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

December 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity 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 2-1-98

*Audits of Financial Statements*

December 31, 1997  
and  
December 31, 1996



## CONTENTS

<i>Independent Auditor's Report</i>	1 - 2
<i>Statements of Financial Position</i>	3
<i>Statements of Activities</i>	4 - 5
<i>Statements of Functional Expenses</i>	6-9
<i>Statements of Cash Flows</i>	10
<i>Notes to Financial Statements</i>	11 -17
<b>OMB CIRCULAR A-133 SECTION:</b>	
<i>Schedule of Expenditures of Federal Awards</i>	19
<i>Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</i>	20 - 21
<i>Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133</i>	22 - 23
<i>Schedule of Findings and Questioned Costs</i>	24
<i>Status of Prior Year Audit Findings</i>	25



Board of Directors  
Goodwill Industries of Southeastern Louisiana, Inc.

### Independent Auditor's Report

We have audited the accompanying statements of financial position of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** as of December 31, 1997 and 1996, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards 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 SOUTHEASTERN LOUISIANA, INC.** as of December 31, 1997 and 1996 and the changes in its net assets and its 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 13, 1998, on our consideration of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

#### A Professional Accounting Corporation

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Member of AICPA, Division for CPAs, Public-Private Collaborative Practice Section and IIA Practice Section  
International Affiliates: with accounting firms nationwide (5)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** taken as a whole. The accompanying schedule of expenditures of federal income is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-113, *Audits of States, Local Governments, and Non-Profit Organizations*, and it 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.

  
A Professional Accounting Corporation

May 13, 1998

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF FINANCIAL POSITION**

**ASSETS**

	December 31,	
	1987	1986
<b>CURRENT</b>		
Cash and Cash Equivalents	\$ 499,125	\$ 374,688
Cash - Interest Bearing	453,063	397,304
Investments	298,979	135,487
Accounts Receivable - Trade	933,953	951,793
Accounts Receivable - Employee	6,189	4,811
Merchandise Inventory	205,126	185,713
Prepaid Expenses	205,982	192,988
Total	2,599,163	2,231,683
 <b>PROPERTY AND EQUIPMENT</b>		
Land	281,964	281,964
Building and Building Improvements	1,479,417	1,383,481
Machinery and Equipment	371,023	454,086
Furniture and Fixtures	381,121	389,379
Handy-Vans	11,743	13,474
Automobiles and Trucks	199,173	175,803
Leasehold Improvements	67,417	38,860
Condo - Temporary	33,080	33,080
	2,860,857	2,997,188
Less: Accumulated Depreciation	1,500,280	1,507,426
Property and Equipment - Net	1,360,577	1,489,762
 <b>OTHER ASSETS</b>		
Deposits	18,487	18,487
Total Assets	\$ 3,919,827	\$ 3,739,692

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

**LIABILITIES AND NET ASSETS**

	December 31,	
	1987	1996
<b>CURRENT LIABILITIES</b>		
Accounts Payable - Accrued Expenses and Taxes	\$ 715,343	\$ 587,603
Deferred Revenue	33,983	11,379
Notes Payable	145,179	123,876
Total Liabilities	894,505	722,858
<b>NET ASSETS</b>		
Unrestricted	3,841,134	2,634,783
Temporarily Restricted	-	1,680
Permanently Restricted	-	-
Total Net Assets	3,841,134	2,636,463
Total Liabilities and Net Assets	\$ 3,938,487	\$ 3,378,822

