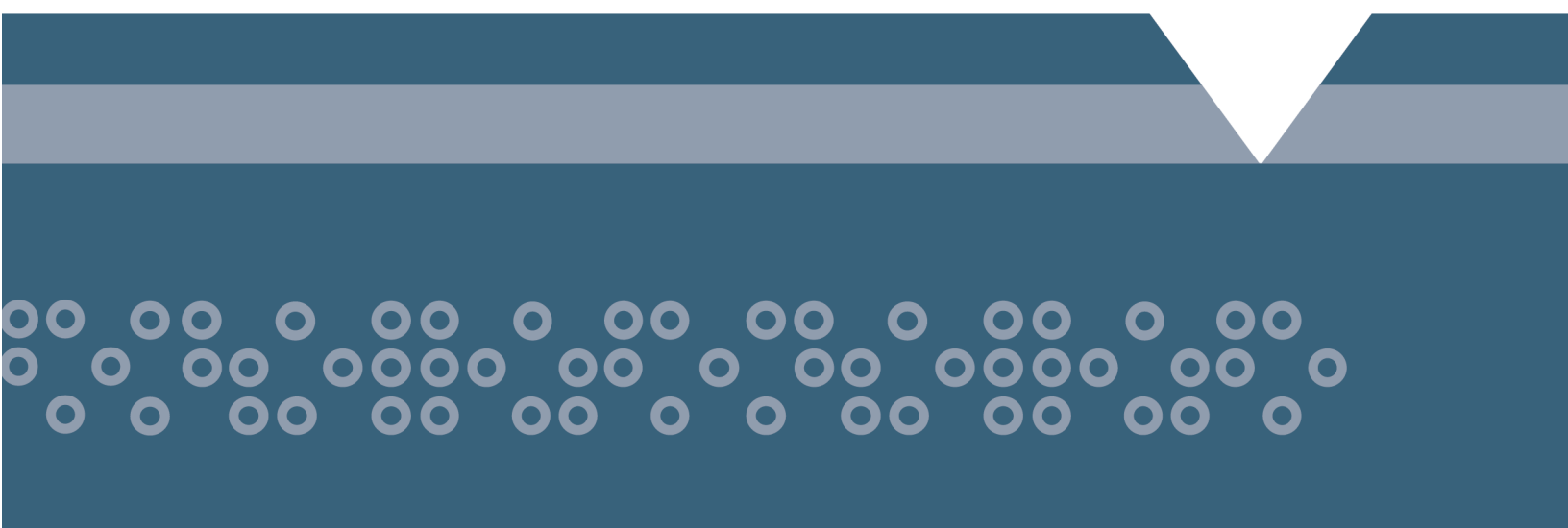


Goodwill Industries of North Louisiana, Inc.
Shreveport, Louisiana

December 31, 2022 and 2021



CERTIFIED PUBLIC
ACCOUNTANTS

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-3
Statement of Financial Position	4-5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-21

SUPPLEMENTARY INFORMATION

Schedule of Compensation, Benefits, and Other Payments to Agency Head	22
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OTHER REPORTS

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 <i>Government Auditing Standards</i>	23-24
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Audit Findings	26

AUDITED FINANCIAL STATEMENTS



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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, 2022, 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, 2022, 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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 22 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 23, 2023, 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
June 23, 2023

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

ASSETS	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summary Total
<u>Current assets:</u>				
Cash	\$ 1,633,882	\$ 83,542	\$ 1,717,424	\$ 1,623,847
Investments - Note 4	845,163	-	845,163	1,075,386
Accounts receivable - net of allowance for bad debts of \$0 and \$0	659,731	-	659,731	470,431
Accounts receivable - ERTC - Note 17	919,015	-	919,015	-
Accounts receivable - other	35,136	-	35,136	52,139
Inventory	224,366	-	224,366	157,151
Prepaid expenses and other	<u>111,218</u>	<u>-</u>	<u>111,218</u>	<u>106,831</u>
Total current assets	4,428,511	83,542	4,512,053	3,485,785
<u>Fixed assets:</u>				
Land, buildings and equipment, at cost less accumulated depreciation - Notes 5 and 9	9,189,802	-	9,189,802	8,983,328
<u>Other assets:</u>				
Beneficial interest in net assets of foundation-Note 15	-	428,336	428,336	489,191
Investment in partnership	55,479	-	55,479	55,892
Lease right-of-use asset	1,885,507	-	1,885,507	-
Other assets	<u>40,249</u>	<u>-</u>	<u>40,249</u>	<u>49,418</u>
Total assets	<u>\$15,599,548</u>	<u>\$ 511,878</u>	<u>\$16,111,426</u>	<u>\$13,063,614</u>

