

09 11 99 10:53

**OFFICIAL
FILE COPY**

DO NOT SEND OUT

Xerox necessary
copies from this
copy and PLACE
BACK IN FILE

**GOODWILL INDUSTRIES OF ACADIANA,
INC.**

Financial Report

Years Ended December 31, 1998 and 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 7-14-99



Darnall, Sikes Frederick

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Retired 1990

E. Larry Sikes, CPA, CVA
Danny P. Frederick, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Paula D. Bibb, CPA
Stephanie M. Higginbotham, CPA

Jennifer S. Ziegler, CPA
Chris A. Miller, CPA
John P. Armato, CPA

Kathleen T. Darnall, CPA
Stephen R. Dischler, MBA, CPA
Alan M. Taylor, CPA
Christine A. Raspberry, CPA
Steven G. Maosa, CPA
Erich G. Loewer, Jr., CPA
Erich G. Loewer, III, CPA
Danny P. Pontiff, CPA
Tamera T. Landry, CPA
Carla R. Fontenot, CPA
Raegan D. Stelly, CPA
Jason H. Watson, CPA

Other Locations:

125 Rue Beauregard
Lafayette, LA 70508
318.232.3312

1231 E. Laurel Avenue
Lunice, LA 70535
318.457.4146

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
504.384.6264

404 Pere Mezier
Abbeville, LA 70510
318.893.5470

MANAGEMENT LETTER

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

We have completed our audit of the financial statements of Goodwill Industries of Acadiana, Inc., as of and for the year ended December 31, 1998, and submit the following suggestions for your information and consideration in improving the efficiency and effectiveness of the operations of Goodwill Industries of Acadiana, Inc.

dstepas.com

1. It was noted that during the audit period Goodwill had cash deposits at Hibernia National Bank in excess of the amounts secured by FDIC coverage. The Organization should consider transferring the excess funds from Hibernia into another bank or having Hibernia pledge securities to insure the funds in excess of the amount covered by FDIC insurance.
2. While performing auditing procedures on cash balances it was noted that petty cash had not been reconciled in some time. Petty cash should be reconciled on a monthly basis to insure the proper recordation of expenses associated with this account.

We would like to express our appreciation to you and your office staff for the courtesies and assistance rendered to us during the performance of our audit. Should you have any questions or need assistance, please feel free to contact us.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Lafayette, Louisiana
May 12, 1999

Member of
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3-4
Statements of activities	5
Statements of cash flows	6
Statements of functional expenses	7-8
Notes to financial statements	9-14
SUPPLEMENTAL INFORMATION	
INTERNAL CONTROL, COMPLIANCE AND OTHER GRANT INFORMATION	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with <u>Government Auditing Standards</u>	17-18
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	19-20
Schedule of Expenditures of Federal Awards	21
OTHER SUPPLEMENTAL INFORMATION	
Departmental Schedule of Revenues and Expenses	23-24
Summary of Corrective Action Taken on Prior Year Findings	25
Schedule of Findings and Questioned Costs	26-29
Management's Corrective Action Plan	30-31



Darnall, Sikes Frederick

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Retired 1990

E. Larry Sikes, CPA, CVA
Danny P. Frederick, CPA
Clayton F. Darnall, CPA
Eugene H. Darnall, III, CPA
Paula D. Bihm, CPA
Stephanie M. Higginbotham, CPA

Jennifer S. Ziegler, CPA
Chris A. Miller, CPA
John P. Armato, CPA

Kathleen T. Darnall, CPA
Stephen R. Dischler, MBA, CPA
Alan M. Taylor, CPA
Christine A. Raspberry, CPA
Steven G. Moosa, CPA
Erich G. Loewer, Jr., CPA
Erich G. Loewer, III, CPA
Danny P. Pontiff, CPA
Tamera T. Landry, CPA
Carla R. Fontenot, CPA
Raegan D. Stelly, CPA
Jason H. Watson, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Goodwill Industries of Acadiana, Inc.
Lafayette, Louisiana

Other Locations:

125 Rue Beauregard
Lafayette, LA 70508
318.232.3312

1231 E. Laute Avenue
Lunice, LA 70535
318.457.4146

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
504.384.6264

404 Pere Meuret
Abbeville, LA 70510
318.893.5470

dsfcpas.com

We have audited the accompanying statements of financial position of Goodwill Industries of Acadiana, Inc. (a nonprofit organization), as of December 31, 1998 and 1997, 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, 1998 and 1997, 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 12, 1999, 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.

