

**GOODWILL INDUSTRIES OF  
NORTH LOUISIANA, INC.  
SHREVEPORT, LOUISIANA  
DECEMBER 31, 2021**

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

**SHREVEPORT, LOUISIANA**

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**AUDITED FINANCIAL STATEMENTS**



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June 28, 2022

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

**Independent Auditor's Report**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Goodwill Industries of North Louisiana, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Louisiana, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of North Louisiana, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of North Louisiana, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

### ***Report on Summarized Comparative Information***

We have previously audited Goodwill's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling

such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion this information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of Goodwill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill's internal control over financial reporting and compliance.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021

<u>A S S E T S</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Summary Total</u>
<b><u>Current assets:</u></b>				
Cash	1,514,288	109,559	1,623,847	446,752
Investments - Note 4	1,075,386	-	1,075,386	944,123
Accounts receivable - net of allowance for bad debts of \$0 and \$0	470,431	-	470,431	532,847
Accounts receivable - other	52,139	-	52,139	16,359
Inventory	157,151	-	157,151	90,793
Prepaid expenses and other	<u>106,831</u>	<u>-</u>	<u>106,831</u>	<u>77,385</u>
Total current assets	3,376,226	109,559	3,485,785	2,108,259
<b><u>Fixed assets:</u></b>				
Land, buildings and equipment, at cost less accumulated depreciation - Notes 5 and 9	8,983,328	-	8,983,328	9,076,607
<b><u>Other assets:</u></b>				
Beneficial interest in net assets of foundation-Note 15	-	489,191	489,191	433,923
Investment in partnership	55,892	-	55,892	56,154
Other assets	<u>49,418</u>	<u>-</u>	<u>49,418</u>	<u>31,624</u>
<b>Total assets</b>	<u><u>12,464,864</u></u>	<u><u>598,750</u></u>	<u><u>13,063,614</u></u>	<u><u>11,706,567</u></u>

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

<u>LIABILITIES AND NET ASSETS</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Summary Total</u>
<b><u>Current liabilities:</u></b>				
Accounts payable	139,406	-	139,406	150,586
Sales tax payable	24,902	-	24,902	20,201
Accrued payroll and withholdings	103,156	-	103,156	85,730
Other payables	217,582	-	217,582	97,995
Current portion of long-term debt - Note 9	348,437	-	348,437	668,639
Unamortized debt issuance costs-short term	(10,697)	-	(10,697)	(10,697)
Total current liabilities	<u>822,786</u>	-	<u>822,786</u>	<u>1,012,454</u>
<b><u>Long-term liabilities:</u></b>				
Long-term debt - Note 9	4,158,396	-	4,158,396	3,619,994
Unamortized debt issuance costs-long term	(58,830)	-	(58,830)	(69,526)
Total long-term liabilities	<u>4,099,566</u>	-	<u>4,099,566</u>	<u>3,550,468</u>
 Total liabilities	 4,922,352	 -	 4,922,352	 4,562,922
<b><u>Net assets:</u></b>				
Without donor restrictions	7,542,512	-	7,542,512	6,671,409
With donor restrictions	-	598,750	598,750	472,236
Total net assets	<u>7,542,512</u>	<u>598,750</u>	<u>8,141,262</u>	<u>7,143,645</u>
 <b>Total liabilities and net assets</b>	 <u><u>12,464,864</u></u>	 <u><u>598,750</u></u>	 <u><u>13,063,614</u></u>	 <u><u>11,706,567</u></u>



GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Summary Total</u>
<b><u>Public support and revenues:</u></b>				
Public support:				
Donated goods - Note 10	2,333,644	-	2,333,644	794,250
United Way contributions	195,903	-	195,903	180,287
Other contributions	109,687	-	109,687	78,505
Total public support	<u>2,639,234</u>	-	<u>2,639,234</u>	<u>1,053,042</u>
Revenues:				
Sales:				
Sales of goods purchased	68,378	-	68,378	44,492
<u>Less - cost of purchased goods</u>	<u>48,804</u>	-	<u>48,804</u>	<u>34,195</u>
Gross profit	19,574	-	19,574	10,297
Sales of donated goods	4,355,957	-	4,355,957	4,192,346
Contract services	1,560,923	-	1,560,923	1,427,809
Workforce Development grants and fees	1,676,332	376,577	2,052,909	1,498,114
Net investment return - Note 4	129,943	64,324	194,267	127,460
SBA PPP loan forgiveness	1,105,197	-	1,105,197	1,105,100
Other miscellaneous revenue	50,403	-	50,403	17,029
Total revenues	<u>8,898,329</u>	<u>440,901</u>	<u>9,339,230</u>	<u>8,378,155</u>
Net assets released from restrictions - Note 3	<u>323,254</u>	<u>(323,254)</u>	-	-
Total public support, revenues, and reclassifications	<u>11,860,817</u>	<u>117,647</u>	<u>11,978,464</u>	<u>9,431,197</u>
<b><u>Expenses:</u></b>				
Production and sales	6,113,573	-	6,113,573	5,375,133
Workforce development	2,409,866	-	2,409,866	1,777,852
Contract services	1,268,105	-	1,268,105	1,212,151
Management and general	1,189,303	-	1,189,303	1,090,528
Total expenses	<u>10,980,847</u>	-	<u>10,980,847</u>	<u>9,455,664</u>
<b><u>Change in net assets</u></b>	879,970	117,647	997,617	(24,467)
<b><u>Net assets, beginning of year</u></b>	<u>6,662,542</u>	<u>481,103</u>	<u>7,143,645</u>	<u>7,168,112</u>
<b><u>Net assets, end of year</u></b>	<u>7,542,512</u>	<u>598,750</u>	<u>8,141,262</u>	<u>7,143,645</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Production and Sales</u>	<u>Workforce Development</u>	<u>Contract Services</u>
Salaries, taxes and benefits	3,099,904	1,572,866	1,088,824
Professional fees	56,460	268,388	23,796
Supplies	93,698	44,051	79,553
Telecommunications	59,647	18,949	3,727
Postage and shipping	10,996	951	-
Building rent	495,734	52,400	-
General and liability insurance	96,245	37,290	2,318
Mortgage interest	786,775	86,325	-
Other occupancy	667,432	39,088	1,884
Equipment rental and maintenance	103,057	26,151	6,012
Printing, advertising and subscriptions	11,109	33,547	508
Agency vehicles and travel	172,310	27,919	31,608
Conferences, conventions and meetings	-	480	-
Specific assistance-community	14,675	121,701	248
Membership dues and support payments	61,947	24,733	15,366
Bank service charges	102,758	-	-
Awards and grants	-	80	-
Miscellaneous	<u>4,628</u>	<u>1,355</u>	<u>1,279</u>
Total other expenses before depreciation	<u>2,737,471</u>	<u>783,408</u>	<u>166,299</u>
Total expenses before depreciation	5,837,375	2,356,274	1,255,123
Depreciation	<u>276,198</u>	<u>53,592</u>	<u>12,982</u>
Total expenses	<u><u>6,113,573</u></u>	<u><u>2,409,866</u></u>	<u><u>1,268,105</u></u>

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

Management and General	2021 Total	2020 Summary Total
746,542	6,508,136	5,911,050
261,562	610,206	318,534
16,084	233,386	250,692
5,085	87,408	89,825
1,176	13,123	23,237
-	548,134	670,984
28,412	164,265	173,861
-	873,100	134,504
17,230	725,634	814,585
(16,508)	118,712	160,331
6,141	51,305	30,345
12,763	244,600	216,291
12,841	13,321	-
920	137,544	36,067
2,622	104,668	77,934
9,879	112,637	109,904
5,922	6,002	-
<u>35,867</u>	<u>43,129</u>	<u>54,263</u>
<u>399,996</u>	<u>4,087,174</u>	<u>3,161,357</u>
1,146,538	10,595,310	9,072,407
<u>42,765</u>	<u>385,537</u>	<u>383,257</u>
<u><u>1,189,303</u></u>	<u><u>10,980,847</u></u>	<u><u>9,455,664</u></u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Summary</u> <u>Total</u>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	997,617	(24,467)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized (gain) on investments	(69,478)	(23,864)
Net unrealized (gain) on investments	(92,013)	(85,915)
Other loss	2,652	4,945
SBA PPP loan forgiveness	(1,105,197)	(1,105,100)
Interest expense capitalized in debt	235,198	-
Depreciation	385,537	383,257
Amortization	10,696	10,696
<i>(Increase) decrease in:</i>		
Accounts receivable	26,636	(272,765)
Inventory	(66,358)	122,169
Prepaid expenses	(29,446)	(12,311)
Other assets	(17,794)	1,827
<i>Increase (decrease) in:</i>		
Accounts payable	(11,180)	(135,263)
Sales tax payable	4,701	(3,645)
Accrued payroll and withholdings	17,426	(188,501)
Other payables	119,587	60,744
Total adjustments	<u>(589,033)</u>	<u>(1,243,726)</u>
Net cash provided (used) by operating activities	408,584	(1,268,193)
<b><u>Cash flows from investing activities:</u></b>		
Capital purchases and improvements	(294,910)	(28,126)
Net redemption of investments	30,228	164,684
Change in beneficial interest in assets of foundation	(55,268)	(16,457)
Decrease in investment in partnership	262	259
Net cash provided (used) by investing activities	<u>(319,688)</u>	<u>120,360</u>
<b><u>Cash flows from financing activities:</u></b>		
Borrowings	1,105,197	1,637,878
Debt reduction	<u>(16,998)</u>	<u>(426,358)</u>
Net cash provided by financing activities	<u>1,088,199</u>	<u>1,211,520</u>
<b><u>Net increase in cash</u></b>	1,177,095	63,687
<b><u>Cash at beginning of the year</u></b>	<u>446,752</u>	<u>383,065</u>
<b><u>Cash at end of the year</u></b>	<u>1,623,847</u>	<u>446,752</u>
<b><u>Cash paid during the year for interest</u></b>	<u>671,475</u>	<u>157,618</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