(Continued)

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2022

LIABILITIES AND NET ASSETS	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summary Total
<u>Current liabilities:</u>				
Accounts payable	\$ 101,671	\$ -	\$ 101,671	\$ 139,406
Sales tax payable	27,758	-	27,758	24,902
Accrued payroll and withholdings	127,599	-	127,599	103,156
Short-term lease liability-Note 7	538,433	-	538,433	-
Other payables	119,030	-	119,030	217,582
Current portion of long-term debt - Note 9	227,036	-	227,036	348,437
Unamortized debt issuance costs-short term	<u>(5,702)</u>	<u>-</u>	<u>(5,702)</u>	<u>(10,697)</u>
Total current liabilities	1,135,825	-	1,135,825	822,786
<u>Long-term liabilities:</u>				
Long-term debt - Note 9	4,483,316	-	4,483,316	4,158,396
Long-term lease liability-Note 7	1,351,542	-	1,351,542	-
Unamortized debt issuance costs-long term	<u>(47,988)</u>	<u>-</u>	<u>(47,988)</u>	<u>(58,830)</u>
Total long-term liabilities	<u>5,786,870</u>	<u>-</u>	<u>5,786,870</u>	<u>4,099,566</u>
Total liabilities	6,922,695	-	6,922,695	4,922,352
<u>Net assets:</u>				
Without donor restrictions	8,676,853	-	8,676,853	7,542,512
With donor restrictions	<u>-</u>	<u>511,878</u>	<u>511,878</u>	<u>598,750</u>
Total net assets	<u>8,676,853</u>	<u>511,878</u>	<u>9,188,731</u>	<u>8,141,262</u>
Total liabilities and net assets	<u>\$ 15,599,548</u>	<u>\$ 511,878</u>	<u>\$ 16,111,426</u>	<u>\$ 13,063,614</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summary Total
<u>Public support and revenues:</u>				
Public support:				
Donated goods - Note 10	\$ 3,170,690	\$ -	\$ 3,170,690	\$ 2,333,644
United Way contributions	69,433	-	69,433	195,903
Other contributions	110,627	-	110,627	109,687
Total public support	<u>3,350,750</u>	<u>-</u>	<u>3,350,750</u>	<u>2,639,234</u>
Revenues:				
Sales:				
Sales of goods purchased	69,302	-	69,302	68,378
<u>Less</u> - cost of purchased goods	<u>50,812</u>	<u>-</u>	<u>50,812</u>	<u>48,804</u>
Gross profit	18,490	-	18,490	19,574
Sales of donated goods	4,199,099	-	4,199,099	4,355,957
Contract services	1,521,062	-	1,521,062	1,560,923
Workforce Development grants and fees	1,952,152	258,000	2,210,152	2,052,909
Net investment return - Note 4	(227,024)	(44,517)	(271,541)	194,267
Employee Retention Tax Credit - Note 17	919,015	-	919,015	41,947
SBA PPP loan forgiveness	-	-	-	1,105,197
Other miscellaneous revenue	<u>18,256</u>	<u>-</u>	<u>18,256</u>	<u>8,456</u>
Total revenues	<u>8,401,050</u>	<u>213,483</u>	<u>8,614,533</u>	<u>9,339,230</u>
Net assets released from restrictions - Note 3	<u>300,355</u>	<u>(300,355)</u>	<u>-</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>12,052,155</u>	<u>(86,872)</u>	<u>11,965,283</u>	<u>11,978,464</u>
<u>Expenses:</u>				
Production and sales	5,853,571	-	5,853,571	6,113,573
Workforce development	2,469,520	-	2,469,520	2,409,866
Contract services	1,340,942	-	1,340,942	1,268,105
Management and general	<u>1,253,781</u>	<u>-</u>	<u>1,253,781</u>	<u>1,189,303</u>
Total expenses	<u>10,917,814</u>	<u>-</u>	<u>10,917,814</u>	<u>10,980,847</u>
<u>Change in net assets</u>	<u>1,134,341</u>	<u>(86,872)</u>	<u>1,047,469</u>	<u>997,617</u>
<u>Net assets, beginning of year</u>	<u>7,542,512</u>	<u>598,750</u>	<u>8,141,262</u>	<u>7,143,645</u>
<u>Net assets, end of year</u>	<u>\$ 8,676,853</u>	<u>\$ 511,878</u>	<u>\$ 9,188,731</u>	<u>\$ 8,141,262</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 DECEMBER 31, 2022