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

Member of
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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 12, 1999

THIS PAGE INTENTIONALLY LEFT BLANK.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements of Financial Position
December 31, 1998 and 1997

	1998	1997
ASSETS		
CURRENT ASSETS		
Cash	\$ 102,835	\$ 138,953
Accounts receivable	241,125	111,270
Grant receivable	1,663,999	2,651,144
Other receivables	55,848	19,878
Prepaid expenses	29,349	25,304
Note receivable - current portion	3,000	4,000
Total current assets	2,096,156	2,950,549
LAND, BUILDING AND EQUIPMENT, net	2,707,890	1,681,247
OTHER ASSETS		
Notes receivable, less current portion	16,455	10,000
Utility deposits	8,200	8,200
	24,655	18,200
 TOTAL ASSETS	 \$ 4,828,701	 \$ 4,649,996

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

LIABILITIES AND NET ASSETS	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES		
Accounts payable	\$ 203,253	\$ 23,759
Payroll and related liabilities	85,690	53,763
Accrued expenses	26,288	23,433
Deferred revenue	-	1,500
Other liabilities	82,021	103,687
Notes payable	293,580	195,596
Current portion of capital lease obligations	20,026	-
Current maturities of long-term debt	<u>55,553</u>	<u>227,495</u>
Total current liabilities	<u>766,411</u>	<u>629,233</u>
LONG-TERM LIABILITIES		
Long-term debt less current maturities	507,348	360,535
Capital lease obligations, less current portion	<u>25,372</u>	<u>-</u>
	<u>532,720</u>	<u>360,535</u>
NET ASSETS		
Unrestricted	2,373,593	1,112,771
Temporarily restricted	<u>1,155,977</u>	<u>2,547,457</u>
Total net assets	<u>3,529,570</u>	<u>3,660,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,828,701</u>	<u>\$ 4,649,996</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements of Activities
Years Ended December 31, 1998 and 1997

	1998	1997
UNRESTRICTED NET ASSETS		
Support:		
Contributions	\$ <u>7,038</u>	\$ <u>3,253</u>
Revenue:		
Contracts	167,696	151,830
Contributed goods production	1,383,486	1,321,622
Evaluation and training services	859,866	485,405
Interest revenue	873	622
In-kind revenue	22,126	-
Miscellaneous	<u>58,420</u>	<u>21,299</u>
	<u>2,492,467</u>	<u>1,980,778</u>
Net asset released from restrictions	<u>995,851</u>	<u>502,543</u>
Total support, revenue, and net assets released from restrictions	<u>3,495,356</u>	<u>2,486,574</u>
Expenses:		
Contracts	172,108	116,480
Contributed goods production	1,073,778	812,394
Evaluation and training services	1,073,892	554,332
Support services - Administration	<u>310,385</u>	<u>744,337</u>
	<u>2,630,163</u>	<u>2,227,543</u>
Increase in unrestricted net assets	<u>865,193</u>	<u>259,031</u>
TEMPORARILY RESTRICTED NET ASSETS		
Governmental grants	-	3,050,000
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(995,851)</u>	<u>(502,543)</u>
Increase (decrease) in temporarily restricted assets	<u>(995,851)</u>	<u>2,547,457</u>
Increase (decrease) in net assets	(130,658)	2,806,488
NET ASSETS, beginning	<u>3,660,228</u>	<u>853,740</u>
NET ASSETS, ending	<u>\$ 3,529,570</u>	<u>\$ 3,660,228</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, 1998 and 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (130,658)	\$ 2,806,488
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	110,879	101,299
Loss on sale of assets	-	1,735
(Increase) decrease in operating assets -		
Accounts receivable	(129,855)	(2,391)
Grant receivable	987,145	(2,651,144)
Prepaid expenses	(4,045)	14,213
Other receivable	(35,970)	8,468
Increase (decrease) in operating liabilities -		
Accounts payable	179,494	(38,168)
Payroll and related liabilities	31,927	19,845
Accrued expenses	2,855	12,400
Deferred revenue	(1,500)	1,500
Other liabilities	<u>(21,666)</u>	<u>103,687</u>
Net cash provided by operating activities	<u>988,606</u>	<u>377,932</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,137,522)	(148,186)
Loans made	(6,455)	(10,000)
Proceeds from repayment of note receivable	<u>1,000</u>	<u>2,600</u>
Net cash used by investing activities	<u>(1,142,977)</u>	<u>(155,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (repayments of) short term borrowing	97,984	(147,165)
Repayment of long-term debt	(50,037)	(47,927)
Repayment of capital lease obligations	(9,267)	-
Proceeds from long-term debt	24,908	25,000
Proceeds from capital lease obligations	<u>54,665</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>118,253</u>	<u>(170,092)</u>
 Net increase (decrease) in cash and cash equivalents	 (36,118)	 52,254
BEGINNING CASH AND CASH EQUIVALENTS	<u>138,953</u>	<u>86,699</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 102,835</u>	<u>\$ 138,953</u>
Supplemental information:		
Interest paid	<u>\$ 83,309</u>	<u>\$ 92,084</u>