**1. Nature of Business**

Goodwill Industries of North Louisiana, Inc. ("Goodwill") is a nonprofit, privately supported public service organization. Revenues are derived primarily from the following:

- (a) Sales of used clothing and other household materials donated by the public and refurbished by employees who have disabilities and/or are disadvantaged.
- (b) Salvage sales.
- (c) Sub-contract work for various types of companies by employees who have disabilities and/or are disadvantaged.
- (d) Vocational rehabilitation fees and grant funding through the State of Louisiana and other local government agencies.
- (e) The Community Foundation of North Louisiana.
- (f) Miscellaneous contributions.

Goodwill provides work opportunities and training for people who have disabilities and/or are disadvantaged, utilizing sales of reconditioned goods and contracted services to pay their wages.

**2. Significant Accounting Policies**

Following is a summary of significant policies by Goodwill:

(a) Financial Statement Presentation:

Goodwill reports information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions, as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations. Some net assets without donor restrictions may be designated by the Board for specific purposes.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met by actions of Goodwill, and/or by the passage of time. Also included are net assets subject to donor-imposed stipulations that they be maintained permanently by Goodwill. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

(b) Contributions:

Contributions received are recorded based on the existence and/or nature of any donor restrictions.

## 2. Significant Accounting Policies (Continued)

(c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to Goodwill that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions, which are those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Goodwill uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

(d) Contributed Goods and Services:

During the years ended December 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material. Goods purchased for resale and donated goods are stated at the lower of cost or market on the first-in, first-out basis.

(e) Revenue and Revenue Recognition:

Goodwill recognizes sales of goods at the time the sale is made, which is when control of the purchased good passes to the customer and satisfies Goodwill's performance obligation. Returns are not allowed, but exchanges of equal value occur.

Revenues from contract services, which include both Federal and state-sourced contracts, derive from the provision of specific services that customarily include janitorial, groundskeeping, and switchboard. The contracts generally are for one year, with automatic renewals that allow termination notice by either party without penalty. Performance obligations under these contracts, which consist of a series of distinct promises that generally have the same pattern of transfer on a monthly basis, are satisfied over time as the service is provided.

Certain training and other grants consist of fee for services rendered arrangements that specify performance measures to be met. The performance obligations under these grants are satisfied upon completion of each specific measure, at which point the related revenue is recognized and billed.

(f) Estimates:

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

Material estimates that are particularly susceptible to significant change in the near term relate to the valuation of donated goods, and the estimated fair values of investment securities.

## 2. Significant Accounting Policies (Continued)

(g) Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported in the statement of financial position at their fair values. Fair values for marketable securities are based on quoted market prices. Gains and losses on the sale of marketable securities are determined using the specific identification method. Unrealized gains and losses are included in the change in net assets.

(h) Bad Debts:

Goodwill uses the allowance method to estimate uncollectible accounts receivable, when material. The allowance is based on prior years' experience and management's analysis of specific receivables. Receivables are charged off when management determines, after reviewing customer accounts, that collection is unlikely. Past due status of accounts receivable is based on contractual terms.

(i) Land, Buildings and Equipment:

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Goodwill reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Goodwill reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method. Buildings are assigned useful lives of forty years. Furniture and equipment generally are assigned ten-year useful lives and vehicles are assigned three to five-year useful lives. Goodwill uses a capitalization policy of \$1,000 for fixed assets.