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SALES-REVENUE</b>				
Total Sales	\$ 3,810,878	\$ -	\$ -	\$ 3,810,878
Contributed Revenue - Donated Goods	1,571,294	-	-	1,571,294
Salvage	265,890	-	-	265,890
Clearing	49,812	-	-	49,812
Total	<u>5,997,874</u>	<u>-</u>	<u>-</u>	<u>5,997,874</u>
<b>VOCATIONAL TRAINING REVENUE</b>				
Janitorial Centers	3,900,865	-	-	3,900,865
Training Fees	272,178	-	-	272,178
Training Fees - United Way	149,938	-	-	149,938
Total	<u>4,322,981</u>	<u>-</u>	<u>-</u>	<u>4,322,981</u>
<b>OTHER SOURCES OF INCOME</b>				
Federal and State Financial Assistance	206,164	-	-	206,164
Contributions	114,438	-	-	114,438
Private Grant Income	11,415	-	-	11,415
Investment Returns	31,941	-	-	31,941
(Loss) on Sale of Property	(7,908)	-	-	(7,908)
Miscellaneous	9,613	-	-	9,613
Net Assets Released From Restrictions	<u>1,628</u>	<u>(1,628)</u>	<u>-</u>	<u>-</u>
Total	<u>486,681</u>	<u>(1,628)</u>	<u>-</u>	<u>485,053</u>
Total Revenue	<u>10,798,494</u>	<u>(1,628)</u>	<u>-</u>	<u>10,796,866</u>
<b>EXPENSES</b>				
Program Services:				
Retail Program - Cost of Goods Sold	1,583,713	-	-	1,583,713
Rehabilitation Services	4,222,570	-	-	4,222,570
Supporting Services:				
Management and General	<u>294,871</u>	<u>-</u>	<u>-</u>	<u>294,871</u>
Total Expenses	<u>6,101,154</u>	<u>-</u>	<u>-</u>	<u>6,101,154</u>
<b>INCREASE (DECREASE) IN NET ASSET</b>	414,339	(1,689)	-	414,739
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,626,382</u>	<u>1,689</u>	<u>-</u>	<u>2,628,071</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,041,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,041,121</u>

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



**WOODHILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended December 31, 1994**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SALES REVENUE</b>				
Royal Fees	\$ 3,183,170	\$ -	\$ -	\$ 3,183,170
Contributed Revenue - Donated Goods	1,719,234	-	-	1,719,234
Refuge	349,283	-	-	349,283
Gaming	54,771	-	-	54,771
Total	<u>5,306,458</u>	<u>-</u>	<u>-</u>	<u>5,306,458</u>
<b>VOCATIONAL TRAINING REVENUE</b>				
Institutional Contracts	3,472,638	-	-	3,472,638
Training Fees	305,979	-	-	305,979
Training Fees - United Way	218,346	-	-	218,346
Total	<u>4,000,963</u>	<u>-</u>	<u>-</u>	<u>4,000,963</u>
<b>OTHER SOURCES OF INCOME</b>				
Federal and State Financial Assistance	467,834	-	-	467,834
Contributions	118,645	1,600	-	120,245
Investment Returns	18,942	-	-	18,942
Gain on Sale of Property	64	-	-	64
Miscellaneous	1,520	-	-	1,520
Total	<u>615,905</u>	<u>1,600</u>	<u>-</u>	<u>617,505</u>
Total Revenue	<u>10,224,699</u>	<u>1,600</u>	<u>-</u>	<u>10,226,299</u>
<b>EXPENSES</b>				
Program Services				
Royal Program - Cost of Goods Sold	1,330,298	-	-	1,330,298
Rehabilitation Services	8,381,829	-	-	8,381,829
Supporting Services				
Management and General	280,328	-	-	280,328
Total Expenses	<u>10,000,455</u>	<u>-</u>	<u>-</u>	<u>10,000,455</u>
CHANGE IN NET ASSETS	22,644	1,600	-	24,244
CUMULATIVE EFFECT OF CHANGE IN METHOD OF ACCOUNTING FOR CONTRIBUTIONS	<u>169,896</u>	<u>-</u>	<u>-</u>	<u>169,896</u>
INCREASE IN NET ASSETS	289,370	1,600	-	290,970
NET ASSETS, BEGINNING OF YEAR	<u>2,283,312</u>	<u>-</u>	<u>-</u>	<u>2,283,312</u>
NET ASSETS, END OF YEAR	<u>\$ 2,572,682</u>	<u>\$ 1,600</u>	<u>\$ -</u>	<u>\$ 2,574,282</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For The Year Ended December 31, 1997