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

GOODWILL INDUSTRIES OF ACADIANA, INC.

Statements Of Functional Expenses
Years Ended December 31, 1998 and 1997

	Lawn Maintenance Contract	Contributed Goods Production		
		Retail	Salvage/ Transportation	Total
Salaries and wages	\$ 82,067	\$ 356,335	\$ 47,718	\$ 404,053
Payroll taxes and insurance	<u>7,220</u>	<u>28,869</u>	<u>3,736</u>	<u>32,605</u>
Total payroll and related expenses	<u>89,287</u>	<u>385,204</u>	<u>51,454</u>	<u>436,658</u>
OTHER EXPENSES				
Material purchases	-	25,120	-	25,120
Repairs and maintenance	8,196	17,597	7,910	25,507
Supplies	3,573	22,451	3,381	25,832
Professional fees and contracted services	8,062	36,719	8,553	45,272
Promotion and entertainment	-	-	-	-
Telephone	1,211	18,851	2,623	21,474
Utilities	1,924	28,038	4,969	33,007
Rent	-	42,314	989	43,303
Travel and agency	3,272	133	3,236	3,369
Janitorial expense	-	17,534	-	17,534
Dues, subscriptions and licenses	193	1,081	-	1,081
Conferences and seminars	-	-	-	-
Interest	2,462	38,304	9,410	47,714
Office and miscellaneous	410	11,751	30	11,781
Insurance	20,304	38,705	10,713	49,418
Advertising	202	4,949	-	4,949
Bad debt	-	-	11,339	11,339
Grant expenses	-	-	-	-
Grant evaluation expense	-	-	-	-
Donation of goods	-	14,011	-	14,011
Loss on sale of assets	-	-	-	-
In-kind expense	-	-	-	-
Allocated administration costs	<u>21,292</u>	<u>166,282</u>	<u>23,591</u>	<u>189,873</u>
Total other expenses	<u>71,101</u>	<u>483,840</u>	<u>86,744</u>	<u>570,584</u>
Total expenses before depreciation and amortization	160,388	869,044	138,198	1,007,242
DEPRECIATION AND AMORTIZATION	<u>11,720</u>	<u>49,919</u>	<u>16,617</u>	<u>66,536</u>
TOTAL EXPENSES	<u>\$ 172,108</u>	<u>\$ 918,963</u>	<u>\$ 154,815</u>	<u>\$ 1,073,778</u>

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

Evaluation, Training and Rehabilitation	Administration	Totals	
		1998	1997
\$ 727,388	\$ 261,325	\$ 1,474,833	\$ 1,036,321
<u>59,154</u>	<u>22,887</u>	<u>121,866</u>	<u>82,758</u>
<u>786,542</u>	<u>284,212</u>	<u>1,596,699</u>	<u>1,119,079</u>
-	13,569	38,689	19,514
1,442	6,516	41,661	49,420
18,773	13,221	61,399	48,324
10,085	19,525	82,944	204,943
-	8,221	8,221	8,924
17,512	24,585	64,782	40,563
3,822	3,624	42,377	40,540
6,298	1,107	50,708	39,002
66,572	18,640	91,853	56,825
59	3,301	20,894	18,609
2,593	33,330	37,197	30,326
8,295	5,614	13,909	9,343
4,244	31,794	86,214	92,084
5,043	28,072	45,306	34,794
24,016	64,702	158,440	118,774
2,051	17,260	24,462	3,559
4,890	399	16,628	22,211
-	-	-	6,050
-	-	-	150,000
764	-	14,775	11,625
-	-	-	1,735
22,126	-	22,126	-
<u>69,982</u>	<u>(281,147)</u>	<u>-</u>	<u>-</u>
<u>268,567</u>	<u>12,333</u>	<u>922,585</u>	<u>1,007,165</u>
1,055,109	296,545	2,519,284	2,126,244
<u>18,783</u>	<u>13,840</u>	<u>110,879</u>	<u>101,299</u>
<u>\$ 1,073,892</u>	<u>\$ 310,385</u>	<u>\$ 2,630,163</u>	<u>\$ 2,227,543</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. 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.