(j) Cash and Cash Equivalents:

For purposes of the statement of cash flows, Goodwill considers all cash on hand and demand deposits with financial institutions to be cash equivalents. Certain demand deposits include amounts that are "swept" overnight into daily investments in U.S. Treasury or Agency Securities.

(k) Prior Year Financial Information:

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Goodwill's financial statements for the year ended December 31, 2020. Certain amounts for the prior year may have been reclassified to conform to the current-year presentation.

(l) Advertising Costs:

Advertising costs are expensed as incurred. Such costs amounted to \$9,945 and \$11,070 for 2021 and 2020.

## 2. Significant Accounting Policies (Continued)

### (m) Income Taxes:

As a nonprofit, privately supported organization, Goodwill is generally exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Goodwill is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, Goodwill must assess whether it has any tax positions associated with unrelated business income subject to income tax. Goodwill does not expect any of these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in Goodwill's accounting records.

Goodwill is required to file U.S. federal Form 990 for informational purposes. Its federal income tax returns for the tax years 2018 and beyond remain subject to examination by the Internal Revenue Service.

Goodwill also is subject to income tax on net income that is derived from rentals, which is a business activity that is unrelated to its exempt purpose. It files U.S. federal Form 990-T with the IRS to report its unrelated business taxable income when required.

### (n) Beneficial Interest in Assets of Foundation:

Any transfers by Goodwill of its own funds to the Community Foundation of North Louisiana, specifying itself as the beneficiary, are accounted for as an asset in accordance with generally accepted accounting principles.

### (o) New Accounting Guidance Not Yet Adopted:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply



## 2. Significant Accounting Policies (Continued)

a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Organization is currently evaluating the potential impact of adopting this guidance on its financial statements.

(p) Functional Expenses:

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

(q) Liquidity and Availability of Financial Assets:

Goodwill strives to maintain liquid financial assets sufficient to meet its general operating expenditures. At December 31, 2021, Goodwill estimates that it has approximately two months of expenses in liquid assets. Accounts receivable are primarily from governmental agencies and are managed closely to ensure they are being paid promptly in order to provide for payment of accounts payable.

Goodwill has \$3,105,564 of financial assets available within one year of the balance sheet date, comprised of cash of \$1,507,608, accounts receivable of \$522,570, and short term investments of \$1,075,386. None of these financial assets is subject to donor restrictions or contractual restrictions that make them unavailable within one year.

## 3. Restrictions on Assets

Included in net assets with donor restrictions are various grants received by Goodwill with use restrictions. These restrictions will expire as Goodwill utilizes these funds for their intended purposes over the terms of the grants. Also included in net assets with donor restrictions are endowments received by Goodwill. Most of these assets are held by the Community Foundation of North Louisiana, as described in Note 15.

## 4. Investments

Investments at December 31, 2021 and 2020 are summarized as follows:

	2021		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	124,255	123,193	(1,062)
Corporate debt securities	-	-	-
Corporate equity securities & mutual funds	771,708	939,064	167,356
Cash and equivalents	13,129	13,129	-
	<u>909,092</u>	<u>1,075,386</u>	<u>166,294</u>

4. Investments (Continued)

	2020		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	12,247	17,139	4,892
Corporate debt securities	360,028	370,416	10,388
Corporate equity securities & mutual funds	399,668	478,182	78,514
Cash and equivalents	<u>78,386</u>	<u>78,386</u>	-
	<u>850,329</u>	<u>944,123</u>	<u>93,794</u>

A summary of investment return for each year follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net interest income	25,004	7,772	32,776
Net realized gain	49,177	20,301	69,478
Net unrealized gain	<u>55,762</u>	<u>36,251</u>	<u>92,013</u>
	<u>129,943</u>	<u>64,324</u>	<u>194,267</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net interest income	14,998	2,683	17,681
Net realized gain	8,552	15,312	23,864
Net unrealized gain	<u>71,592</u>	<u>14,323</u>	<u>85,915</u>
	<u>95,142</u>	<u>32,318</u>	<u>127,460</u>

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

Fixed assets and related accumulated depreciation at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	10,816,269	10,677,120
Equipment	2,008,073	1,966,738
Vehicles	<u>152,594</u>	<u>132,605</u>
Total depreciable assets	12,976,936	12,776,463
Accumulated depreciation	<u>(7,481,388)</u>	<u>(7,176,110)</u>
Book value of depreciable assets	5,495,548	5,600,353
Land	3,476,254	3,476,254
Construction in progress	<u>11,526</u>	-
Book value of fixed assets	<u><u>8,983,328</u></u>	<u><u>9,076,607</u></u>

6. **Employee Benefits Plan**

Goodwill has available to its employees a section 403(b) Thrift defined contribution retirement plan which is administered by Mutual of America. The employees may, at their option, elect to take a reduction in salary to invest in the tax deferred plan. Goodwill may elect, but is not obligated, to make additional discretionary contributions to the plan. No such contributions were made for 2021 and 2020.