	Production and Sales	Workforce Development	Contract Services	Management and General	2022 Total	2021 Summary Total
Salaries, taxes and benefits	\$ 3,306,412	\$ 1,532,347	\$ 1,132,476	\$ 731,795	\$ 6,703,030	\$ 6,508,136
Professional fees	58,447	299,783	28,294	309,091	695,615	610,206
Supplies	112,742	55,983	85,298	13,216	267,239	233,386
Telecommunications	65,642	34,503	4,366	7,315	111,826	87,408
Postage and shipping	272	865	-	1,103	2,240	13,123
Building leases	444,115	51,943	-	-	496,058	548,134
General and liability insurance	113,491	41,621	2,741	19,456	177,309	164,265
Mortgage interest	188,609	17,024	-	-	205,633	873,100
Other occupancy	752,556	51,940	6,669	20,441	831,606	725,634
Equipment leases and maintenance	93,944	39,214	7,021	13,057	153,236	118,712
Printing, advertising and subscriptions	22,878	12,442	156	7,562	43,038	51,305
Agency vehicles and travel	202,838	61,833	31,469	21,504	317,644	244,600
Conferences, conventions and meetings	-	2,195	34	16,616	18,845	13,321
Specific assistance-community	15,669	188,006	-	4,850	208,525	137,544
Membership dues and support payments	69,887	25,739	15,421	3,425	114,472	104,668
Bank service charges	95,688	12	-	11,837	107,537	112,637
Awards and grants	-	16	-	7,228	7,244	6,002
Miscellaneous	6,779	672	6,378	42,920	56,749	43,129
Total other expenses before depreciation	<u>2,243,557</u>	<u>883,791</u>	<u>187,847</u>	<u>499,621</u>	<u>3,814,816</u>	<u>4,087,174</u>
Total expenses before depreciation	5,549,969	2,416,138	1,320,323	1,231,416	10,517,846	10,595,310
Depreciation	<u>303,602</u>	<u>53,382</u>	<u>20,619</u>	<u>22,365</u>	<u>399,968</u>	<u>385,537</u>
Total expenses	<u>\$ 5,853,571</u>	<u>\$ 2,469,520</u>	<u>\$ 1,340,942</u>	<u>\$ 1,253,781</u>	<u>\$10,917,814</u>	<u>\$10,980,847</u>