C. Inventories

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

D. 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

E. 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.

F. 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, 1998 and 1997.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. 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.

I. 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.

J. Vacation and Sick Leave

Vacation is earned after one year of employment and is calculated based on a calendar year. Upon separation, employees will be compensated for any current unused vacation. Any current unused vacation can be carried over for use in the case of an extended illness. Upon separation, no extended illness leave will 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.

At December 31, 1998 and 1997, the liability for compensated absences is immaterial and therefore not reflected in these financial statements.

K. Advertising

Advertising costs are charged to operations when incurred. Advertising expenses for the years ended December 31, 1998 and 1997 was \$24,462 and \$3,559, respectively.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 2 LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following:

	1998	1997
Land	\$ 1,246,514	\$ 490,218
Buildings and improvements	1,419,464	1,150,427
Equipment, furniture and autos	623,778	568,774
Equipment held under capital lease	54,665	-
	3,344,421	2,209,419
Less: Accumulated depreciation and amortization	636,531	528,172
	<u>\$ 2,707,890</u>	<u>\$ 1,681,247</u>

NOTE 3 NOTES PAYABLE

Short term notes payable consist of the following:

	1998	1997
Line of credit with Hibernia National Bank, due on demand, bearing interest at 11 percent per annum, secured by accounts receivable	\$ 248,223	\$ 195,596
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	-
	<u>\$ 293,580</u>	<u>\$ 195,596</u>

NOTE 4 LONG-TERM DEBT

Long-term debt consists of the following:

	1998	1997
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	\$ 329,635	\$ 345,949

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 4 LONG-TERM DEBT (CONTINUED)

	1998	1997
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	16,470	21,283
Note payable to Hibernia National Bank, due June 30, 1998, payable in 60 monthly installments of \$370, including interest at 7.95 percent per annum, secured by a vehicle	-	2,182
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	178,616	183,654
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	13,015	21,878
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	13,084
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	20,386	-
	562,901	588,030
Less: Current maturities	55,553	227,495
Total	\$ 507,348	\$ 360,535

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 4 LONG-TERM DEBT (CONTINUED)

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

1999	\$ 55,553
2000	334,421
2001	24,256
2002	13,595
2003	<u>135,076</u>
	<u>\$ 562,901</u>

NOTE 5 RELATED PARTY TRANSACTIONS

Life insurance is purchased from a company for which a board member is an agent. Goodwill paid approximately \$12,076 and \$12,076 in 1998 and 1997, respectively, in premiums to the insurance company represented by this agent.

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, 1998 and 1997, there were related party receivables in the amounts of \$24,769 and \$13,224, respectively, due from Goodwill Industries of Acadiana Housing Corporation.

NOTE 6 OPERATING LEASES

In December 1994, Goodwill entered into a five year, noncancellable operating lease on a building. Future minimum lease payments are as follows:

1999	39,600
2000	3,300

NOTE 7 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.

Amortization of these capital leases included in depreciation expense amounted to \$3,883 for the year ended December 31, 1998.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Notes to Financial Statements

NOTE 7 CAPITAL LEASES (CONTINUED)

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

1999	\$ 24,483
2000	23,733
2001	<u>2,793</u>
Total minimum lease payments	51,009
Less: amount representing interest	<u>5,611</u>
Present value of future minimum capital lease payments	<u>\$ 45,398</u>

NOTE 8 CONCENTRATION OF CREDIT RISK

Goodwill maintains cash balances at several reputable financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of December 31, 1998, Goodwill's uninsured cash balances totaled \$7,151.

The majority of Goodwill's accounts receivable balance at December 31, 1998 is comprised of amounts due from various state agencies.

THIS PAGE INTENTIONALLY LEFT BLANK.

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

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

We have audited the financial statements of Goodwill Industries of Acadiana, Inc. (a nonprofit organization), as of and for the year ended December 31, 1998, and have issued our report thereon dated May 12, 1999. 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Goodwill Industries of Acadiana, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, 98-3, 98-4, 98-5, and 98-6.