7. **Rent**

Goodwill rents various facilities to serve as retail store outlets for its household goods and for other purposes. Goodwill has lease agreements for store locations in Monroe (terminated September 2021), West Monroe, Shreve City, Natchitoches, and Haughton (for 60 months). The Pines Road location has a 60-month lease, converted from a store location to an outlet location in April 2017, and terminated in 2020. The Alexandria Workforce Development lease has a term of 60 months, and the Monroe Workforce Development lease has a term of 36 months. All rental agreements are noncapitalizable. Rent expense for 2021 and 2020 was \$548,134 and \$670,984.

Goodwill also has agreements to lease several trucks. These lease agreements are accounted for as operating leases and provide for lease terms of seven years at approximate annual rentals of \$18,696 per vehicle plus mileage. Vehicle rent expense for 2021 and 2020 was \$93,769 and \$95,264.

A summary of future minimum rental payments under noncancellable leases for all operating leases for the next five years and in the aggregate is as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2022	584,626
2023	554,172
2024	450,789
2025	334,297
2026	30,741
Thereafter	-
	<u><u>1,954,625</u></u>

**8. Commitments**

Goodwill is obligated to provide annual supplemental medical insurance benefits up to a maximum limit each to its President/CEO Emeritus and his spouse for the remainder of their lives, effective with his retirement on June 30, 2012. Total payments under this commitment amounted to \$8,279 for 2021 and \$8,173 for 2020.

**9. Long-Term Debt**

Listed below is a schedule of long-term debt at December 31, 2021 and 2020:

Due To	Terms	2021	2020
*Mooring Capital	Loans for \$2,765,000 and \$3,434,000 to refinance debt, payable \$19,890 and \$24,700 per month through June 2028 including interest at 3.59%.	3,748,859	3,513,661
Capital One, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (3.25% at 12-31-21) due monthly; principal and remaining unpaid items due each June 13 at lender demand; unsecured.	225,000	225,000
Small Business Administration	Economic Injury Disaster Loan for \$500,000 for working capital; payable \$2,136 per month commencing October 2022 for thirty years; interest at 2.75%; secured by all corporate tangible and intangible personal property.	500,000	500,000
Various	Loans for equipment and vehicles; interest at 5.42%-7.00%; monthly payments varying from \$219 to \$1,466; original maturities vary from 24 to 60 months; secured by the equipment and vehicles financed.	32,974	49,972
Total debt		4,506,833	4,288,633
Less unamortized debt issuance costs		(69,527)	(80,223)
Total debt, net		4,437,306	4,208,410
Portion classified as current		348,437	668,639
Portion classified as long-term		4,158,396	3,619,994
Total debt		4,506,833	4,288,633

## 9. Long-Term Debt (Continued)

\*Goodwill entered into an agreement, dated June 28, 2013, for the issuance of revenue bonds on its behalf of the total amount of the debt incurred by the Louisiana Local Government Environmental Facilities and Community Development Authority, which served as a conduit between the borrower and lender in order for the debt to be treated as tax-exempt. As required by state law, this agreement was approved by the Louisiana State Bond Commission.

The debt agreement associated with these loans was modified on June 15, 2015 to waive certain technical defaults that occurred during 2014 under the original agreement. The modified debt agreement cross-collateralize the debt of Goodwill's stores in north Bossier City, Louisiana; Pierremont and West 70<sup>th</sup> Street, Shreveport, Louisiana; Pineville, Louisiana; and Alexandria, Louisiana.

Goodwill again was out of technical compliance with certain debt covenants as of December 31, 2019. Based on this noncompliance, the debt holder had various remedies available, including the authority to impose a higher default interest rate on the debt while in default, and the authority to demand immediate total or partial payment of the debt. The creditor never expressed an intent to demand immediate total or partial debt repayment and had expressed no intent to impose default interest until 2020. The debt holder sold this debt to Mooring Capital in 2020, including any rights to default interest, although the debt itself was never in default.