	<u>Management and General</u>	<u>Rehabilitation Service</u>	<u>Total</u>
<b>WAGES AND PENSION</b>			
Wages	\$ 385,289	\$ 4,740,963	\$ 5,127,252
Pension	-	273,889	273,889
	<u>385,289</u>	<u>4,914,852</u>	<u>5,300,141</u>
<b>OCCUPANCY</b>			
Rent	-	682,463	682,463
General Liability Insurance	3,115	152,192	155,307
Utilities	-	179,686	179,686
Repairs and Maintenance - General	-	68,848	68,848
Linens and Housekeeping Supplies	-	18,258	18,258
All Other	-	38,473	38,473
	<u>3,115</u>	<u>1,069,919</u>	<u>1,073,034</u>
<b>OPERATING</b>			
Material Supplier	-	283,492	283,492
Production Materials	-	78,608	78,608
Waste Disposal Fees	-	99,617	99,617
Specific Assistance to Individuals	1,389	83,478	84,867
Travel and Promotion	11,713	68,999	73,712
Rental and Maintenance of Equipment	5,676	54,653	60,329
Supplies and General	33,367	48,872	73,239
Repairs - Company Vehicles	1,189	34,823	36,012
Oil and OIL - Company Vehicles	1,771	31,669	33,440
Insurance - Company Vehicles	1,982	57,068	59,050
Leasing Costs	481	21,889	22,370
	<u>57,473</u>	<u>812,688</u>	<u>870,161</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For The Year Ended December 31, 1997**

	<u>Management and General</u>	<u>Rehabilitation Service</u>	<u>Total</u>
<b>ADMINISTRATIVE</b>			
Payroll Taxes	21,513	456,343	477,856
Workers's Compensation Insurance	1,853	98,289	100,142
Insurance - Employee Benefits	16,354	94,484	110,838
Subcontracting	-	93,402	93,402
Professional Fees	90,990	7,708	98,698
NEH Commissions	-	138,603	138,603
Telephone	3,614	54,518	58,132
Membership Dues	2,831	56,396	59,227
Printing	3,775	64,681	68,456
Conferences, Convention and Meetings	8,275	18,488	26,763
Postage	2,754	9,035	11,789
Other Administrative	11,787	64,832	76,619
Tax and Licenses	43	1,084	1,127
Bad Debt Expense	-	8,580	8,580
	<u>138,604</u>	<u>1,116,321</u>	<u>1,254,925</u>
<b>DEPRECIATION</b>	<u>9,331</u>	<u>172,358</u>	<u>181,689</u>
<b>Total</b>	<u>\$ 147,935</u>	<u>\$ 1,288,679</u>	<u>\$ 1,436,614</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 1996**

	<u>Management and General</u>	<u>Rehabilitating Service</u>	<u>Total</u>
<b>WAGES AND PENSION</b>			
Wages	\$ 106,184	\$ 4,569,948	\$ 4,676,132
Pension	-	283,671	283,671
	<u>106,184</u>	<u>4,847,519</u>	<u>5,183,308</u>
<b>OCCUPANCY</b>			
Rent	-	316,538	316,538
General Liability Insurance	1,434	179,822	181,446
Utilities	-	183,536	183,536
Repairs and Maintenance - General	-	74,381	74,381
Clean and Housekeeping Supplies	-	27,864	27,864
All Other	-	92,347	92,347
	<u>1,434</u>	<u>1,693,288</u>	<u>1,618,704</u>
<b>OPERATING</b>			
Industrial Supplies	-	272,192	272,192
Production Materials	-	161,399	161,399
Waste Disposal Fees	-	186,153	186,153
Specific Assistance to Individuals	985	71,548	74,533
Travel and Promotion	8,685	59,728	58,291
Rental and Maintenance of Equipment	8,311	61,267	78,688
Supplies and General	28,934	34,894	53,828
Repairs - Company Vehicles	1,685	42,384	44,844
Gas and Oil - Company Vehicles	1,674	28,823	28,899
Insurance - Company Vehicles	2,971	71,463	74,532
Leasing Costs	<u>104</u>	<u>15,852</u>	<u>15,412</u>
	<u>42,644</u>	<u>928,862</u>	<u>966,505</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES (Continued)**  
**For The Year Ended December 31, 1996**