Eugene H. Darnall, CPA, Retired 1990

F. Larry Sikes, CPA, CVA
Danny P. Frederick, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Paula D. Bihm, CPA
Stephanie M. Higginbotham, CPA

Jennifer S. Ziegler, CPA
Chris A. Miller, CPA
John P. Armato, CPA

Kathleen T. Darnall, CPA
Stephen R. Dischler, MBA, CPA
Alan M. Taylor, CPA
Christine A. Raspberry, CPA
Steven G. Moosa, CPA
Erich G. Loewer, Jr., CPA
Erich G. Loewer, III, CPA
Danny P. Pontiff, CPA
Tamera T. Landry, CPA
Carla R. Fontenot, CPA
Raegan D. Stelly, CPA
Jason H. Watson, CPA

Other Locations:

125 Rue Beauregard
Lafayette, LA 70508
318.232.3312

1231 E. Laurel Avenue
Eunice, LA 70535
318.457.4146

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
504.384.6264

404 Pere Megret
Abbeville, LA 70510
318.893.5470

dsfcpas.com

Member of:

American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described in the schedule of findings and questioned costs are all material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of Goodwill Industries of Acadiana, Inc. in a separate letter dated May 12, 1999.

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 12, 1999



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 program for the year ended December 31, 1998. Goodwill Industries of Acadiana, Inc.'s major federal program is 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 program is 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 program for the year ended December 31, 1998.

Eugene H. Darnall, CPA, Retired 1990

E. Larry Sikes, CPA, CVA
Danny P. Frederick, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Paula D. Bihm, CPA
Stephanie M. Higginbotham, CPA

Jennifer S. Ziegler, CPA
Chris A. Miller, CPA
John P. Armato, CPA

Kathleen L. Darnall, CPA
Stephen R. Dischler, MBA, CPA
Alan M. Taylor, CPA
Christine A. Raspberry, CPA
Steven G. Moosa, CPA
Erich G. Loewer, Jr., CPA
Erich G. Loewer, III, CPA
Danny P. Pontiff, CPA
Tamera T. Landry, CPA
Carla R. Fontenot, CPA
Raegan D. Stelly, CPA
Jason H. Watson, CPA

Other Locations:

125 Rue Beauregard
Lafayette, LA 70508
318.232.3312

1231 E. Laurel Avenue
Eunice, LA 70535
318.457.4146

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
504.384.6264

404 Perc Megret
Abbeville, LA 70510
318.893.5470

dsfcpas.com

Member of:

American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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. We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Goodwill Industries of Acadiana, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned cost as item 98-7.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, for the reportable condition described above, we consider 98-7 to be a material weakness.

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.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

May 12, 1999

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Expenditures of Federal Awards
Year Ended December 31, 1998

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal CFDA Expenditures</u>	<u>Amounts to Subrecipients</u>
<u>Department of Health & Human Services</u>			
Administration for Children and Families: Welfare Reform Research, Evaluation and National Studies	93.595	\$ 995,851	\$ -
Passed through the Louisiana Department of Social Services, Office of Family Support: Temporary Assistance for Needy Families-Find Work Program	93.558	<u>106,088</u>	<u>-</u>
		1,101,939	-
<u>Department of Justice</u>			
Office of Juvenile Justice and Delinquency Prevention: Court Appointed Special Advocate	16.547	14,967	-
<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	65,652	-
<u>Department of Education</u>			
Passed through the Louisiana Department of Education: Program for Infants/Toddlers with Disabilities-Part H-Family Services Coordination	84.181	<u>208,922</u>	<u>-</u>
		<u>\$ 1,391,480</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."

THIS PAGE INTENTIONALLY LEFT BLANK.

OTHER SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Departmental Schedule of Revenues and Expenses
Year Ended December 31, 1998

	Lawn Maintenance Contract	Contributed Goods Production		
		Retail	Salvage/ Transportation	Total
REVENUES	\$ 167,696	\$ 1,257,901	\$ 125,585	\$ 1,383,486
EXPENSES	<u>160,388</u>	<u>869,044</u>	<u>138,198</u>	<u>1,007,242</u>
Income (loss) before depreciation and amortization	7,308	388,857	(12,613)	376,244
DEPRECIATION AND AMORTIZATION	<u>11,720</u>	<u>49,919</u>	<u>16,617</u>	<u>66,536</u>
NET INCOME (LOSS)	<u>\$ (4,412)</u>	<u>\$ 338,938</u>	<u>\$ (29,230)</u>	<u>\$ 309,708</u>

See independent auditor's report.