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR DECEMBER 31, 2022

	2022 Total	2021 Summary Total
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ 1,047,469	\$ 997,617
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized (gain) on investments	(11,176)	(69,478)
Net unrealized (gain) loss on investments	289,464	(92,013)
Loss on sale of fixed assets	17,334	2,652
SBA PPP loan forgiveness	-	(1,105,197)
Interest expense capitalized in debt	-	235,198
Depreciation	399,968	385,537
Amortization	15,837	10,696
<i>Change in operating assets and liabilities:</i>		
Accounts receivable	(172,297)	26,636
Accounts receivable - ERTC	(919,015)	-
Inventory	(67,215)	(66,358)
Prepaid expenses	(4,387)	(29,446)
Other assets	9,169	(17,794)
Accounts payable	(37,735)	(11,180)
Sales tax payable	2,856	4,701
Accrued payroll and withholdings	24,443	17,426
Other payables	(98,552)	119,587
Operating lease asset and liability	4,468	-
Total adjustments	(546,838)	(589,033)
Net cash provided by operating activities	500,631	408,584
<u>Cash flows from investing activities:</u>		
Capital purchases and improvements	(623,776)	(294,910)
Net redemption (purchase) of investments	(911)	30,228
Change in beneficial interest in assets of foundation	13,701	(55,268)
Decrease in investment in partnership	413	262
Net cash (used) by investing activities	(610,573)	(319,688)
<u>Cash flows from financing activities:</u>		
Borrowings	566,957	1,105,197
Payments on debt	(363,438)	(16,998)
Net cash provided by financing activities	203,519	1,088,199
<u>Net increase in cash</u>	93,577	1,177,095
<u>Cash at beginning of the year</u>	1,623,847	446,752
<u>Cash at end of the year</u>	\$ 1,717,424	\$ 1,623,847
<u>Cash paid during the year for interest</u>	\$ 314,787	\$ 671,475

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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

(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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022 and 2021, 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 goods sold 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, estimated fair values of investment securities, and the estimated values of lease obligations and related right of use assets.

(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.

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(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 asset acquisitions, excluding personal computers and laptops which are expensed, because most are reimbursed under various grants.

(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, 2021. 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 \$22,461 and \$9,945 for 2022 and 2021.

(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

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 2019 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) Leases:

Goodwill determines if an arrangement is or contains a lease at inception.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also may include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. Goodwill does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less), if any. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

(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, 2022, Goodwill attempts to retain approximately two months of expenses (less depreciation) 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 \$4,092,927 of financial assets available within one year of the balance sheet date, comprised of cash of \$1,633,882, accounts receivable of \$1,613,882, and short term investments of \$845,163. None of these financial assets is subject to donor restrictions or contractual restrictions that make them unavailable within one year.

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

(r) Recently Adopted Accounting Standards:

Goodwill adopted Accounting Standards Update (ASU) 2016-02, *Leases*, in 2022, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements.

Goodwill elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) any initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, Goodwill recognized right-of-use assets and lease liabilities totaling \$2,436,118 in its statement of financial position as of January 1, 2022. The initial adoption had no effect on amounts reported in the statement of activities for the year ended December 31, 2022.

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. These endowment assets are held by the Community Foundation of North Louisiana, as described in Note 15.

4. Investments

Investments at December 31, 2022 and 2021 are summarized as follows:

	2022		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	\$ 73,920	\$ 74,675	\$ 755
Corporate equity securities & mutual funds	823,344	758,210	(65,134)
Cash and equivalents	12,278	12,278	-
	\$ 909,542	\$ 845,163	\$ (64,379)
	2021		
	Cost	Approximate Fair Value	Unrealized Appreciation (Depreciation)
U.S. Treasury and Agency debt securities	\$ 124,255	\$ 123,193	\$ (1,062)
Corporate equity securities & mutual funds	771,708	939,064	167,356
Cash and equivalents	13,129	13,129	-
	\$ 909,092	\$ 1,075,386	\$ 166,294

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

A summary of investment return for each year follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Net interest income	\$ 4,110	\$ 2,637	\$ 6,747
Net realized gain	793	10,383	11,176
Net unrealized gain	(231,927)	(57,537)	(289,464)
	\$ (227,024)	\$ (44,517)	\$ (271,541)

	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	55,762	36,251	92,013
	\$ 129,943	\$ 64,324	\$ 194,267

5. Land, Building, and Equipment

Fixed assets and related accumulated depreciation at December 31, 2022 and 2021 are as follows:

	2022	2021
Buildings and improvements	\$ 11,360,566	\$ 10,816,269
Equipment	1,763,794	2,008,073
Vehicles	147,302	152,594
Total depreciable assets	13,271,662	12,976,936
Accumulated depreciation	(7,558,114)	(7,481,388)
Book value of depreciable assets	5,713,548	5,495,548
Land	3,476,254	3,476,254
Construction in progress	-	11,526
Book value of fixed assets	\$ 9,189,802	\$ 8,983,328

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 make contributions to the tax deferred plan. Goodwill may elect, but is not obligated, to make additional discretionary contributions to the plan; effective March 1, 2022 it began to match 50% of employee contributions up to 5% of employee wages. Such contributions amounted to \$22,294 for 2022 and none for 2021.

7. Leases

Goodwill leases various facilities to serve as retail store outlets for its household goods and for other purposes. It also leases several trucks. None of the leases meets the criteria to be classified as finance leases and therefore all are accounted for as operating leases. Goodwill has lease agreements for store locations in West Monroe, Shreve City, Natchitoches, and Haughton; workforce development locations in Alexandria and Monroe; and a warehouse location in Shreveport. The right of use (ROU) assets represents Goodwill's right to use the underlying assets for the lease term, and the lease liabilities represent Goodwill's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. Goodwill has made an accounting policy election to use risk free rates in lieu of incremental borrowing rates to discount the future lease payments. The weighted average discount rate applied to calculate lease liabilities as of December 31, 2022 was 1.34%.

Operating lease expense associated with the facilities leases amounted to \$496,058 for 2022. Operating lease expense associated with the trucks amounted to \$82,536 for 2022. As of December 31, 2022 the weighted average remaining lease term for all operating leases was 5.17 years.

Cash paid for operating leases for 2022 was \$574,127. There were no noncash investing and financing transactions related to leasing other than the transition entry of \$2,436,118 to record the right of use assets and related lease obligations at the beginning of the year.

Future maturities of lease liabilities for the next five years and in the aggregate are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2023	\$ 560,066
2024	506,097
2025	409,605
2026	112,914
2027	56,208
Thereafter	<u>318,513</u>
Total lease payments	1,963,403
Less: present value discount	<u>(73,428)</u>
Total lease liabilities	<u>\$ 1,889,975</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Rent expense for 2021 (pre-adoption of the new lease accounting standard) for operating leases totaled \$548,134 for facilities and \$93,769 for trucks. A summary of future minimum rental payments under all noncancellable operating leases as of December 31, 2021 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 \$8,867 for 2022 and \$8,279 for 2021.

9. Long-Term Debt

Listed below is a schedule of long-term debt at December 31, 2022 and 2021:

<u>Due To</u>	<u>Terms</u>	<u>2022</u>	<u>2021</u>
Citizens National Bank, N.A.	Loan for \$4,315,816 to refinance debt and fund improvements to properties pledged, payable \$32,406 per month through May 2027 including interest at 4.16%. Additional payments through May 2032 at amount sufficient to amortize principal balance at variable interest rate to be determined at Interest Adjustment Date. Secured by stores in Shreveport, Bossier City, Alexandria, and Pineville, Louisiana.	\$ 4,194,468	\$ -
Citizens National Bank, N.A.	Line of credit for \$225,000; interest at Wall Street Journal prime (7.50% at 12-31-22) plus .250 percentage points, due monthly; principal and remaining unpaid amounts due May 2024 or at lender demand; secured by stores in Shreveport, Bossier City, Alexandria, and Pineville, Louisiana.	-	-

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Due To	Terms	2022	2021
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%. Debt refinanced with Citizens National Bank, N.A. in May 2022 with commensurate release of all collateral.	-	3,748,859
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
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	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.	15,884	32,974
Total debt		4,710,352	4,506,833
Less unamortized debt issuance costs		(53,690)	(69,527)
Total debt, net		<u>\$ 4,656,662</u>	<u>\$ 4,437,306</u>
Portion classified as current		\$ 227,036	\$ 348,437
Portion classified as long-term		4,483,316	4,158,396
Total debt		<u>\$ 4,710,352</u>	<u>\$ 4,506,833</u>

Maturities of long-term debt at December 31, 2022 for the next five years are as follows:

2023	\$ 227,036
2024	229,909
2025	241,252
2026	260,285
2027	271,250
Thereafter	3,480,620
	<u>\$ 4,710,352</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

The approximate book value of collateralized fixed assets at December 31, 2022 was \$8,582,140.

Total interest expense for all debt was \$225,122 and \$906,673 for 2022 and 2021, respectively.

The noncash amount of the refinancing of the Mooring debt in 2022 was \$3,748,859.

10. Donated Goods

Effective January 1, 1996, in conformity with generally accepted accounting principles, Goodwill began recognizing donated goods as revenue when received. During 2022 and 2021, contributed merchandise with an approximate fair value of \$3,171,000 and \$2,334,000, 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 \$219,878 and \$149,813 at December 31, 2022 and 2021.

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, 2022. 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, 2022. Such conditional promises amounted to approximately \$3,057,000 at December 31, 2022.

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, 2022, total cash held at financial institutions was \$1,643,086, \$1,143,086 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 \$758,000 in corporate debt securities, corporate equity securities, and various equity mutual funds at December 31, 2022, 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 \$30,351 for 2022 and \$21,966 for 2021.

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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, 2022 and 2021:

	Quoted Process in Active Markets for (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value
<u>December 31, 2022:</u>				
<u>Investments:</u>				
U.S Treasury and Agency debt securities	\$ 74,675	\$ -	\$ -	\$ 74,675
Corporate equity securities	758,210	-	-	758,210
Cash and equivalents	12,278	-	-	12,278
	<u>845,163</u>	<u>-</u>	<u>-</u>	<u>845,163</u>
Donated goods inventory	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,878</u>	<u>\$ 219,878</u>
	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 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>

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.

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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>2022</u>	<u>2021</u>
Beginning balance	\$ 149,813	\$ 85,682
Change in value from sales and donations	<u>70,065</u>	<u>64,131</u>
Ending balance	<u>\$ 219,878</u>	<u>\$ 149,813</u>

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>2022</u>	<u>2021</u>
Beginning balance, endowment fund	\$ 489,191	\$ 433,923
Transfer of cash by Goodwill	-	6,680
Net interest income	6,863	11,786
Net realized and unrealized gain	(47,154)	56,552
Administrative fees	(4,226)	(4,014)
Distributions to Goodwill	<u>(16,338)</u>	<u>(15,736)</u>
Ending balance, endowment fund	<u>\$ 428,336</u>	<u>\$ 489,191</u>

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

16. Revenue From Contracts and Related Receivables

Disaggregated revenue from contracts with customers and related receivables follows:

	<u>2022</u>	<u>2021</u>
<u>Revenue from Contracts with Customers</u>		
Sales of goods:		
Purchased new	\$ 69,302	\$ 68,378
Donated	4,644,742	4,355,957
Contract services	1,496,800	1,560,923
Workforce Development	201,225	381,589
<u>Accounts Receivable from Contracts with Customers</u>		
Sales of goods	691	-
Contract services	141,393	128,457
Workforce Development	12,275	40,795

17. Employee Retention Tax Credit (ERTC)

Management believes Goodwill has met the requirements to claim the ERTC during 2022 and has recorded the credit in the amount of \$919,015 in other receivables and in other revenue. However, laws and regulations concerning the ERTC are complex and subject to varying interpretations. Claims made under the CARES Act may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge Goodwill's claim to the ERTC, and it is not possible to determine the impact (if any) this would have upon Goodwill at this time. The IRS administers this credit and has acknowledged receipt of the required amended payroll tax returns. It estimates completing its processing of these returns early in the third quarter of 2023.

18. Uncertainties

From time to time, Goodwill may be 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.

19. 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 23, 2023, the date which the financial statements were available to be issued and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2022

Agency Head: David Tinkis

Salary	\$146,256
Bonus	10,268
Benefits-insurance-health	14,831
Benefits-insurance-life, disability, accidental	1,492
Car allowance	6,000
Travel	9,696
Conferences	8,856

OTHER REPORTS



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

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, 2022, 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 23, 2023.

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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana
June 23, 2023

GOODWILL INDUSTRIES OF NORTH LOUISIANA, INC.
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022

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