	<u>Management and General</u>	<u>Rehabilitation Service</u>	<u>Total</u>
<b>ADMINISTRATIVE:</b>			
Payroll Taxes	21,687	191,318	413,005
Workman's Compensation Insurance	2,234	175,283	177,517
Insurance - Employee Benefits	13,411	94,909	108,320
Subcontracting	-	95,096	95,096
Professional Fees	58,391	1,818	60,209
NSM Commissions	-	125,493	125,493
Telephone	3,868	31,857	35,725
Membership Dues	1,711	50,726	52,437
Printing	1,805	48,712	50,517
Conferences, Convention and Meetings	3,963	14,000	17,963
Postage	2,509	17,159	19,668
Other Administrative	3,673	79,962	83,635
Tax and Licenses	53	2,881	2,934
Bad Debt Expense	-	18,142	18,142
	<u>187,388</u>	<u>1,065,282</u>	<u>1,276,097</u>
<b>DEPRECIATION</b>	<u>2,178</u>	<u>153,782</u>	<u>155,960</u>
<b>Total</b>	<u>\$ 189,566</u>	<u>\$ 1,219,064</u>	<u>\$ 1,408,630</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,	
	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 414,739	\$ 271,170
Adjustment to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	181,789	158,161
Operative Effect of Change in Accounting for Contributions	-	(569,886)
(Gain)/Loss on Sale of Fixed Assets	7,808	(181)
Capitalized Leased Services	-	(7,138)
Unrealized Gain on Investments	-	(599)
Decrease in Accounts Receivable - Trade	17,249	156,415
(Increase) in Inventory	(9,413)	(14,988)
(Increase) in Prepaid Expenses	(34,888)	(5,842)
Increase in Accounts Payable and Accrued Expenses	147,448	126,587
Increase in Deferred Revenues	26,322	11,244
	<u>771,652</u>	<u>313,241</u>
Net Cash Provided by Operating Activities	<u>771,652</u>	<u>313,241</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(171,668)	(123,865)
Purchase of Fixed Assets	(442,816)	(258,411)
Proceeds from Sale of Fixed Assets	-	3,673
(Increase) in Accounts Receivable - Employees	(1,498)	(748)
(Increase) in Deposits	-	(2,200)
	<u>(615,982)</u>	<u>(383,551)</u>
Net Cash Used in Investing Activities	<u>(615,982)</u>	<u>(383,551)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to Notes Payable	235,237	243,451
Payments on Notes Payable	(212,664)	(249,252)
	<u>22,573</u>	<u>(5,799)</u>
Net Cash Provided by (Used in) Financing Activities	<u>22,573</u>	<u>(5,799)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>178,243</b>	<b>121,891</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>771,842</b>	<b>638,752</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 950,085</u></b>	<b><u>\$ 760,643</u></b>

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

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

**NOTE A**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. (GOODWILL)** follows 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 "Audit of Voluntary Health and Welfare Organizations," which incorporate generally accepted accounting principles. **GOODWILL** assists people with disabilities and other special needs in their efforts to participate fully in society by helping them develop occupational capabilities and opportunities.

**ALLOWANCE FOR BAD DEBTS**

**GOODWILL** uses the direct write-off method to provide for uncollectible accounts. There is no material effect on income using this method rather than the allowance method.

**CONCENTRATION OF CREDIT RISK**

Goodwill Industries services are rendered to people with disabilities or other disadvantageous conditions in Southeastern Louisiana. All of the training fees and grants are generated from rehabilitation clients. Goodwill grants credit to several state offices for the above stated training fees. All Goodwill's stores are located in Southeastern Louisiana.

Goodwill's operating bank account exceeds the insurance coverage provided by the federal government. As of December 31, 1997, \$418,047 of the cash balance of 1049,188 is not insured.

**CONTRIBUTION RECOGNITION**

In 1993, Goodwill elected to adopt Statement of Financial Accounting Standards (SFAS) No. 118, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 118, Goodwill is required to record contributions as 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, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

The Organization reports gifts of land, building, and equipment as unrestricted support 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. Almost explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

**NOTE A**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FINANCIAL STATEMENT PRESENTATION**

In 1955, Goodwill elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, Goodwill is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Goodwill is required to present a statement of cash flows.