Goodwill engaged legal counsel in 2020 to dispute Mooring's claim of default interest, and continued making the principal and interest payments required by the original loan agreement. Negotiations between Goodwill and Mooring continued in 2021, when Mooring offered a substantial discount on its claim of default interest if Goodwill moved the debt to another lender. Goodwill accepted, thereby agreeing to the imposition of certain default interest in 2021, and completed the refinancing of the balance of the debt and the discounted default interest, plus additional debt of \$510,000 for capital improvements, in May 2022 with Citizens National Bank of Bossier. Payments to Mooring that had reduced debt principal in 2020 were recharacterized as default interest payments in 2021, and the debt was restored to its balance at the time it was purchased by Mooring.

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

2022	348,437
2023	199,332
2024	201,370
2025	210,898
2026	228,503
Thereafter	<u>3,318,293</u>
	<u><u>4,506,833</u></u>

Maturities are based on the repayment terms of the debt with Citizens National Bank refinancing in May 2022, which include monthly payments beginning June 2022 based on a fifteen year amortization term, maturity in ten years at a 4.16% interest rate which will adjust after five years.

The approximate book value of collateralized fixed assets at December 31, 2021 was \$8,841,373.

Interest expense was \$906,673 and \$157,618 for 2021 and 2020, respectively.

**10. Donated Goods**

Effective January 1, 1996, in conformity with generally accepted accounting principles, Goodwill began recognizing donated goods as revenue when received. During 2021 and 2020, contributed merchandise with an approximate fair value of \$2,334,000 and \$794,000, respectively, was recognized as contribution revenue. This donated-goods merchandise requires program-related expenses and processes that are accomplished by people with disabilities and other disadvantaging conditions before it reaches the point of sale. The value of donated goods inventory and donated goods revenue is dependent upon the level of sales of donated goods and allocation estimates of processing costs. Such values are estimated using a general calculation model developed by Goodwill Industries International, Inc. These estimates are periodically reviewed and revised by management. Donated goods included in inventory amounted to approximately \$149,813 and \$85,682 at December 31, 2021 and 2020.

**11. Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after December 31, 2021. Future funding of such awards is conditioned upon Goodwill's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to Goodwill, they have not been recognized in the financial statements at December 31, 2021. Such conditional promises amounted to approximately \$2,344,000 at December 31, 2021.

**12. Concentrations of Credit Risk**

Financial instruments that potentially subject Goodwill to concentrations of credit risk consist principally of cash, investments, and receivables. Concentrations of credit risk with respect to receivables are limited, since most of these amounts are due from governmental agencies and private businesses under grants or fee for service arrangements. Goodwill maintains cash balances at several financial institutions. At December 31, 2021, total cash held at financial institutions was \$1,591,573, \$1,091,573 of which is over the FDIC-insured limits. Substantial investment amounts, including certain mutual funds, are invested in securities of the federal government or its agencies. However, approximately \$939,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2021, are dependent solely upon the faith and credit of the corporate issuer. Goodwill monitors the credit worthiness of these institutions and believes the credit risk to be minimal.

**13. Fundraising Expenses**

Direct fundraising expenses amounted to approximately \$21,966 for 2021 and \$6,214 for 2020.

**14. Fair Value Measurements**

The following table presents Goodwill's fair value hierarchy for assets measured at fair value on a recurring basis at December 31, 2021 and 2020:

	Quoted Process in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<u>December 31, 2021:</u>				
<u>Investments:</u>				
U.S Treasury and Agency debt securities	123,193	-	-	123,193
Corporate debt securities	-	-	-	-
Corporate equity securities	939,064	-	-	939,064
Cash and equivalents	13,129	-	-	13,129
	<u>1,075,386</u>	<u>-</u>	<u>-</u>	<u>1,075,386</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>149,813</u>	<u>149,813</u>
	Quoted Process in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<u>December 31, 2020:</u>				
<u>Investments:</u>				
U.S Treasury and Agency debt securities	17,139	-	-	17,139
Corporate debt securities	370,416	-	-	370,416
Corporate equity securities	478,182	-	-	478,182
Cash and equivalents	78,386	-	-	78,386
	<u>944,123</u>	<u>-</u>	<u>-</u>	<u>944,123</u>
Donated goods inventory	<u>-</u>	<u>-</u>	<u>85,682</u>	<u>85,682</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1). Fair values for other investments are determined by reference to net asset values that are not current. The fair value of donated goods inventory is estimated based on a methodology using annual processing costs and inventory turnover factors applied to the retail sales value of the goods.

