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**GOODWILL INDUSTRIES OF
ACADIANA, INC.**

Financial Report

Years Ended December 31, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entities and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 19 2000

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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Goodwill Industries of Acadiana, Inc.
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We have audited the accompanying statements of financial position of Goodwill Industries of Acadiana, Inc. (a nonprofit organization), as of December 31, 1999 and 1998, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Goodwill's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Acadiana, Inc. as of December 31, 1999 and 1998, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 11, 2000, on our consideration of Goodwill Industries of Acadiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Member of
American Institute of
Certified Public Accountants
and
National Society of Professional
Certified Public Accountants

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Goodwill Industries of Acadiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

May 11, 2000

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements of Financial Position
December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 105,246	\$ 102,835
Accounts receivable	390,108	241,125
Grant receivable	1,152,687	1,663,999
Other receivables	65,052	55,848
Prepaid expenses	124,975	29,349
Note receivable - current portion	<u> -</u>	<u> 3,000</u>
Total current assets	<u>1,838,068</u>	<u>2,096,156</u>
LAND, BUILDING AND EQUIPMENT, net	<u>3,189,732</u>	<u>2,707,890</u>
OTHER ASSETS		
Notes receivable, less current portion	17,674	16,455
Deposits	<u>19,200</u>	<u> 8,200</u>
	<u>36,874</u>	<u>24,655</u>
 TOTAL ASSETS	 <u>\$ 5,064,674</u>	 <u>\$ 4,828,701</u>

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

LIABILITIES AND NET ASSETS	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Accounts payable	\$ 259,381	\$ 203,253
Payroll and related liabilities	153,667	85,690
Accrued expenses	108,979	26,288
Other liabilities	44,603	82,021
Notes payable	88,852	293,580
Current portion of capital lease obligations	25,884	20,026
Current maturities of long-term debt	<u>39,295</u>	<u>55,553</u>
Total current liabilities	<u>720,661</u>	<u>766,411</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	786,326	507,348
Capital lease obligations, less current portion	<u>9,780</u>	<u>25,372</u>
	<u>796,106</u>	<u>532,720</u>
NET ASSETS		
Unrestricted	2,395,220	1,865,571
Temporarily restricted	<u>1,152,687</u>	<u>1,663,999</u>
	<u>3,547,907</u>	<u>3,529,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,064,674</u>	<u>\$ 4,828,701</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements of Activities
Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
UNRESTRICTED NET ASSETS		
Support:		
Contributions	\$ <u>3,984</u>	\$ <u>7,038</u>
Revenue:		
Contracts	169,043	167,696
Contributed goods production	1,514,323	1,383,486
Evaluation and training services	2,194,797	859,866
Interest revenue	1,563	873
In-kind revenue	44,081	22,126
Miscellaneous	<u>15,434</u>	<u>58,420</u>
	<u>3,939,241</u>	<u>2,492,467</u>
Net asset released from restrictions	<u>511,312</u>	<u>995,851</u>
Total support, revenue, and net assets released from restrictions	<u>4,454,537</u>	<u>3,495,356</u>
Expenses:		
Contracts	136,115	172,108
Contributed goods production	1,044,478	1,073,778
Evaluation and training services	2,347,276	1,073,892
Support services - Administration	<u>397,019</u>	<u>310,385</u>
	<u>3,924,888</u>	<u>2,630,163</u>
Increase in unrestricted net assets	<u>529,649</u>	<u>865,193</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(511,312)</u>	<u>(995,851)</u>
Decrease in temporarily restricted assets	<u>(511,312)</u>	<u>(995,851)</u>
Increase (decrease) in net assets	18,337	(130,658)
NET ASSETS, beginning	<u>3,529,570</u>	<u>3,660,228</u>
NET ASSETS, ending	<u>\$ 3,547,907</u>	<u>\$ 3,529,570</u>

