	2023	2022
Sales Revenue					
Retail Stores	\$ 27,665,630	\$ -	\$ -	\$ 27,665,630	\$ 27,834,687
Contributed Revenue - Donated Goods	11,665,335	-	-	11,665,335	10,953,326
Salvage and Recycling	2,253,748	-	-	2,253,748	2,544,500
Total	41,584,713	-	-	41,584,713	41,332,513
Vocational Training Revenue					
Janitorial, Landscaping, Switchboard Operations, and Mail Delivery	3,893,410	5,571,513	-	9,464,923	8,606,734
Total	3,893,410	5,571,513	-	9,464,923	8,606,734
Other Sources of Income					
Federal Financial Assistance	2,493,510	-	-	2,493,510	2,117,245
Other Grant Income	957,207	-	-	957,207	1,441,114
Investment Gain (Loss), Net	777,268	-	-	777,268	(1,359,766)
State Sales Tax Exclusion	1,181,170	-	-	1,181,170	1,120,512
Administrative Fee Income	699,620	-	(699,620)	-	-
Louisiana Rehabilitation Service	160,166	-	-	160,166	147,469
Contributions	209,010	-	-	209,010	213,715
Gain on Disposal of Assets	5,501	22,408	-	27,909	30,684
Rent	-	-	-	-	475,023
Miscellaneous	415,498	4,360	-	419,858	363,760
Total	6,898,950	26,768	(699,620)	6,226,098	4,549,756
Total Revenue and Other Income, Net	52,377,073	5,598,281	(699,620)	57,275,734	54,489,003
Expenses					
Program Services					
Retail	25,019,196	-	11,489,867	36,509,063	35,297,087
Employment Service Contracts	4,763,575	4,774,768	(36,605)	9,501,738	8,786,389
Workforce	6,584,837	-	(504,811)	6,080,026	5,701,638
Total Program Services	36,367,608	4,774,768	10,948,451	52,090,827	49,785,114
Support Services					
Management and General	17,134,446	752,245	(11,648,071)	6,238,620	6,068,612
Total Support Services	17,134,446	752,245	(11,648,071)	6,238,620	6,068,612
Total Expenses	53,502,054	5,527,013	(699,620)	58,329,447	55,853,726
Change in Net Assets	(1,124,981)	71,268	-	(1,053,713)	(1,364,723)
Net Assets, Beginning of Year	35,498,545	5,570,357	-	41,068,902	42,433,625
Net Assets, End of Year	\$ 34,373,564	\$ 5,641,625	\$ -	\$ 40,015,189	\$ 41,068,902

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combining Statement of Functional Expenses
For the Year Ended December 31, 2023**

Schedule III

	Goodwill					Goodworks		
	Program Services			Support Services		Program Services	Support Services	
	Employment Service Contracts	Workforce	Management and General	Total	Employment Service Contracts	Management and General	Total	
Operating Expense								
Salaries, Wages, Taxes, and Benefits	\$ 13,072,108	\$ 3,898,872	\$ 4,042,407	\$ 3,010,459	\$ 24,023,846	\$ 3,560,795	\$ -	\$ 3,560,795
Cost of Goods Sold	717,364	-	-	11,581,674	12,299,038	-	-	-
Occupancy Cost	5,912,425	44,205	556,377	657,514	7,170,521	4,226	-	4,226
Repairs and General Maintenance	388,097	3,828	28,767	18,093	438,785	8,269	-	8,269
Supplies and Materials	523,117	439,108	127,734	59,687	1,149,646	213,454	-	213,454
Waste Disposal	1,023,819	-	12,651	-	1,036,470	9,325	-	9,325
Training and Support Service	159	5,271	717,025	27,062	749,517	100	-	100
Outreach and Marketing	32,570	-	17,900	373,003	423,473	-	-	-
Conference and Travel	65,857	10,824	118,925	126,493	322,099	1,396	-	1,396
Communication	442,242	28,977	258,327	100,778	830,324	29,948	-	29,948
Equipment and Vehicle Cost	437,463	166,966	42,073	144,636	791,138	296,906	-	296,906
Insurance	721,889	105,410	112,210	79,241	1,018,750	84,706	-	84,706
Professional Fees and Dues	198,746	350	300,915	559,717	1,059,728	344,274	44,120	388,394
Administrative and Other	444,428	2,745	4,875	262,234	714,282	5,758	708,125	713,883
	23,980,284	4,706,556	6,340,186	17,000,591	52,027,617	4,559,157	752,245	5,311,402
Depreciation and Amortization								
Depreciation and Amortization	1,038,912	57,019	244,651	133,855	1,474,437	215,611	-	215,611
	1,038,912	57,019	244,651	133,855	1,474,437	215,611	-	215,611
Total	\$ 25,019,196	\$ 4,763,575	\$ 6,584,837	\$ 17,134,446	\$ 53,502,054	\$ 4,774,768	\$ 752,245	\$ 5,527,013