**DONATED MATERIAL AND SERVICE**

Statement of Financial Accounting Standards (SFAS) No. 116 requires that contributions be recognized as revenue when received. During 1997 and 1996, Goodwill recognized contributed merchandise with a fair value of \$1,571,394 and \$1,318,224, respectively, as contribution revenue. This merchandise requires program related expenses/processes accomplished by people with disabilities and other disadvantaged conditions before it reaches its point of sale.

Goods produced for resale are valued at the lower of cost or net realizable value.

A substantial number of volunteers have donated significant amounts of their time to the Organization's program services. However, these services do not meet all of the applicable requirements of SFAS No. 116, therefore, no amounts have been reflected in the financial statements for these donated services.

**INCOME TAXES**

GOODWILL was formed in 1947 to provide services to the handicapped. The Organization was chartered in the State of Louisiana as a nonprofit organization and is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

**STATEMENT OF CASH FLOWS**

For the purpose of the statement 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.

**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. The Organization uses the straight-line depreciation method over the useful lives of its property. Buildings and improvements are depreciated over 40 years. Furniture and Fixtures are depreciated over 10 years. Machinery and Equipment, Automobiles and Trucks are depreciated over 5 years and Hardw-are are depreciated over 3 years. Leasehold Improvements are being amortized over the life of the lease. Depreciation expense for 1997 and 1996 was \$181,738 and \$178,181, respectively.

**STATEMENT OF ACTIVITIES**

During 1997, the Organization had only unrestricted activity. The temporary restriction on net assets from 1996 was satisfied during 1997.



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

**NOTE A**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**USE OF ESTIMATES**

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

**MERCHANDISE INVENTORY**

Statement of Financial Accounting Standards (SFAS) No. 116 requires that contributions be recognized as inventory when received and be carried at fair value. A fair value cannot be determined until the inventory is actually sold; therefore, the inventory fair value is based on the inventory amount valued at retail sales multiplied by a cost of goods sold percentage. The inventory amount valued at retail sales is based on the average monthly sales figure multiplied by a turnover rate. The cost of goods sold percentage is based on an allocation of certain components of processing costs, production management expenses, transportation costs and occupancy and distribution costs. This allocation amount is divided by the total donated goods retail sales for the year to determine the percentage.

**ACCOUNTING FOR FINANCIAL INSTRUMENTS**

In 1996, the Organization adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**NOTE B**

**PREPAYMENTS AND OTHER CURRENT ASSETS**

The components of prepayments and other current assets are summarized below:

	<u>December 31,</u>	
	<u>1997</u>	<u>1996</u>
Prepaid Insurance	\$ 158,085	\$ 142,019
Supplies	37,589	25,648
Prepaid Lease Costs	2,515	4,479
Prepaid Rent	790	3,938
Prepaid SLITA Taxes	<u>6,285</u>	<u>6,396</u>
Total Prepayments and Other Assets	<u>\$ 205,264</u>	<u>\$ 179,080</u>

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

**NOTE C**

**CONDOMINIUM**

GOODWILL has two condominiums that it received as donations. They are being depreciated using the straight-line method. The condominiums are being rented and the rental income is used to fund current operations.

**NOTE D**

**NOTES PAYABLE**

GOODWILL was indebted in the following:

Holder	Maturity Date	Interest Rate	Secured By	December 31, 1997		
				Amount	Current	Long-Term
United Way System Fund	Demand	None	Unsecured	\$ 2,100	\$ 2,100	\$ -
Installment Notes Payable on Insurance	5/98 to 7/98	None	Unsecured	141,019	141,019	-
				<u>\$ 143,119</u>	<u>\$ 143,119</u>	<u>\$ -</u>

Holder	Maturity Date	Interest Rate	Secured By	December 31, 1996		
				Amount	Current	Long-Term
United Way System Fund	Demand	None	Unsecured	\$ 2,100	\$ 2,100	\$ -
Installment Notes Payable on Insurance	05/97	None	Unsecured	120,726	120,726	-
				<u>\$ 122,826</u>	<u>\$ 122,826</u>	<u>\$ -</u>

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

**NOTE E**

**LEASE AGREEMENTS**

GOODWILL has the following leases as of December 31, 1997:

<u>Term</u>	<u>Monthly Payment</u>	<u>Percent Leased</u>
May 1996 - Apr. 2000	\$ 3,342	Chief Minister Hwy. Store
Oct. 1996 - Sept. 2000	3,899	Corington Store
June 1997 - May 2000	3,791	Steddi Store
Dec. 1998 - Dec. 2001	2,741	Flank Royal
Jan. 1997 - Dec. 1998	3,500	Kansas Store
Aug. 1996 - July 2000	8,323	Chalmette Store
Jan. 1997 - Dec. 2000	3,080	Hammock Store
Jan. 1996 - Dec. 2000	3,842	LoPace Store
Apr. 1998 - Mar. 1999	3,177	Magnum Store
Jul. 1998 - Apr 2001	6,080	Flu via Store
Jan. 1996 - Dec 2001	3,080	Appon Store

Minimum lease payments as of December 31 are as follows:

<u>Years</u>	<u>Amount</u>
1998	\$ 347,380
1999	452,907
2000	393,278
2001	236,435
2002	113,682
After 2002	-0-000
	<u>\$ 1,358,562</u>

Rent expense totaled \$605,400 in 1997 and \$516,338 in 1996.

**NOTE F**

**INVESTMENTS**

As required by SFAS No. 124, investments are recorded at market value and consist of the following as of December 31, 1997 and 1996:

	<u>1997</u>	<u>1996</u>
U.S. Treasury Bills	<u>\$ 284,818</u>	<u>\$ 126,402</u>

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

**NOTE F**

**INVESTMENTS (Continued)**

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 1997 and 1996:

	1997	1996
Interest Income	\$ 31,941	\$ 29,413
Unrealized Gain	-	338
Total Investment Return	\$ 31,941	\$ 29,751

**NOTE G**

**UNITED WAY CONTRIBUTIONS**

GOODWILL receives allocations and designations from several United Way Agencies. Allocations are restricted to funded programs whereas designations are unrestricted. The allocations and designations received in 1997 are as follows:

	Allocations	1997 Designations	Total
Greater New Orleans United Way	\$ 3,837	\$ 2,868	\$ 6,705
United Way of St. Charles	1,500	-	1,500
St. John United Way	3,773	-	3,773
	\$ 11,110	\$ 2,868	\$ 13,978

Fees Paid for Rehabilitation Service from Greater New Orleans United Way	\$ 149,058
---	------------

**NOTE H**

**REIMBURSEMENTS**

Under its Project: With Industry (PWI) programs, Goodwill trains persons with disabilities and vocational disadvantages conditions for employment. Goodwill receives fees for such services provided from the Louisiana Department of Social Services, the Job Training Partnership Administration, Orleans Private Industry Council, or United Way.

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

**NOTE I**

**SELF INSURANCE PLAN**

During 1993, Goodwill became partially self insured for their workmen's compensation insurance. This self-insurance plan was terminated in January, 1996. Goodwill was liable for the first \$25,000 of each claim. As of December 31, 1993, the plan had possible claims not paid of \$19,299 and money owed to the administrator for claims already paid of \$7,758. These amounts are included in liabilities under accrued expenses.

**NOTE J**

**PENSION PLAN**

Goodwill initiated a defined contribution pension plan in 1993 for the employees of the federal contract. The plan does not have any minimum eligibility requirements to participate. The amount of the contribution is based on the specified contract that the employee is working on and the amount of regular hours which that employee works. Goodwill contributed to the plan \$270,889 and \$283,671 in 1997 and 1998, respectively.

**NOTE K**

**OPERATING LEASES**

Goodwill entered into operating leases for four automobiles. The monthly payments on these operating leases total \$1,462. The minimum lease payments are as follows:

1998	\$ 77,148
1999	<u>4,652</u>
Total	<u>\$ 81,800</u>

**NOTE L**

**CHANGE IN METHOD OF ACCOUNTING FOR CONTRIBUTIONS**

Under the new AICPA Audit and Accounting Guide effective for Goodwill's year ended December 31, 1996, nonprofit organizations that receive contributed merchandise for resale must report his contribution in the period received at fair value. The income statement for the year ended December 31, 1996 shows the cumulative effect of the change in the method of accounting for contributions of \$169,888. This amount is the amount that would have been included in net assets if the new accounting principle had been applied retrospectively to all prior periods effected.