<u>Evaluation, Training and Rehabilitation</u>	<u>Administration</u>	<u>Totals</u>
\$ 881,992	\$ 66,331	\$ 2,499,505
<u>1,055,109</u>	<u>296,545</u>	<u>2,519,284</u>
(173,117)	(230,214)	(19,779)
<u>18,783</u>	<u>13,840</u>	<u>110,879</u>
<u>\$ (191,900)</u>	<u>\$ (244,054)</u>	<u>\$ (130,658)</u>

GOODWILL INDUSTRIES OF ACADIANA, INC.

Summary of Corrective Action Taken on Prior Year Findings
Year Ended December 31, 1998

97-1 Finding: Inadequate Segregation of Accounting Functions

Status: This finding is unresolved. See current year finding 98-1.

97-2 Finding: Finding Related to Cash Accounts

Status: This finding is resolved.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 1998

Part I 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, 1998.

Reportable Conditions – Financial Reporting

Six reportable conditions in internal control over financial reporting were disclosed during the audit of the financial statements and are reported in Part 2 of this report as items 98-1, 98-2, 98-3, 98-4, 98-5 and 98-6. All are considered to be material weaknesses.

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, 1998, had one major program: Welfare Reform Research, Evaluation and National Studies, CFDA Number 93.595, which receives funds from the Department of Health and Human Services, Administration for Children and Families.

Low-Risk Auditee

Goodwill Industries of Acadiana, Inc. is not considered a low-risk auditee for the year ended December 31, 1998.

Major Program-Threshold

The dollar threshold to distinguish Type A and Type B programs is \$300,000 for the year ended December 31, 1998.

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, 1998.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 1998

Part 1 Summary of Auditor's Results (Continued)

Reportable Condition-Major Program

There was one reportable condition in internal control over compliance over the major program disclosed during the audit. This instance is listed as item 98-7 under Part 3 of this report, and is considered a material weakness.

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

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.

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.

GOODWILL INDUSTRIES OF ACADIANA, INC.

Schedule of Findings and Questioned Costs
Year Ended December 31, 1998

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

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.

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.

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.

Schedule of Findings and Questioned Costs
Year Ended December, 1998

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

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.

Part 3 Findings and Questioned Costs Relating to Federal Programs

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.

CORRECTIVE ACTION PLAN

YEAR ENDING 12/31/98

In response to the audit dated May 12, 1999 submitted to the Board of Directors, Goodwill Industries of Acadiana, Inc., the following corrective plans have been taken:

98ML-1

Payroll has increased to approximately \$100,000.00 per pay period. There are some checks that do not clear at the time of the bank statement, thus inflating the account balance. Care will be take to insure any excess amounts are not transferred into the Payroll account until necessary.

98ML-2

Petty Cash will be reconciled on a monthly basis. This will be part of the month end closing procedures.

98-1 One additional accounting staff was hired in June 1999. Segregation of duties has been distributed accordingly.

98-2 Subsidiary Ledgers will be reconciled as part of the monthly closing. Reconciliation proof will be kept in the month end books.

98-3 We have hired a new person for Accounts Payable who has been instructed on the proper procedures, including supporting document requirements as well as proper authorization where required.

98-4 All parties involved with billing have been instructed on procedures to insure segregation of revenue sources. The Accounts Receivable software has been set up to allow this segregation of revenue sources.

98-5 Procedures have been implemented between the Accounting Department and the Rehab billing department. Accounting will meet with Rehab before closing each month, reconciling the two departments' billings.

p. o. box 62270 lafayette, la 70596-2270

phone - 318/261-5811 fax - 318/261-1911 toll free - 1-877-GWHELPS (494-3577)

e-Mail - lagoodwill@yahoo.com web address - lagoodwill.com

CORRECTIVE ACTION PLAN

YEAR ENDING 12/31/99

- 98-6 Procedures have been implemented to insure purchased property is correctly classified as capital when applicable.**
- 98-7 Grant reports will be reviewed by the Vice President of Administration and the Vice President of Operations before being submitted.**

This is the corrective action plan for the findings relating to the 1998 audit of Goodwill Industries of Acadiana, Inc.