Nonfinancial assets measured at fair value on a recurring basis, using significant unobservable inputs, changed in value as follows:

<u>Donated Goods Inventory</u>	<u>2021</u>	<u>2020</u>
Beginning balance	85,682	205,485
Change in value from sales and donations	<u>64,131</u>	<u>(119,803)</u>
Ending balance	<u>149,813</u>	<u>85,682</u>

**14. Fair Value Measurements (Continued)**

Unobservable inputs utilized include the sales value of the donated goods applied to an industry-accepted computational model that adjusts the value of those monthly sales, using inventory turnover rates and costs incurred in processing the goods sold.

**15. Beneficial Interest in Assets of Foundation**

Goodwill established an endowment fund, the income distribution of which is designated by Goodwill to help fund the cost of placement programs. Goodwill transferred control of this endowment fund in 2008 to the Community Foundation of North Louisiana. Under the terms of the agreement, variance power and legal ownership of the funds rest with the Foundation, and net investment income and capital appreciation/depreciation accumulate in the endowment fund. The Foundation is obligated to distribute 4% of the average market value of the fund to Goodwill annually, provided the average market value is greater than the amount contributed to the fund.

Activity of this beneficial interest is summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning balance, endowment fund	433,923	417,466
Transfer of cash by Goodwill	6,680	-
Net interest income	11,786	2,683
Net realized and unrealized gain	56,552	29,635
Administrative fees	(4,014)	-
Distributions to Goodwill	<u>(15,736)</u>	<u>(15,861)</u>
Ending balance, endowment fund	<u><u>489,191</u></u>	<u><u>433,923</u></u>

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

Disaggregated revenue from contracts with customers and related receivables follows:

	<u>2021</u>	<u>2020</u>
<u>Revenue from Contracts with Customers</u>		
Sales of goods:		
Purchased new	68,378	44,492
Donated	4,355,957	4,192,346
Contract services	1,560,923	1,427,809
Workforce Development	381,589	338,981
<u>Accounts Receivable from Contracts with Customers</u>		
Contract services	128,457	311,351
Workforce Development	40,795	53,416



**17. Uncertainties**

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

The impact of COVID-19 has been significant on the community and the retail industry. General actions to help mitigate its spread included restrictions on travel, quarantines in certain areas, and forced closures for certain types of businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, adverse impacts within the industry and the economy at large. While the disruption currently is expected to be temporary, there is considerable uncertainty about its duration. Although the pandemic can negatively impact the Organization, the amount of that impact and its duration cannot be reasonably estimated.

**18. Subsequent Events**

Goodwill is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Goodwill performed such an evaluation through June 28, 2022, the date which the financial statements were available to be issued and noted no subsequent events other than matters included in Note 9.

**SUPPLEMENTARY INFORMATION**

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2021

Agency Head: David Tinkis

Salary	141,048
Bonus	5,642
Benefits-insurance-health	13,588
Benefits-insurance-life, disability, accidental	1,628
Car allowance	6,250
Travel	6,716
Conferences	5,409

**OTHER REPORTS**



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REGIONS TOWER  
333 TEXAS STREET, SUITE 1525 | SHREVEPORT, LOUISIANA 71101  
318.429.1525 (P) | 318.429.2124 (F)

June 28, 2022

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Goodwill Industries of North Louisiana, Inc., which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2022.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Shreveport, Louisiana

*Heard, McElroy & Vestal, LLC*

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2021

**A. Summary of Audit Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Goodwill Industries of North Louisiana, Inc.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Goodwill Industries of North Louisiana, Inc. were disclosed during the audit.

**B. Findings - Financial Statement Audit**

None

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

Not Applicable

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2021

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





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REGIONS TOWER  
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318.429.1525 (P) | 318.429.2124 (F)

June 28, 2022

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

Louisiana Legislative Auditor  
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2021 through December 31, 2021. Management of Goodwill Industries of North Louisiana, Inc. (Goodwill) is responsible for those C/C areas identified in the SAUPs. These Statewide Agreed-Upon Procedures were applied only to the Workforce Development control and compliance areas, as these are the areas that involve the use of public monies.

Goodwill has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

*The entity has an adequate policy regarding budgeting.*

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*The entity has an adequate policy regarding purchasing.*

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

*The entity has an adequate policy regarding disbursements.*

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

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

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

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

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

*The entity has an adequate policy regarding contracts.*

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

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

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

*The entity has an adequate policy regarding travel and expense reimbursement.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected

officials, annually attest through signature verification that they have read the entity's ethics policy.