**OMB CIRCULAR A-133 SECTION**

**GEORGE WASHINGTON UNIVERSITY EASTERN LOUISIANA, INC.**  
**SCHEDULE OF EXTENDED FEDERAL AWARDS**  
 For The Year Ended December 31, 1991

<u>Federal Grantor (Pass-Through Grantor) Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Contract Number</u>	<u>FY91 Extended Support Reprogramed</u>	<u>Federal Revised Support Reprogramed</u>	<u>FY91 Revised Support Reprogramed</u>
<b>MAJOR PROGRAMS</b>					
Department of Health and Human Services					
Passed-Through State of Louisiana Office of Family Services					
Project Independence	43.061	180700 0047 0100	\$ 3,363,000	\$ 3,363,000	\$ 3,363,000
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>3,363,000</b>	<b>3,363,000</b>	<b>3,363,000</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Passed-Through Contract/Indirects International					
Program with Industry	84.134	10146-0001	20,240	20,240	-
<b>U.S. DEPARTMENT OF ECONOMIC AND URBAN DEVELOPMENT</b>					
Passed-Through/Only for the Resident					
Supervise Housing	14.075	1A-00004-0020	16,740	16,740	-
Employment Service for the Handicapped	14.270	1A-00000-100	14,760	14,760	-
Passed-Through/Only for New Schools					
CRSG - 100 Contract	14.028	84-076797	20,800	20,800	-
Revised - U.S. Department of Housing and Urban Development					
			21,700	21,700	-
<b>U.S. DEPARTMENT OF LABOR</b>					
Passed-Through/Infinite Period Department of Employment and Training					
Job Training Partnership Act	11.248	80-000000 87-000000	4,000	4,000	-
Passed-Through/Unfunded Private Industry Council, Inc.					
Job Training Partnership Act	11.248	84-24-000	14,700	14,700	-
Revised - U.S. Department of Labor					
			22,000	22,000	-
<b>TOTAL U.S. FEDERAL ASSISTANCE</b>			<b>63,140</b>	<b>63,140</b>	<b>-</b>
<b>TOTAL</b>			<b>\$ 3,426,140</b>	<b>\$ 3,426,140</b>	<b>\$ 3,363,000</b>

See independent auditor's report



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Goodwill Industries of Northeastern Louisiana, Inc.

We have audited the financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**, as of and for the year-ended December 31, 1997, and have issued our report thereon dated May 13, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, 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 statements 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.

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### Internal Control Over Financial Reporting

In planning and performing our audit we considered **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, 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 level the risk that misstatements in amounts that would be material in relation to the 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 for the information of the Board of Directors, Management, Finance Committee, Louisiana Department of Health and Human Services, Office of Family Services, City of New Orleans, the Department of Housing and Urban Development, Goodwill Industries International, Jefferson Parish Department of Employment and Training, Orleans Private Industry Council, Inc, and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
A Professional Accounting Corporation

May 13, 1998

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB-CIRCULAR A-133**

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

Compliance

We have audited the compliance of GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1991. GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s management. Our responsibility is to express an opinion on GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, 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 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 SOUTHEASTERN LOUISIANA, INC.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.'s compliance with these requirements.

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Member of AICPA (Inactive) by 1991 Three-Party Compliance Program System and SEC Practice System  
International Affiliation with Accounting Firm, Associated, Inc.

In our opinion, GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

#### Internal Control Over Compliance

The management of GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, 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 SOUTHEASTERN LOUISIANA, 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 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 the 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 one matter involving the internal control over compliance that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, Management, Finance Committee, Louisiana Department of Health and Human Services, Office of Family Services, City of New Orleans, the Department of Housing and Urban Development, Goodwill Industries International, Jefferson Parish Department of Employment and Training, Orleans Private Industry Council, Inc. and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
A Professional Accounting Corporation

May 13, 1998

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended December 31, 1997**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.**
2. No reportable conditions relating to the audit of the financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** are reported in Part C. of this Schedule.
7. The program tested as a major program included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Project Independence	75.561

8. The threshold for designating Types A and B programs was \$251,082.
9. **GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.** was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
For The Year Ended December 31, 1997

Prior Year Audit Findings

None Noted