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

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements of Cash Flows
Years Ended December 31, 1999 and 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 18,337	\$ (130,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	120,978	110,879
Gain on sale of assets	(500)	-
(Increase) decrease in operating assets -		
Accounts receivable	(148,983)	(129,855)
Grant receivable	511,312	987,145
Prepaid expenses	(95,626)	(4,045)
Other receivable	(9,204)	(35,970)
Increase (decrease) in operating liabilities -		
Accounts payable	56,127	179,494
Payroll and related liabilities	67,977	31,927
Accrued expenses	82,691	2,855
Deferred revenue	-	(1,500)
Other liabilities	(37,418)	(21,666)
Deposits	(11,000)	-
Net cash provided by operating activities	554,691	988,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(602,819)	(1,137,522)
Loans made	(1,219)	(6,455)
Proceeds from sale of fixed assets	500	-
Proceeds from repayment of note receivable	3,000	1,000
Net cash used by investing activities	(600,538)	(1,142,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from short term borrowing	88,852	97,984
Repayment of long-term debt	(58,949)	(50,037)
Repayment of capital lease obligations	(21,753)	(9,267)
Proceeds from long-term debt	28,089	24,908
Proceeds from capital lease obligations	12,019	54,665
Net cash provided by financing activities	48,258	118,253
Net increase (decrease) in cash and cash equivalents	2,411	(36,118)
BEGINNING CASH AND CASH EQUIVALENTS	102,835	138,953
ENDING CASH AND CASH EQUIVALENTS	\$ 105,246	\$ 102,835
Supplemental information:		
Interest paid	\$ 95,456	\$ 83,309

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

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements Of Functional Expenses
Years Ended December 31, 1999 and 1998

	Lawn Maintenance Contract	Contributed Goods Production		
		Retail	Salvage/ Transportation	Total
PAYROLL AND RELATED EXPENSES				
Salaries and wages	\$ 80,045	\$ 437,027	\$ 64,513	\$ 501,540
Payroll taxes and insurance	<u>6,838</u>	<u>36,347</u>	<u>5,302</u>	<u>41,649</u>
	<u>86,883</u>	<u>473,374</u>	<u>69,815</u>	<u>543,189</u>
OTHER EXPENSES				
Material purchases	-	24,790	-	24,790
Repairs and maintenance	12,716	27,512	7,152	34,664
Supplies	4,818	24,462	5,331	29,793
Professional fees and contracted services	5,709	85,320	13,789	99,109
Promotion and entertainment	-	-	-	-
Telephone	216	16,076	1,752	17,828
Utilities	466	28,295	8,063	36,358
Rent	12	43,745	618	44,363
Travel and agency	4,607	1,596	3,472	5,068
Janitorial expense	-	13,051	-	13,051
Dues, subscriptions and licenses	301	180	68	248
Conferences and seminars	-	-	-	-
Interest	702	35,017	13,171	48,188
Office and miscellaneous	360	14,864	30	14,894
Insurance	13,207	28,635	13,371	42,006
Advertising	37	2,107	-	2,107
Bad debt	-	-	-	-
Donation of goods	-	17,682	-	17,682
In-kind expense	-	-	-	-
Allocated administration costs	-	-	-	-
Total other expenses	<u>43,151</u>	<u>363,332</u>	<u>66,817</u>	<u>430,149</u>
Total expenses before depreciation and amortization	130,034	836,706	136,632	973,338
DEPRECIATION AND AMORTIZATION	<u>6,081</u>	<u>59,868</u>	<u>11,272</u>	<u>71,140</u>
TOTAL EXPENSES	<u>\$ 136,115</u>	<u>\$ 896,574</u>	<u>\$ 147,904</u>	<u>\$ 1,044,478</u>

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

Evaluation, Training and Rehabilitation	Administration	Totals	
		1999	1998
\$ 1,524,895	\$ 277,152	\$ 2,383,632	\$ 1,474,833
<u>123,641</u>	<u>24,743</u>	<u>196,871</u>	<u>121,866</u>
<u>1,648,536</u>	<u>301,895</u>	<u>2,580,503</u>	<u>1,596,699</u>
-	-	24,790	38,689
6,772	7,175	61,327	41,661
47,475	7,855	89,941	61,399
7,443	42,710	154,971	82,944
264	105	369	8,221
54,104	22,206	94,354	64,782
3,975	653	41,452	42,377
41,122	3,980	89,477	50,708
151,674	17,999	179,348	91,853
246	1,759	15,056	20,894
2,979	33,440	36,968	37,197
17,231	3,868	21,099	13,909
8,449	37,802	95,141	86,214
17,939	28,412	61,605	45,306
20,479	107,666	183,358	158,440
4,543	5,501	12,188	24,462
-	200	200	16,628
-	-	17,682	14,775
44,081	-	44,081	22,126
<u>245,437</u>	<u>(245,437)</u>	<u>-</u>	<u>-</u>
<u>674,213</u>	<u>75,894</u>	<u>1,223,407</u>	<u>922,585</u>
2,322,749	377,789	3,803,910	2,519,284
<u>24,527</u>	<u>19,230</u>	<u>120,978</u>	<u>110,879</u>
<u>\$ 2,347,276</u>	<u>\$ 397,019</u>	<u>\$ 3,924,888</u>	<u>\$ 2,630,163</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statement presentation follows the recommendations of the America Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations.

Business

Goodwill Industries of Acadiana, Inc. (Goodwill) is a not-for-profit charitable organization. Goodwill provides rehabilitation services, training and employment for the handicapped, disabled and disadvantaged of the Acadiana area by receiving contributions of discarded articles of clothing, furnishings, appliances, etc., which are processed and reconditioned for sale through their retail outlet. Directors of Goodwill receive no compensation of any kind.

Inventories

Purchased inventories of saleable goods are stated at cost. It is management's practice not to inventory contributed items.

Land, Building and Equipment

Land, building and equipment are recorded at cost. Assets are depreciated by the straight-line method over their useful lives as follows:

Buildings and improvements	25 - 40 years
Equipment, furniture and autos	5 - 7 years

Income Taxes

Goodwill qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore has no provision for federal income taxes. In addition, Goodwill has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 1999 and 1998.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Goodwill also elected to adopt SFAS No. 116 "Accounting for Contributions Received and Contributions Made," in 1995. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Bad Debts

Goodwill accounts for bad debts using the direct write-off method. Expense is recognized during the period in which a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Vacation and Sick Leave

Vacation is earned after one year of employment and is calculated based on a calendar year. Any current unused vacation can be carried over for use in the case of an extended illness. Upon separation, employees will be compensated for any unused vacation generated in the current year. However, extended illness leave will not be paid.

Sick leave with pay is earned at a rate of 40 hours per calendar year, commencing 90 days after employment. Sick leave may be accumulated only for use in an extended illness. No sick leave is payable to an employee upon separation.

Accordingly, no accruals have been made for vacation or sick leave.

Advertising

Advertising costs are charged to operations when incurred. Advertising expenses for the years ended December 31, 1999 and 1998 was \$12,188 and \$24,462, respectively.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 2 LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following:

	1999	1998
Land	\$ 1,246,514	\$ 1,246,514
Buildings and improvements	1,974,762	1,419,464
Equipment, furniture and autos	654,218	623,778
Equipment held under capital lease	<u>66,684</u>	<u>54,665</u>
	3,942,178	3,344,421
Less: Accumulated depreciation and amortization	<u>752,446</u>	<u>636,531</u>
	<u>\$ 3,189,732</u>	<u>\$ 2,707,890</u>

NOTE 3 EQUIPMENT USED BUT NOT OWNED

Certain equipment totaling \$6,766 is used by Goodwill in connection with its JTPA Program, however, this equipment is purchased and owned by JTPA and will be returned to JTPA upon the termination of the program.

NOTE 4 NOTES PAYABLE

Short term notes payable consist of the following:

	1999	1998
* Line of credit with Hibernia National Bank, due on demand, bearing interest at 11 percent per annum, secured by accounts receivable	\$ -	\$ 248,223
* Line of credit with Bank One, due on demand, bearing interest at a variable rate 9.25 percent at December 31, 1998, secured by accounts receivable	-	45,357
Overdraft protection loan advance from Bank One, payable in monthly installments of \$60, unsecured	2,000	-
Note payable to TMC, dated December 30, 1999, payable in 10 monthly installments of \$9,140, bearing interest at 9.384 percent per annum, secured by the unexpired portion of insurance policies	<u>86,852</u>	<u>-</u>
	<u>\$ 88,852</u>	<u>\$ 293,580</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 5	LONG-TERM DEBT	<u>1999</u>	<u>1998</u>
	* Note payable to Hibernia National Bank, due February 29, 2000, payable in 59 monthly installments of \$4,239, including interest at 9.65 percent per annum, and one final payment of \$309,208, secured by collateral mortgage note in the amount of \$526,563	\$ 308,560	\$ 329,635
	Note payable to Hibernia National Bank, due January 6, 2002, payable in 60 monthly installments of \$530, including interest at 9.75 percent per annum, secured by equipment	11,835	16,470
	* Note payable to Bank One, due November 20, 2003, payable in 60 monthly installments of \$2,030, including interest at 8.5 percent per annum, and one final payment of \$122,845, secured by collateral mortgage note in the amount of \$350,000	167,830	178,616
	Note payable to Hibernia National Bank, due February 29, 2000, payable in 60 monthly installments of \$953, including interest at 9.7 percent per annum, secured by collateral mortgage note	2,388	13,015
	Note payable to Hibernia National Bank, due May 31, 1999, payable in 36 monthly installments of \$824, including interest at 8.75 percent per annum, secured by equipment	-	4,779
	Note payable to Hibernia National Bank, due February 11, 2002, payable in 48 monthly installments of \$615, including interest at 8.5 percent per annum, secured by a vehicle	14,540	20,386
	* Line of credit with Hibernia National Bank, due on demand, bearing interest at 11 percent per annum, secured by accounts receivable	247,020	-
	* Line of credit with Bank One, due on demand, bearing interest at a variable rate, 9.25 percent at December 31, 1999, secured by accounts receivable	<u>73,448</u>	<u>-</u>
		825,621	562,901
	Less: Current maturities	<u>39,295</u>	<u>55,553</u>
	Total	<u>\$ 786,326</u>	<u>\$ 507,348</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 5 LONG-TERM DEBT (CONTINUED)

- * Subsequent to the balance sheet date, but before issuance of this report, Goodwill entered into an agreement with Hibernia National Bank to refinance four existing notes with an aggregate balance of \$796,858. Two of these notes, with a balance of \$320,468 at December 31, 1999, are current liabilities under the old financing agreement.

The new financing agreement is a note in the amount of \$800,000, payable in 180 payments \$8,104, including interest at 8.86 percent per annum. Accordingly, this debt will be classified as long-term debt at December 31, 1999.

Maturities of long-term debt are as follows:

2000	\$ 39,295
2001	42,735
2002	34,139
2003	35,536
2004	38,816
Thereafter	<u>635,100</u>
	<u>\$ 825,621</u>

NOTE 6 RELATED PARTY TRANSACTIONS

Goodwill Industries of Acadiana, Inc. is the sponsoring agent of Goodwill Industries of Acadiana Housing Corporation. Goodwill Industries of Acadiana, Inc. pays Goodwill Industries of Acadiana Housing Corporation's salaries, benefits and other expenses and is subsequently reimbursed by Goodwill Industries of Acadiana Housing Corporation. At December 31, 1999 and 1998, there were related party receivables in the amounts of \$19,289 and \$24,769, respectively, due from Goodwill Industries of Acadiana Housing Corporation. Goodwill Industries of Acadiana, Inc. also has a note receivable from Goodwill Industries of Acadiana Housing Corporation at December 31, 1999 and 1998 in the amounts of \$11,306 and \$10,455, respectively; representing money lent to the housing corporation for their escrow deposit with HUD, plus accrued interest.

Goodwill Industries of Acadiana, Inc. is also the sponsoring agent of the Housing Corporation of Acadiana, Inc. located in Rayne, Louisiana. At December 31, 1999 and 1998 Goodwill Industries of Acadiana, Inc. has a note receivable in the amount of \$6,368 and \$6,000, respectively, representing money lent to the housing corporation for their escrow deposit with HUD, plus accrued interest.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 7 OPERATING LEASES

On January 12, 1999 Goodwill entered into a 6 month operating lease with Carline Land Corp. with two, six month renewal options for a building located in Morgan City, Louisiana. Monthly rent is \$325.

On March 15, 1999 Goodwill entered into a one year operating lease with James Pauley with a one year renewal option for a building located in Lake Charles, Louisiana. Monthly rent is \$1,300.

On March 1, 1999 and continuing on a month to month basis, Goodwill entered into an operating lease with Kent Builders, Inc. for a building located in Baton Rouge, Louisiana. Monthly rent is \$350 but will increase as more office space is needed and available.

On October 1, 1999 Goodwill entered into a 1 year operating lease with LJSN Development Co., LLC for a building located in Lafayette, Louisiana. Monthly rent is \$1,100 per month.

In December 1994, Goodwill entered into a five-year non-cancelable operating lease on a building located in Lafayette, Louisiana. Monthly rent was \$3,300. This lease came due in January 2000 and was renewed at a monthly rental of \$3,465 for the period February 16, 2000 through February 15, 2001.

Rent expense for the year associated with these leases was \$63,165.

Future minimum lease payments relating to these leases are as follows:

2000	66,915
2001	9,530

NOTE 8 CAPITAL LEASES

During June 1998, Goodwill acquired surveillance equipment under a non-cancelable capital lease totaling \$38,828. The lease is for three years and expires on March 1, 2001.

In November 1998, Goodwill also acquired three new copiers under a capital lease totaling \$15,837. The lease is for two years and expires November 20, 2000.

In May 1999, Goodwill acquired a copy machine under a capital lease totaling \$7,630. The lease is for three years and expires on May 3, 2002.

In December 1999, Goodwill acquired a copy machine under a capital lease totaling \$4,389. The lease expires on March 6, 2003.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 8 CAPITAL LEASES (CONTINUED)

Amortization of these capital leases included in depreciation expense amounted to \$14,862 for the year ended December 31, 1999.

Future minimum lease payments under these capital leases are as follows:

2000	\$ 28,416
2001	8,249
2002	2,657
2003	<u>408</u>
Total minimum lease payments	39,730
Less: amount representing interest	<u>4,065</u>
Present value of future minimum capital lease payments	<u>\$ 35,665</u>

NOTE 9 CONCENTRATION OF CREDIT RISK

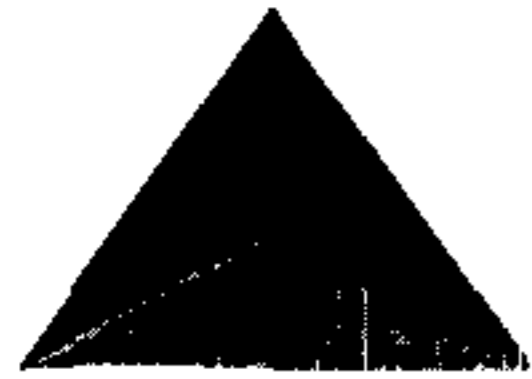
The majority of Goodwill's accounts receivable balance at December 31, 1999 is comprised of amounts due from various state agencies.

NOTE 10 RECLASSIFICATIONS

Certain 1998 amounts have been reclassified to conform with the 1999 classifications. These reclassifications had no effect on reported net income.

SUPPLEMENTAL INFORMATION

**INTERNAL CONTROL, COMPLIANCE AND OTHER
GRANT INFORMATION**



Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Compliance and On Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Eugene H. Darnall, CPA, Retired 1990
 E. Larry Sikes, CPA, CVA
 Danny P. Frederick, CPA
 Clayton D. Darnall, CPA
 Eugene H. Darnall, III, CPA
 Paula D. Bihm, CPA
 Stephanie M. Higginbotham, CPA
 Jennifer S. Ziepler, CPA
 Chris A. Miller, CPA
 John P. Armato, CPA
 Alan M. Taylor, CPA
 Kathleen T. Darnall, CPA
 Stephen R. Dischler, MBA, CPA
 Steven G. Moosa, CPA
 Erich G. Loewer, Jr., CPA
 Erich G. Loewer, III, CPA
 Danny P. Pontiff, CPA
 Tamara T. Landry, CPA
 Carla R. Fontenot, CPA
 Raegan D. Stelly, CPA
 Hilda S. Guidry, CPA
 Julie T. Templett, CPA
 Barbara A. Clark, CPA

The Board of Directors
 Goodwill Industries of Acadiana, Inc.
 Lafayette, Louisiana

Other Locations:

125 Rue Bennepeard
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 337.232.3312

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 Eunice, LA 70535
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1201 Brushear Avenue
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 504.384.6264

404 Pere Mègret
 Ibbeville, LA 70510
 337.893.5470

We have audited the financial statements of Goodwill Industries of Acadiana, Inc. (a nonprofit organization), as of and for the year ended December 31, 1999, and have issued our report thereon dated May 11, 2000. We have conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Goodwill Industries of Acadiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low

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level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than those specific parties.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

May 11, 2000



Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Goodwill Industries of Acadiana, Inc.
Lafayette, Louisiana

Compliance

We have audited the compliance of Goodwill Industries of Acadiana, Inc. (a nonprofit organization), with the type of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended December 31, 1999. Goodwill Industries of Acadiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Goodwill Industries of Acadiana, Inc.'s management. Our responsibility is to express an opinion on Goodwill Industries of Acadiana, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodwill Industries of Acadiana, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Goodwill Industries of Acadiana, Inc.'s compliance with those requirements.

In our opinion, Goodwill Industries of Acadiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999.

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Society of Louisiana
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Internal Control Over Compliance

The management of Goodwill Industries of Acadiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Goodwill Industries of Acadiana, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than those specific parties.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
May 11, 2000

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 1999

Program Title	CFDA Number	Federal CFDA Expenditures	Amounts to Subrecipients
<u>Department of Health & Human Services</u>			
Administration for Children and Families: Welfare Reform Research, Evaluation and National Studies	93.595	\$ 511,311	\$ -
Passed through the Louisiana Department of Social Services, Office of Family Support: Temporary Assistance for Needy Families-Find Work Program	93.558	162,392	-
Passed through the Louisiana Department of Social Services, Office of Community Service: Children's Justice Act Grant	93.643	<u>9,000</u> 682,703	<u>-</u> -
<u>Department of Justice</u>			
Office of Juvenile Justice and Delinquency Prevention: Court Appointed Special Advocate	16.547	32,500	-
<u>Department of Labor</u>			
Employment and Training Administration: Passed through the Private Industry Council of the St. Landry Parish JTPA-Welfare to Work Grant	17.253	177,917	-
<u>Department of Education</u>			
Passed through the Louisiana Department of Education: Program for Infants/Toddlers with Disabilities-Part H-Family Services Coordination	84.181A	<u>464,343</u>	<u>-</u>
		<u>\$ 1,357,463</u>	<u>\$ -</u>

NOTE 1 BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Goodwill Industries of Acadiana, Inc. and is presented on the same basis of accounting as described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

OTHER SUPPLEMENTAL INFORMATION

GOODWILL INDUSTRIES OF ACADIANA, INC.

Departmental Schedule of Revenues and Expenses
Year Ended December 31, 1999

	Lawn Maintenance Contract	Contributed Goods Production		
		Retail	Salvage/ Transportation	Total
REVENUES	\$ 169,043	\$ 1,412,678	\$ 101,645	\$ 1,514,323
EXPENSES	<u>130,034</u>	<u>836,706</u>	<u>136,632</u>	<u>973,338</u>
Income (loss) before depreciation and amortization	39,009	575,972	(34,987)	540,985
DEPRECIATION AND AMORTIZATION	<u>6,081</u>	<u>59,868</u>	<u>11,272</u>	<u>71,140</u>
NET INCOME (LOSS)	<u>\$ 32,928</u>	<u>\$ 516,104</u>	<u>\$ (46,259)</u>	<u>\$ 469,845</u>

See independent auditor's report.

<u>Evaluation, Training and Rehabilitation</u>	<u>Administration</u>	<u>Totals</u>
\$ 2,238,878	\$ 20,981	\$ 3,943,225
<u>2,322,749</u>	<u>377,789</u>	<u>3,803,910</u>
(83,871)	(356,808)	139,315
<u>24,527</u>	<u>19,230</u>	<u>120,978</u>
<u>\$ (108,398)</u>	<u>\$ (376,038)</u>	<u>\$ 18,337</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Summary of Corrective Action Taken on Prior Year Findings
Year Ended December 31, 1999

98-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, Goodwill did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel it may not be feasible to achieve complete segregation of duties.

Follow-up:

An additional employee was hired during the fiscal year ended December 31, 1999 enabling all significant accounting functions to be appropriately segregated, therefore, this finding has been resolved.

98-2 Reconciliation of Subsidiary Ledgers

Finding:

It was noted during the audit that the accounts receivable subsidiary ledger did not reconcile to the general ledger balance at December 31, 1998.

Recommendation:

The subsidiary ledger should be reconciled to the general ledger monthly with any differences investigated and reconciled timely.

Follow-up:

The accounts receivable subsidiary ledger reconciled to the general ledger during the current year audit, therefore, this finding has been resolved.

98-3 Lack of Supporting Documentation

Finding:

While performing procedures during the audit, it was noted that several of the expenditures tested lacked the appropriate supporting documentation.

Recommendation:

Supporting documentation such as check copies, invoices and mileage reports for mileage reimbursement payments must be maintained to support all expenditures incurred.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Summary of Corrective Action Taken on Prior Year Finding
Year Ended December 31, 1999

98-3 Lack of Supporting Documentation (continued)

Follow-up:

During the current year audit all expenditures used had the appropriate supporting documentation, therefore, this finding has been resolved.

98-4 Segregation of Revenues

Finding:

Various types of revenue received throughout the year were not segregated in the general ledger making verification and tracking of the monies extremely difficult.

Recommendation:

Procedures should be implemented to insure that revenue is recorded by funding source or program type in the general ledger. This would allow for better tracking of the various types of revenue received by the Organization.

Follow-up:

During the current year audit it was noted that all the revenue was properly segregated on the general ledger, therefore, this finding has been resolved.

98-5 Lack of Controls over Revenue Billings

Finding:

While performing procedures on accounts receivable there were instances noted where billings for services had never been recorded on the general ledger, as well as instances where certain billings were recorded more than once.

Recommendation:

Procedures need to be put into place in order to verify that all billings generated and electronically filed by the rehab department are provided to the accounting department, thus resulting in proper recordation on the general ledger. Also, procedures should be implemented to insure that denied requests are removed from the general ledger so that when this request is resubmitted it is not recorded twice on the general ledger. The timely reconciliation of accounts receivable would also help to resolve this issue.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Summary of Corrective Action Taken on Prior Year Findings
Year Ended December 31,1999

98-5 Lack of Controls over Revenue Billings (continued)

Follow-up:

Procedures were implemented during the current fiscal year between the Accounting Department and the Rehabilitation Department to consult each other before closing each month and reconcile the two department billings. No problems concerning this issue were noted during the current year audit, therefore, this problem has been resolved.

98-6 Capitalization of Real Property

Finding:

While vouching certain real property additions in the current year, it was noted that real property purchased was capitalized for the incorrect amounts.

Recommendation:

Procedures need to be implemented to insure that real property purchases are capitalized and included in the fixed asset accounts at their correct values.

Follow-up:

No real property purchases were made during the current fiscal year, however, according to management, procedures have been implemented to insure that real property purchases are capitalized and included in the fixed asset accounts at their correct values, therefore, this finding has been resolved.

98-7 Incorrect Completion of Grant Reports

Finding:

While performing procedures relating to the Welfare Reform Research, Evaluation and National Studies Grant (CFDA 93.595) administered by the Department of Health and Human Services, the quarterly grant reports were examined and it was noted that the second quarter report was completed incorrectly thus causing the remaining quarterly reports to be incorrect.

Recommendation:

Procedures should be implemented to ensure that the quarterly reports are correct and reviewed before being filed with the federal government.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Summary of Corrective Action Taken on Prior Year Findings
Year Ended December 31, 1999

98-7 Incorrect Completion of Grant Reports (continued)

Follow-up:

During the current year audit procedures were implemented to have both the Vice-President of Administration and Vice-President of Operations review the grant reports before being submitted. No errors were noted when reviewing the current year's grant reports, therefore, this finding has been resolved.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on Goodwill Industries of Acadiana, Inc.'s financial statements as of and for the year ended December 31, 1999.

Reportable Conditions – Financial Reporting

There were no reportable conditions in internal control noted during the audit of the financial statements.

Material Noncompliance-Financial Reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

FEDERAL AWARDS

Major Program Identification

Goodwill Industries of Acadiana, Inc., at December 31, 1999, had two major programs: Welfare Reform Research, Evaluation and National Studies, CFDA Number 93.595, which received funds from the Department of Health and Human Services, Administration for Children and Families and Program for Infants/Toddlers with Disabilities-Part H-Family Services Coordination, CFDA Number 84.181A, which received funds from the Department of Education "passed through" the Louisiana Department of Education.

Low-Risk Auditee

Goodwill Industries of Acadiana, Inc. is not considered a low-risk auditee for the year ended December 31, 1999.

Major Program-Threshold

The dollar threshold to distinguish Type A and Type B programs is \$300,000 for the year ended December 31, 1999.

Auditor's Report – Major Program

An unqualified opinion has been issued on Goodwill Industries of Acadiana, Inc.'s compliance for its major federal program for the year ended December 31, 1999.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Part 1 Summary of Auditor's Results (Continued)

Reportable Condition-Major Program

There were no reportable conditions noted during the audit of the major federal programs.

Compliance Finding Related to Major Program

The audit did not disclose any material noncompliance or questioned costs relative to its major federal program.

Part 2 Findings Relating to an Audit in Accordance with Government Auditing Standards

There were no reportable conditions or instances of material noncompliance noted during the audit.

Part 3 Findings and Questioned Costs Relating to Federal Programs

The audit did not disclose any material noncompliance or questioned costs relative to its federal programs.

GOODWILL INDUSTRIES OF ACADIANA

**Management's Corrective Action Plan
Year Ended December 31, 1999**

No current year findings were noted, therefore, no response is deemed necessary.