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Combining Statement of Functional Expenses (Continued)
For the Year Ended December 31, 2023**

Schedule III

	Elimination					Combined Total				
	Program Services		Support Services			Program Services			Support Services	
	Employment Service		Workforce	Management and General	Total	Employment Service		Workforce	Management and General	Total
	Retail	Contracts				Retail	Contracts			
Operating Expense										
Salaries, Wages, Taxes, and Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,072,108	\$ 7,459,667	\$ 4,042,407	\$ 3,010,459	\$ 27,584,641
Cost of Goods Sold	11,581,674	-	-	(11,581,674)	-	12,299,038	-	-	-	12,299,038
Occupancy Cost	(91,807)	(36,605)	(504,811)	633,223	-	5,820,618	11,826	51,566	1,290,737	7,174,747
Repairs and General Maintenance	-	-	-	-	-	388,097	12,097	28,767	18,093	447,054
Supplies and Materials	-	-	-	-	-	523,117	652,562	127,734	59,687	1,363,100
Waste Disposal	-	-	-	-	-	1,023,819	9,325	12,651	-	1,045,795
Training and Support Service	-	-	-	-	-	159	5,371	717,025	27,062	749,617
Outreach and Marketing	-	-	-	-	-	32,570	-	17,900	373,003	423,473
Conference and Travel	-	-	-	-	-	65,857	12,220	118,925	126,493	323,495
Communication	-	-	-	-	-	442,242	58,925	258,327	100,778	860,272
Equipment and Vehicle Cost	-	-	-	-	-	437,463	463,872	42,073	144,636	1,088,044
Insurance	-	-	-	-	-	721,889	190,116	112,210	79,241	1,103,456
Professional Fees and Dues	-	-	-	-	-	198,746	344,624	300,915	603,837	1,448,122
Administrative and Other	-	-	-	(699,620)	(699,620)	444,428	8,503	4,875	270,739	728,545
	11,489,867	(36,605)	(504,811)	(11,648,071)	(699,620)	35,470,151	9,229,108	5,835,375	6,104,765	56,639,399
Depreciation and Amortization										
Depreciation and Amortization	-	-	-	-	-	1,038,912	272,630	244,651	133,855	1,690,048
	-	-	-	-	-	1,038,912	272,630	244,651	133,855	1,690,048
Total	\$ 11,489,867	\$ (36,605)	\$ (504,811)	\$ (11,648,071)	\$ (699,620)	\$ 36,509,063	\$ 9,501,738	\$ 6,080,026	\$ 6,238,620	\$ 58,329,447

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**

Schedule IV

**Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended December 31, 2023**

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement or local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head

Jodee Daroca, President and CEO

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Conference Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees & Dues	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

*No amount of public funds was used to pay for the salary and benefits of the Agency Head during the year ended December 31, 2023. As such, all amounts presented on this schedule are reported as \$-0-.

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Composite Score Calculation
For the Year Ended December 31, 2023**

Schedule V

Composite Score Calculation				Ratio	Calculated Strength Factor Score	Final Strength Factor Score	Weighted Score	
Primary Reserve Ratio	=	<u>Expendable Net Assets</u>	\$ 14,426,567	0.2473	10 x Primary Reserve Ratio	2.4730	40%	0.9892
		Total Expenses	\$ 58,329,447					
Equity Ratio	=	<u>Modified Net Assets</u>	\$ 40,015,189	0.5531	6 x Equity Ratio	3.0000	40%	1.2000
		Modified Assets	\$ 72,350,876					
Net Income Ratio	=	<u>Change in Net Assets Without Donor Restrictions</u>	\$ (1,053,713)	(0.0184)	1 + (50 x Net Income Ratio)	-1.9200	20%	-0.3840
		Total Revenue Without Donor Restrictions	\$ 57,275,734					
							Composite Score	1.8052

Notes to Schedule V:

As required by the Council on Education Policies and Standards, the composite score calculated above using the formula approved by the U.S. Department of Education is included along with the Goodwill Technical College revenue and expenses at Schedule VI. A score greater than or equal to 1.5 indicated the institution is considered financially responsible.

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Composite Score Calculation (Continued)
For the Year Ended December 31, 2023**

Schedule V

Primary Reserve Ratio				
Lines		Expendable Net Assets		
33	Combined Statement of Financial Position - Without Donor Restrictions	Net Assets w/without donor restrictions		40,015,189
17	Combined Statement of Financial Position - Property and Equipment, Net	Property, plant, and equipment, net (includes Construction in progress and Capital leases)	25,588,622	
7,8,9,10,11,12,13,15	Combined Statement of Financial Position - Property and Equipment, Net	Property, plant, and equipment - post-implementation w/without outstanding debt for original purchase		18,225,743
14	Combined Statement of Financial Position - Property and Equipment	Construction in progress		7,362,879
19	Combined Statement of Financial Position - Right-of-Use Assets, Operating Leases	Lease right-of-use, net	29,012,187	
9	Combined Statement of Financial Position - Right-of-Use Assets, Operating Leases	Lease right-of-use, post-implementation		29,012,187
27,29	Combined Statement of Financial Position, Operating Lease Liabilities, Current Portion and Operating Lease Liabilities, Net of Current Portion	Lease right-of-use asset liability	29,287,027	
27,29	Combined Statement of Financial Position, Operating Lease Liabilities, Current Portion and Operating Lease Liabilities, Net of Current Portion	Post-implementation right-of-use leases liabilities		29,287,027
		Total Expenses and Losses		
23	Combined Statement of Activities and Changes in Net Assets, Total Expenses	Total Expenses and Losses without donor restrictions	58,329,447	

Equity Ratio				
Lines		Modified Net Assets		
33	Combined Statement of Financial Position - Without Donor Restrictions	Net Assets w/without donor restrictions		40,015,189
19	Combined Statement of Financial Position - Right-of-Use Assets, Operating Leases	Lease right-of-use, post-implementation		29,012,187
27,29	Combined Statement of Financial Position, Operating Lease Liabilities, Current Portion and Operating Lease Liabilities, Net of Current Portion	Post-implementation right-of-use leases liabilities		29,287,027
		Modified Assets		
22	Combined Statement of Financial Position, Total Assets	Total Assets		72,350,876
19	Combined Statement of Financial Position - Right-of-Use Assets, Operating Leases	Lease right-of-use, post-implementation		29,012,187

Net Income Ratio				
Lines		Modified Net Assets		
24	Combined Statement of Activities and Changes in Net Assets, Change in Net Assets	Change in Net Assets Without Donor Restrictions		(1,053,713)
16	Combined Statement of Activities and Changes in Net Assets, Total Revenue and Other Income, Net	Total Revenues and Gains without donor Restrictions		57,275,734

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN
LOUISIANA, INC. AND GOODWORKS, INC.
Composite Score Calculation
Combined Statement of Financial Position
For the Year Ended December 31, 2023**

Schedule V (Continued)

Assets		
Current Assets		
1	Cash and Cash Equivalents	\$ 4,002,385
2	Accounts Receivable, Net	3,502,854
3	Accrued Interest Receivable	20,890
4	Merchandise Inventory	2,029,363
5	Prepaid Expenses and Other	<u>241,200</u>
6	Total Current Assets	<u>9,796,692</u>
Property and Equipment		
7	Land	2,641,448
8	Building and Building Improvements	18,067,670
9	Machinery and Equipment	2,532,318
10	Furniture and Fixtures	2,890,244
11	Automobiles and Trucks	2,228,471
12	Leasehold Improvements	5,818,434
13	Computer Equipment	1,869,816
14	Construction in Progress	7,362,879
15	Condo - Timeshare	<u>156,765</u>
		43,568,045
16	Less: Accumulated Depreciation	<u>17,979,423</u>
17	Property and Equipment, Net	<u>25,588,622</u>
Investment and Other Assets		
18	Investments and Assets Limited as to Use	7,765,175
19	Right-of-Use Assets, Operating Leases	29,012,187
20	Deposits	<u>188,200</u>
21	Total Investment and Other Assets	<u>36,965,562</u>
22	Total Assets	<u><u>\$ 72,350,876</u></u>

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN
LOUISIANA, INC. AND GOODWORKS, INC.**
Composite Score Calculation
Combined Statement of Financial Position (Continued)
For the Year Ended December 31, 2023

Schedule V (Continued)

Liabilities and Net Assets		
Current Liabilities		
23	Accounts Payable	\$ 678,552
24	Accrued Expenses and Taxes	1,550,901
25	Deferred Revenue	83,317
26	Line of Credit	559,948
27	Operating Lease Liabilities, Current Portion	<u>2,796,870</u>
28	Total Current Liabilities	<u>5,669,588</u>
Long-Term Liabilities		
29	Operating Lease Liabilities, Net of Current Portion	26,490,157
30	Deferred Compensation	<u>175,942</u>
31	Total Long-Term Liabilities	<u>26,666,099</u>
32	Total Liabilities	<u>32,335,687</u>
Net Assets		
33	Without Donor Restrictions	<u>40,015,189</u>
34	Total Net Assets	<u>40,015,189</u>
35	Total Liabilities and Net Assets	<u><u>\$ 72,350,876</u></u>

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN
LOUISIANA, INC. AND GOODWORKS, INC.**

Schedule V (Continued)

Composite Score Calculation

**Combined Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023**

	Without Donor Restrictions
Sales Revenue	
1 Retail Stores	\$ 27,665,630
2 Contributed Revenue - Donated Goods	11,665,335
3 Salvage and Recycling	<u>2,253,748</u>
4 Total	<u>41,584,713</u>
Vocational Training Revenue	
5 Janitorial, Landscaping, Switchboard Operations, and Mail Delivery	<u>9,464,923</u>
6 Total	<u>9,464,923</u>
Other Sources of Income	
7 Federal Financial Assistance	2,493,510
8 Other Grant Income	957,207
9 Investment Gain, Net	777,268
10 State Sales Tax Exclusion	1,181,170
11 Louisiana Rehabilitation Service	160,166
12 Contributions	209,010
13 Gain on Disposal of Assets	27,909
14 Miscellaneous	<u>419,858</u>
15 Total	<u>6,226,098</u>
16 Total Revenue and Other Income, Net	<u>57,275,734</u>
Expenses	
17 Program Services	
18 Retail	36,509,063
19 Employment Service Contracts	9,501,738
20 Workforce	<u>6,080,026</u>
21 Total Program Services	52,090,827
22 Management and General	<u>6,238,620</u>
23 Total Expenses	<u>58,329,447</u>
24 Change in Net Assets	(1,053,713)
25 Net Assets, Beginning of Year	<u>41,068,902</u>
26 Net Assets, End of Year	<u>\$ 40,015,189</u>

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
Goodwill Technical College Revenue and Expenses
For the Year Ended December 31, 2023

Schedule VI

Revenue	
Grant Revenue	\$ 351,076
Tuition Revenue	23,999
Contract Revenue	50,000
Goodwill Supporting Grant	303,957
	<hr/>
Total Revenue	729,032
	<hr/>
Operating Expense	
Salaries and Wages	499,685
Taxes and Benefits	275,231
	<hr/>
Salaries, Wages, and Benefits	774,916
	<hr/>
Occupancy Cost	96,746
Supplies and Material	74,683
Training and Supportive Service	48,644
Outreach and Marketing	15,579
Waste Disposal	7,373
Conference and Travel	11,217
Communication	86,427
Equipment and Vehicle Cost	7,079
Repairs and General Maintenance	19,026
Insurance	29,449
Professional Fees and Dues	12,977
Administrative and Other	299
	<hr/>
Total Operating Expense	1,184,415
	<hr/>
Depreciation	
Depreciation	106,760
	<hr/>
Total Depreciation	106,760
	<hr/>
Total Expense	1,291,175
	<hr/>
Net Loss	\$ (562,143)
	<hr/> <hr/>

See independent auditor's report.

UNIFORM GUIDANCE SECTION

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

FEDERAL GRANTOR/ PASS-THROUGH AGENCY/ PROGRAM TITLE	Federal Assistance Listing Number	Program Name	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development					
Passed through Unity of Greater New Orleans					
Continuum of Care Program	14.267	Unity - Home at Last	LA0260L6H032208	\$ -	\$ 334,345
Continuum of Care Program	14.267	Rapid Rehousing	LA0279L6H032206	-	277,562
Total U.S. Department of Housing and Urban Development				-	611,907
U.S. Department of Justice					
Direct Award					
Second Chance Act Re-entry Initiative	16.812	Goodwill Re-Integration Program (GRIP)	2020-CY-BX-0044	-	147,553
Total U.S. Department of Justice				-	147,553
U.S. Department of Labor					
Direct Award					
Re-entry Employment Opportunities	17.270	Pathway Home	PE-35027-20-60-A-22	-	748,454
Total U.S. Department of Labor				-	748,454
U.S. Department of Agriculture					
Snap Cluster					
Passed through Department of Children and Family Services					
State Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561	GWTC SNAP	2000704302	-	457,510
Total Snap Cluster				-	457,510
Total U.S. Department of Agriculture				-	457,510
Passed through State of Louisiana Department of Children and Family Services					
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Aging Out of Foster Care (Lafourche, Houma)	2000225044	-	135,315
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Aging Out of Foster Care (Orleans, Jefferson)	2000225203	-	204,895
Child Support Enforcement	93.563	Aging Out of Foster Care (Orleans, Jefferson)	2101LACSES	-	187,876
Total U.S. Department of Health and Human Services				-	528,086
Total Expenditures of Federal Awards				\$ -	\$ 2,493,510

See accompanying notes to schedule of expenditures of federal awards.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.**
**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill) under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Goodwill, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Goodwill.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Goodwill has elected to use the 10 percent de minimis indirect cost rate.

**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**

Independent Auditor's Report

To the Board of Directors
Goodwill Industries of Southeastern
Louisiana, Inc. and Goodworks, Inc.

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 Southeastern Louisiana, Inc. and Goodworks, Inc. (the Organizations) which comprise the combined statement of financial position as of December 31, 2023, the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organizations' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 25, 2024

**REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
Goodwill Industries of Southeastern
Louisiana, Inc. and Goodworks, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc.'s (the Organizations) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organizations' major federal program for the year ended December 31, 2023. The Organizations' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organizations complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibility under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organizations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts, or grant agreements applicable to the Organizations' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organizations' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organizations' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organizations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organizations' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 25, 2024

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)?	No
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material Weakness(es) identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness(es)?	None Reported
Type of Auditor's Report Issued on Compliance for Major Federal Programs:	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs:

<u>Title</u>	<u>AL Number</u>
Re-Entry Employment Opportunities	17.270

Dollar Threshold used to Determine Type A Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee?	Yes

Part II - Schedule of Financial Statement Findings Section

No findings were noted.

Part III - Federal Awards Findings and Questioned Costs Section

No findings were noted.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
AND GOODWORKS, INC.
Schedule of Prior Audit Findings
For the Year Ended December 31, 2023**

None Noted.

AGREED-UPON PROCEDURES REPORT

Goodwill Industries of Southeastern
Louisiana, Inc. and Goodworks, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2023 - December 31, 2023

To the Board Members of
Goodwill Industries of Southeastern
Louisiana, Inc. and Goodworks, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023 through December 31, 2023. Goodwill Industries of Southeastern Louisiana, Inc.'s and Goodworks, Inc.'s (the Organizations) management is responsible for those C/C areas identified in the SAUPs.

The Organizations have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **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.
 - iii. **Disbursements**, including processing, reviewing, and approving.

- iv. **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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase 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).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology 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.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: We reviewed the Organizations' policies and procedures, and noted that because the Organizations' are not governmental entities, not all of the preceding attributes are applicable. For each attribute that was applicable, the required elements were included.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were identified as a result of performing these procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were identified as a result of performing these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were identified as a result of performing these procedures.

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

- A. 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).
- B. For each location selected under procedure #5A 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, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. 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;
 - iv. 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; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A 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:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

Results: No exceptions were identified as a result of performing these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.
- B. 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:
 - i. Observe whether 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) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #7B 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 (e.g., each card should have 10 transactions subject to inspection). 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 observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were identified as a result of performing these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were identified as a result of performing these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were identified as a result of performing these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were identified as a result of performing these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were identified as a result of performing these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Not applicable.

We were engaged by Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Goodwill Industries of Southeastern Louisiana, Inc. and Goodworks, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
June 25, 2024