*The entity as a nonprofit typically is not subject to the State of Louisiana Code of Ethics; however, it is a party to certain grant agreements that apply this requirement contractually.*

*Exception: Although the entity has in place a Code of Ethics and Business Conduct, it does not specifically address the prohibitions defined in Louisiana Revised Statutes 42:1111-1121, nor does it require an annual attestation by employees that they have read the ethics policy.*

*Management's Response: Goodwill will revise its policy to address the prohibitions to the extent they apply to the entity as a nonprofit, and to require annual attestation by its employees.*

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

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

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

*Exception: The entity has an adequate IT policy regarding disaster recovery/business continuity that covers most of the required elements. However, the policy does not address the application of all available system and software patches and updates.*

*Management's Response: Goodwill will revise its policy to address the application of all available system and software patches and updates.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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

### **Board or Finance Committee**

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*The board and executive committee met with a quorum on a frequency in accordance with the entity's bylaws.*

- b) For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

*The minutes referenced monthly financial statements that included activity relating to public funds.*

### **Bank Reconciliations**

---

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

*Bank reconciliations were prepared for each account selected, and included evidence of having been prepared within 2 months of the related statement closing date.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*Bank reconciliations evidenced review by an independent member of management.*

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No reconciliation contained reconciling items outstanding for more than 12 months from the statement closing date.*

### **Collections (excluding electronic funds transfers)**

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

*A listing of deposit sites was obtained from management.*

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*Each employee responsible for collecting cash does not share the cash drawer with another employee.*

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

*Each employee responsible for collecting cash does not prepare or make the related bank deposit.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

*Each employee responsible for collecting cash does not post collection entries to the general or subsidiary ledgers.*

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

*The employee responsible for reconciling cash collections to the general or subsidiary ledgers is not responsible for collecting cash.*

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

*The entity is covered for theft under an insurance policy that was in effect during the fiscal period.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash*

*collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

*No exceptions.*

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

*No exceptions.*

- c) Trace the deposit slip total to the actual deposit per the bank statement.

*No exceptions.*

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

*No exceptions.*

- e) Trace the actual deposit per the bank statement to the general ledger.

*No exceptions.*

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

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

*A listing of locations was obtained from management.*

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

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

*An employee can initiate a purchase request, which is then approved by a supervisor or department head.*

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

*The bookkeeper processes vendor payments and payments are approved by any chief or, if over \$1,000, by the CEO.*

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

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

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

*Almost all checks are prepared and mailed by a third party vendor which has no approval authority over payment processing. In the rare instances that checks are prepared at the entity, accounting staff is responsible for mailing.*

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

- a) Observe that the disbursement matched the related original invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

*For all selections, no exceptions noted.*

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

*For all selections, no exceptions noted.*

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

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

*A listing of locations was obtained from management.*

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

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

(or electronically approved), by someone other than the authorized card holder.

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

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

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

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

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

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

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

*No exceptions noted.*

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

*No exceptions noted.*

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those



individuals participating) and other documentation required by written policy (procedure #1h).

*No exceptions noted.*

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No exceptions noted.*

### **Contracts**

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

*No exceptions noted.*

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

*No exceptions to procedure noted.*

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

*No amendments to the contracts noted; therefore, this procedure is not applicable.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No exceptions to procedure noted.*

### **Payroll and Personnel**

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16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or

officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Obtained listing from Management and agreed selected employees' salaries and pay rates without exception.*

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

*No exceptions noted.*

b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

*No exceptions noted.*

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*Records covering accrued and used leave appear reasonable.*

d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

*No exceptions noted.*

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

*Per Management there were no termination payments in the period covered.*

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

*Management's representation was obtained covering these statements.*

## **Ethics**

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20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

*Exception: The entity’s policy requires employees to train on its Code of Conduct within a year of initial employment, but there is no requirement for annual training. Two of the five selected employees underwent training within the current fiscal period; the other three trained during the preceding fiscal period.*

*Management’s Response: Goodwill will revise its policy to require that all Workforce Development division employees and other professional staff have one hour of annual training in ethics.*

- b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

*Not applicable; no changes were made during the fiscal period to the entity’s fiscal period.*

## **Debt Service**

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

## **Fraud Notice**

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21. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*N/A – no misappropriations of public funds identified during the fiscal period.*

22. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Exception: Entity has no notice posted on its website.*

*Management’s Response: Goodwill will post the required notice on its website.*

## ***Information Technology Disaster Recovery/Business Continuity***

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23. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

*We performed the procedure and discussed the results with management.*

- b. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

*We performed the procedure and discussed the results with management.*

- c. Obtain a listing of the entity’s computers currently in use, and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

*We performed the procedure and discussed the results with management.*

## ***Sexual Harassment***

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

We were engaged by Goodwill to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana