

**GOODWILL INDUSTRIES OF
SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL
INDUSTRIES BUILDING, INC.**

Audit of Combined Financial Statements

December 31, 2014



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Independent Auditor's Report

To the Boards of Directors
Goodwill Industries of Southeastern
Louisiana, Inc., Goodworks, Inc., and
Goodwill Industries Building, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. (the Organizations), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. as of December 31, 2014, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Schedules I through IV are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined 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 22, 2015 on our consideration of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
June 22, 2015

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Financial Position
December 31, 2014**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 13,670,121
Accounts Receivable - Trade, Net	2,344,188
Merchandise Inventory	675,701
Prepaid Expenses and Other	381,253
Notes Receivable, Current Portion	5,550,000
Interest Receivable, Current Portion	<u>2,717,775</u>
Total Current Assets	<u>25,339,038</u>
Property and Equipment	
Land	2,082,348
Building and Building Improvements	12,277,926
Machinery and Equipment	1,336,814
Furniture and Fixtures	1,565,546
Automobiles and Trucks	729,218
Leasehold Improvements	1,430,356
Computer Equipment	302,080
Condo - Timeshare	34,995
Capitalized Interest	<u>121,770</u>
	19,881,053
Less: Accumulated Depreciation	<u>6,919,457</u>
Property and Equipment, Net	<u>12,961,596</u>
Other Assets	
Notes Receivable, Net of Current Portion	2,775,000
Deferred Loan Fees, Net	377,592
Interest Receivable, Net of Current Portion	1,358,887
Deposits	<u>133,305</u>
Total Other Assets	<u>4,644,784</u>
Total Assets	<u><u>\$ 42,945,418</u></u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.**
Combined Statement of Financial Position (Continued)
December 31, 2014

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 366,367
Accrued Expenses and Taxes	1,213,945
Deferred Revenue	497,853
Notes Payable, Current Portion	<u>10,000,000</u>
Total Current Liabilities	<u>12,078,165</u>
Long-Term Liabilities	
Notes Payable, Net of Current Portion	<u>5,000,000</u>
Net Assets	
Unrestricted	<u>25,867,253</u>
Total Net Assets	<u>25,867,253</u>
Total Liabilities and Net Assets	<u><u>\$ 42,945,418</u></u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.**
Combined Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Total
Sales Revenue		
Retail Stores	\$ 17,937,899	\$ 17,937,899
Contributed Revenue - Donated Goods	7,060,290	7,060,290
Salvage	1,497,370	1,497,370
Total	<u>26,495,559</u>	<u>26,495,559</u>
Vocational Training Revenue		
Janitorial, Landscaping and Incubator Services	5,297,150	5,297,150
Total	<u>5,297,150</u>	<u>5,297,150</u>
Other Sources of Income (Expenses)		
Federal Financial Assistance	697,652	697,652
Other Grant Income	99,690	99,690
Interest Income	731,087	731,087
State Sales Tax Exclusion	679,729	679,729
Louisiana Rehabilitation Service	139,117	139,117
Contributions	73,988	73,988
Loss on Disposal of Assets	(46,307)	(46,307)
Rent	449,344	449,344
Miscellaneous	215,710	215,710
Total	<u>3,040,010</u>	<u>3,040,010</u>
Total Revenue and Other Income, Net	<u>34,832,719</u>	<u>34,832,719</u>
Expenses		
Retail Program - Cost of Goods Sold	7,025,309	7,025,309
Program Services	22,819,831	22,819,831
Management and General	3,031,515	3,031,515
Total Expenses	<u>32,876,655</u>	<u>32,876,655</u>
Change in Net Assets	1,956,064	1,956,064
Net Assets, Beginning of Year	<u>23,911,189</u>	<u>23,911,189</u>
Net Assets, End of Year	<u>\$ 25,867,253</u>	<u>\$ 25,867,253</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Functional Expenses
For the Year Ended December 31, 2014**

	Program Services	Management and General	Total
Operating Expense			
Salaries, Wages, Taxes and Benefits	\$ 13,426,738	\$ 1,578,824	\$ 15,005,562
Occupancy Cost	3,319,065	33,135	3,352,200
Repairs and General Maintenance	269,785	18,643	288,428
Supplies and Materials	707,049	69,563	776,612
Waste Disposal	471,067	12,009	483,076
Training and Support Service	154,080	16,848	170,928
Outreach and Marketing	53,610	69,907	123,517
Conference and Travel	124,160	86,154	210,314
Communication	409,873	195,496	605,369
Equipment and Vehicle Cost	426,432	84,166	510,598
Insurance	580,426	81,798	662,224
Professional Fees and Dues	251,960	525,056	777,016
Administrative and Other	730,497	196,297	926,794
	<u>20,924,742</u>	<u>2,967,896</u>	<u>23,892,638</u>
Interest, Taxes, Depreciation and Amortization			
Interest	186,493	1,815	188,308
Taxes	210,571	-	210,571
Depreciation and Amortization	1,498,025	61,804	1,559,829
	<u>1,895,089</u>	<u>63,619</u>	<u>1,958,708</u>
Total	<u>\$ 22,819,831</u>	<u>\$ 3,031,515</u>	<u>\$ 25,851,346</u>

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

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC., AND GOODWILL INDUSTRIES BUILDING, INC.
Combined Statement of Cash Flows
For the Year Ended December 31, 2014**

Cash Flows from Operating Activities	
Change in Net Assets	\$ 1,956,064
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	1,559,829
Loss on Disposal of Property and Equipment	46,307
Decrease in Accounts Receivable - Trade	1,261,502
Increase in Interest Receivable	(619,205)
Increase in Merchandise Inventory	(35,170)
Decrease in Prepaid Expenses and Other	223,569
Decrease in Deposits	4,460
Decrease in Accounts Payable	(190,863)
Increase in Accrued Expenses and Taxes	124,923
Increase in Deferred Revenue	66,218
	<hr/>
Net Cash Provided by Operating Activities	4,397,634
	<hr/>
Cash Flows from Investing Activities	
Increase in Notes Receivable	(100,000)
Proceeds from Disposal of Fixed Assets	1,341
Purchase of Fixed Assets	(476,465)
	<hr/>
Net Cash Used in Investing Activities	(575,124)
	<hr/>
Net Increase in Cash and Cash Equivalents	3,822,510
Cash and Cash Equivalents, Beginning of Year	9,847,611
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Cash and Cash Equivalents, End of Year	\$ 13,670,121
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Supplemental Disclosure of Cash Flow Information	
Cash Paid for Interest	\$ 186,542
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The accompanying notes are an integral part of these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Goodwill Industries of Southeastern Louisiana, Inc. (Goodwill), Goodworks, Inc. (Goodworks) and Goodwill Industries Building, Inc. (Goodwill Building) (collectively the Organizations) follow the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on *Audits of Voluntary Health and Welfare Organizations*, which constitute generally accepted accounting principles. Goodwill and Goodworks assist people with disabilities and other special needs in their efforts to participate fully in society by helping them develop occupational capabilities and opportunities through janitorial services, retail stores and a variety of training programs. The Organizations' territory covers twenty-three parishes in southeastern Louisiana. Goodwill Building was formed for the exclusive purpose of acquiring real property for the exclusive use of Goodwill.

Financial Statement Presentation

Financial statement presentation follows the Not-for-Profit Entities topics of Financial Accounting Standards Codification. As such, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organizations have no temporarily restricted or permanently restricted net assets.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of the combined 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.

Combination of Financial Statements

The accompanying combined financial statements include the accounts of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. Inter-company transactions and balances have been eliminated in combination. Goodwill Building was formed with capital injections from Goodwill (\$750) and Goodwill Supporting Foundation (\$250). As a result of a management agreement between Goodwill Building and Goodwill, Goodwill exercises significant control over Goodwill Building, therefore Goodwill Building is included in the combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Trade Receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The allowance for bad debts was \$84,723 as of December 31, 2014.

Concentration of Credit Risk

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

The Organizations periodically maintain cash in bank accounts in excess of insured limits. The Organizations have not experienced any losses and do not believe that significant credit risk exists as a result of this practice.

Contribution Recognition

The Organizations record contributions as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted. The Organizations report gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Material and Service

The Financial Accounting Standards Board Codification (the Codification), *Accounting for Contributions Received and Contributions Made*, requires that contributions be recognized as revenue when received. During 2014, Goodwill recognized contributed merchandise with a fair value of \$7,060,290 as contribution revenue. This merchandise requires program related expenses/processes accomplished by people with disabilities and other disadvantaging conditions before it reaches its point of sale.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Donated Material and Service (Continued)

A substantial number of volunteers have donated significant amounts of their time in the Organizations' program services. However, these services do not meet all of the applicable requirements of the Codification; therefore, no amounts have been reflected in the combined financial statements for these donated services.

Income Taxes

Goodwill was formed in 1947, to provide services to persons with disabilities. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Goodworks was formed in 1998, in order to service government contracts. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Goodwill Industries Building, Inc. was formed in 2008 for the exclusive purpose of acquiring real property for Goodwill. The initial purchase was the property located at 3400 Tulane Avenue to be used as Goodwill's office, retail, warehouse and space for third party tenants. This organization was chartered in the State of Louisiana as a non-profit organization and is exempt from Federal income taxes under Section 501(c)(25) of the Internal Revenue Code.

Cash and Cash Equivalents

The Organizations consider all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. Excluding land, the Organizations use the straight-line depreciation method over the useful lives of its property and equipment. Buildings and improvements are depreciated over thirty years. Furniture and fixtures are depreciated over seven years. Machinery and equipment, automobiles and trucks are depreciated over five years and computer equipment is depreciated over three years. Leasehold improvements are being amortized over the life of the lease. The Organizations capitalize fixed assets with costs of \$1,000 or greater and a useful life of one year or more. Depreciation expense for 2014 was \$1,182,237.

Merchandise Inventory

The Codification, *Accounting for Contributions Received and Contributions Made*, requires that contributions be recognized as inventory when received and be carried at fair value. Management estimates the fair value of inventory using a gross margin method.

Accounting for Financial Instruments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the cash and cash equivalents section in the combined statement of financial position.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 2. Notes Payable

Details of notes payable for the year ended December 31, 2014, consists of the following:

	Due December 30, 2015	Due January 2, 2016
Note payable to banks with monthly interest payments only, payable in full on December 30, 2015 and January 2, 2016. Eight loans with interest rate of .52%. Secured by building.	\$ 8,228,167	\$ 4,114,083
Note payable to banks with monthly interest payments only, payable in full on December 30, 2015 and January 2, 2016. Four loans with interest rate of 4.5%. Secured by building.	1,771,833	885,917
	<u>10,000,000</u>	<u>5,000,000</u>
Less: Current Maturities	<u>10,000,000</u>	-
Long-Term Debt	<u>\$ -</u>	<u>\$ 5,000,000</u>

The maturities for the next two years are as follows:

Years	Amount
2015	\$ 10,000,000
2016	<u>5,000,000</u>
Total	<u>\$ 15,000,000</u>

Interest expense totaled \$188,308 for the year ended December 31, 2014.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 3. Lease Agreements

Goodwill leases real estate under operating leases expiring in various years through 2032.

Future minimum lease payments as of December 31st are as follows:

Years	Amount
2015	\$ 2,393,693
2016	2,363,986
2017	2,160,811
2018	1,940,159
2019	1,625,656
Thereafter	<u>1,800,443</u>
Total	<u><u>\$ 12,284,748</u></u>

In accordance with the contract (described in Note 5) between Goodwill and Goodwill Building, rental expense and rental income are recorded each month between the entities. Amounts are eliminated in combination and expenses have been excluded in the future minimum rental payments described above. Combined rent expense totaled \$2,735,730 in 2014 and is included in the Combined Statement of Activities.

Note 4. Pension Plan and Health and Welfare Benefit Plan

Goodwill initiated a defined contribution pension plan (the Plan) in 1993 for the employees of its federal contracts. The Plan does not have any minimum eligibility requirements to participate. Employer contributions vary based on terms of each Federal contract and regular hours of each employee. When Goodworks was formed in 1998, it assumed responsibility for Plan contributions from Goodwill. Goodworks contributed \$360,140 to the Plan in 2014.

On March 15, 2011, Goodwill entered into two Retirement Plan Service Agreements. One agreement was for a 403(b) ERISA plan and the other was for a 457(b) Top Hat plan. The 403(b) plan is for full-time employees. Executive staff's 403(b) contributions are not matched. Goodwill matches 50% of the employees' contribution to a maximum of 3%. The executive staff may participate in the 457(b) Top Hat plan which includes a contribution of up to 10% of their annual salary. Contributions to the 403(b) plan for the year were \$29,498.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 5. Commitments and Contingencies (Building Purchase)

Goodwill purchased a facility on September 30, 2008 for a purchase price of \$5.3 million. In a transaction eligible under the federal and state New Market Tax Credit Programs, this building was transferred to Goodwill Building, along with cash and additional basis in the building for a total of \$7.75 million. In return, Goodwill holds a subordinated leveraged loan to an intermediary investor.

The transfer of the building to Goodwill Building is subject to a loan in the amount of \$15 million. The loan is secured by the building and its improvements and is guaranteed by Goodwill. The lenders are Community Development Entities (CDEs).

The initial loan closing was December 30, 2008, with a second closing on January 2, 2009. The loan is due and payable in seven years and cannot be prepaid. The following are a result of the transaction mentioned above.

Goodwill has notes receivable in the amount of \$8,325,000 as of December 31, 2014. These notes have an interest rate of 8.46%, with a term of seven years. Goodwill will receive quarterly interest payments at .5% and the total final payment will be paid January 2, 2016. At that point the intermediary will owe Goodwill approximately \$13.4 million made up of principal and accrued interest.

Goodwill Building has notes payable totaling \$15,000,000 as of December 31, 2014. These notes have interest rates up to 4.5% (see Note 2) and \$10,000,000 is payable in full December 30, 2015 while \$5,000,000 is payable on January 2, 2016. Interest only payments are due quarterly.

Goodwill Building has also recorded prepaid loan fees in the amount of \$2,643,159. These loan fees are being amortized on a straight-line basis over the life of the loan. Amortization expense for the year ended December 31, 2014 was \$377,592. By the end of the seven year term, Goodwill Building will owe \$15 million in principal. After Goodwill Building pays off the \$15 million and Goodwill receives its principal and accrued interest mentioned above, there will remain approximately \$1.6 million in outstanding debt. As of December 31, 2014 (and report date of June 22, 2015), the Organizations are in compliance with all loan covenants associated with the agreement mentioned within this note.

During 2008, Goodwill Supporting Foundation contributed approximately \$1.9 million in the form of a grant to Goodwill to be used in the new market tax credit transaction discussed above.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**

Notes to Combined Financial Statements

Note 6. Uncertain Tax Positions

The Organizations follow the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the Codification, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns.

Accounting principals generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organizations believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the combined financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in operating expenses.

Note 7. Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, June 22, 2015, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined financial statements.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)**

Schedule I

	Goodwill	Goodworks	Goodwill Building	Elimination	2014	2013
Assets						
Current Assets						
Cash and Cash Equivalents	\$ 10,199,983	\$ 3,409,236	\$ 60,902	\$ -	\$ 13,670,121	\$ 9,847,611
Accounts Receivable - Trade, Net	553,380	1,790,808	-	-	2,344,188	3,605,690
Merchandise Inventory	675,701	-	-	-	675,701	640,531
Due from Goodwill	-	-	203,436	(203,436)	-	-
Due from Related Parties	556,238	-	-	(556,238)	-	-
Prepaid Expenses and Other	366,403	-	14,850	-	381,253	604,822
Notes Receivable	5,550,000	-	-	-	5,550,000	-
Interest Receivable	2,717,775	-	-	-	2,717,775	-
Total Current Assets	20,619,480	5,200,044	279,188	(759,674)	25,339,038	14,698,654
Property and Equipment						
Land	482,348	-	1,600,000	-	2,082,348	2,082,348
Building and Building Improvements	1,318,060	-	10,959,866	-	12,277,926	12,274,137
Machinery and Equipment	349,823	986,991	-	-	1,336,814	1,415,730
Furniture and Fixtures	1,565,546	-	-	-	1,565,546	1,513,049
Automobiles and Trucks	602,202	127,016	-	-	729,218	721,941
Leasehold Improvements	1,430,356	-	-	-	1,430,356	1,217,530
Computer Equipment	302,080	-	-	-	302,080	302,051
Condo - Timeshare	34,995	-	-	-	34,995	34,995
Capitalized Interest	-	-	121,770	-	121,770	121,770
	6,085,410	1,114,007	12,681,636	-	19,881,053	19,683,551
Less: Accumulated Depreciation	3,485,886	960,180	2,473,391	-	6,919,457	5,968,535
Property and Equipment, Net	2,599,524	153,827	10,208,245	-	12,961,596	13,715,016
Other Assets						
Notes Receivable	2,775,000	-	-	-	2,775,000	8,225,000
Deferred Loan Fees, Net	-	-	377,592	-	377,592	755,184
Interest Receivable	1,358,887	-	-	-	1,358,887	3,457,457
Deposits	133,305	-	-	-	133,305	137,765
Total Other Assets	4,267,192	-	377,592	-	4,644,784	12,575,406
Total Assets	\$ 27,486,196	\$ 5,353,871	\$ 10,865,025	\$ (759,674)	\$ 42,945,418	\$ 40,989,076
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 356,032	\$ 10,335	\$ -	\$ -	\$ 366,367	\$ 557,230
Accrued Expenses and Taxes	1,016,611	150,368	46,966	-	1,213,945	1,089,022
Deferred Revenue	497,853	-	-	-	497,853	431,635
Due to Related Parties	-	759,674	-	(759,674)	-	-
Notes Payable	-	-	10,000,000	-	10,000,000	-
Total Current Liabilities	1,870,496	920,377	10,046,966	(759,674)	12,078,165	2,077,887
Long-Term Liabilities						
Notes Payable	-	-	5,000,000	-	5,000,000	15,000,000
Net Assets (Deficit)						
Unrestricted	25,615,700	4,433,494	(4,181,941)	-	25,867,253	23,911,189
Total Net Assets (Deficit)	25,615,700	4,433,494	(4,181,941)	-	25,867,253	23,911,189
Total Liabilities and Net Assets	\$ 27,486,196	\$ 5,353,871	\$ 10,865,025	\$ (759,674)	\$ 42,945,418	\$ 40,989,076

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.**
Combining Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

Schedule II

	Goodwill		Goodworks		Goodwill Building		Elimination	Combined Total 2014	Total 2013
	Unrestricted	Total	Unrestricted	Total	Unrestricted	Total			
Sales Revenue									
Retail Stores	\$ 17,937,899	\$ 17,937,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,937,899	\$ 16,735,165
Contributed Revenue - Donated Goods	7,060,290	7,060,290	-	-	-	-	-	7,060,290	6,810,848
Salvage	1,497,370	1,497,370	-	-	-	-	-	1,497,370	1,518,747
Total	26,495,559	26,495,559	-	-	-	-	-	26,495,559	25,064,760
Vocational Training Revenue									
Janitorial, Landscaping and Incubator Services	1,756,529	1,756,529	3,540,621	3,540,621	-	-	-	5,297,150	5,206,778
Total	1,756,529	1,756,529	3,540,621	3,540,621	-	-	-	5,297,150	5,206,778
Other Sources of Income (Expenses)									
Federal Financial Assistance	697,652	697,652	-	-	-	-	-	697,652	843,219
Other Grant Income	99,690	99,690	-	-	-	-	-	99,690	83,193
Interest Income	731,087	731,087	-	-	-	-	-	731,087	726,868
State Sales Tax Exclusion	679,729	679,729	-	-	-	-	-	679,729	1,072,490
Administrative Fee Income	631,057	631,057	-	-	-	-	(631,057)	-	-
Louisiana Rehabilitation Service	139,117	139,117	-	-	-	-	-	139,117	147,290
Louisiana Business Incubation Association Grant	-	-	-	-	-	-	-	-	50,500
Contributions	73,988	73,988	-	-	-	-	-	73,988	48,963
Gain (Loss) on Sale of Assets	(1,675)	(1,675)	963	963	(45,595)	(45,595)	-	(46,307)	(6,864)
Rent	449,344	449,344	-	-	363,000	363,000	(363,000)	449,344	450,341
Miscellaneous	214,817	214,817	893	893	-	-	-	215,710	14,665
Total	3,714,806	3,714,806	1,856	1,856	317,405	317,405	(994,057)	3,040,010	3,430,665
Total Revenue and Other Income (Expenses)	31,966,894	31,966,894	3,542,477	3,542,477	317,405	317,405	(994,057)	34,832,719	33,702,203
Expenses									
Retail Program - Cost of Goods Sold	7,025,309	7,025,309	-	-	-	-	-	7,025,309	6,697,904
Program Services	18,884,249	18,884,249	3,073,177	3,073,177	1,285,405	1,285,405	(423,000)	22,819,831	22,278,561
Management and General	2,988,346	2,988,346	614,226	614,226	-	-	(571,057)	3,031,515	2,964,172
Total Expenses	28,897,904	28,897,904	3,687,403	3,687,403	1,285,405	1,285,405	(994,057)	32,876,655	31,940,637
Change in Net Assets	3,068,990	3,068,990	(144,926)	(144,926)	(968,000)	(968,000)	-	1,956,064	1,761,566
Net Assets (Deficit), Beginning of Year	22,546,710	22,546,710	4,578,420	4,578,420	(3,213,941)	(3,213,941)	-	23,911,189	22,149,623
Net Assets (Deficit), End of Year	\$ 25,615,700	\$ 25,615,700	\$ 4,433,494	\$ 4,433,494	\$ (4,181,941)	\$ (4,181,941)	\$ -	\$ 25,867,253	\$ 23,911,189

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Combining Statement of Functional Expenses
For the Year Ended December 31, 2014**

Schedule III

	Goodwill			Goodworks			Goodwill Building			Elimination			Combined Total		
	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total	Program Services	Management and General	Total 2014
Operating Expense															
Salaries, Wages, Taxes and Benefits	\$ 11,501,685	\$ 1,578,824	\$ 13,080,509	\$ 1,925,053	\$ -	\$ 1,925,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,426,738	\$ 1,578,824	\$ 15,005,562
Occupancy Cost	3,677,214	33,135	3,710,349	4,851	-	4,851	-	-	-	(363,000)	-	(363,000)	3,319,065	33,135	3,352,200
Repairs and General Maintenance	265,508	18,643	284,151	-	-	-	4,277	-	4,277	-	-	-	269,785	18,643	288,428
Supplies and Materials	576,476	69,563	646,039	130,573	-	130,573	-	-	-	-	-	-	707,049	69,563	776,612
Waste Disposal	469,044	12,009	481,053	2,023	-	2,023	-	-	-	-	-	-	471,067	12,009	483,076
Training and Support Service	154,005	14,308	168,313	75	2,540	2,615	-	-	-	-	-	-	154,080	16,848	170,928
Outreach and Marketing	49,043	69,907	118,950	4,567	-	4,567	-	-	-	-	-	-	53,610	69,907	123,517
Conference and Travel	118,400	86,154	204,554	5,760	-	5,760	-	-	-	-	-	-	124,160	86,154	210,314
Communication	373,221	195,339	568,560	36,652	157	36,809	-	-	-	-	-	-	409,873	195,496	605,369
Equipment and Vehicle Cost	248,949	84,166	333,115	177,483	-	177,483	-	-	-	-	-	-	426,432	84,166	510,598
Insurance	453,607	81,798	535,405	38,928	-	38,928	87,891	-	87,891	-	-	-	580,426	81,798	662,224
Professional Fees and Dues	100,766	484,802	585,568	136,599	611,311	747,910	74,595	-	74,595	(80,000)	(571,057)	(631,057)	251,960	525,056	777,016
Administrative and Other	196,398	196,244	392,642	533,738	53	533,791	361	-	361	-	-	-	730,497	196,297	926,794
	<u>18,184,316</u>	<u>2,924,892</u>	<u>21,109,208</u>	<u>2,996,302</u>	<u>614,061</u>	<u>3,610,363</u>	<u>167,124</u>	<u>-</u>	<u>167,124</u>	<u>(423,000)</u>	<u>(571,057)</u>	<u>(994,057)</u>	<u>20,924,742</u>	<u>2,967,896</u>	<u>23,892,638</u>
Interest, Taxes, Depreciation and Amortization															
Interest	115	1,650	1,765	47	165	212	186,331	-	186,331	-	-	-	186,493	1,815	188,308
Taxes	210,571	-	210,571	-	-	-	-	-	-	-	-	-	210,571	-	210,571
Depreciation and Amortization	489,247	61,804	551,051	76,828	-	76,828	931,950	-	931,950	-	-	-	1,498,025	61,804	1,559,829
	<u>699,933</u>	<u>63,454</u>	<u>763,387</u>	<u>76,875</u>	<u>165</u>	<u>77,040</u>	<u>1,118,281</u>	<u>-</u>	<u>1,118,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,895,089</u>	<u>63,619</u>	<u>1,958,708</u>
Total	<u>\$ 18,884,249</u>	<u>\$ 2,988,346</u>	<u>\$ 21,872,595</u>	<u>\$ 3,073,177</u>	<u>\$ 614,226</u>	<u>\$ 3,687,403</u>	<u>\$ 1,285,405</u>	<u>\$ -</u>	<u>\$ 1,285,405</u>	<u>\$ (423,000)</u>	<u>\$ (571,057)</u>	<u>\$ (994,057)</u>	<u>\$ 22,819,831</u>	<u>\$ 3,031,515</u>	<u>\$ 25,851,346</u>

See independent auditor's report.

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
GOODWORKS, INC. AND GOODWILL INDUSTRIES BUILDING, INC.
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended December 31, 2014**

Schedule IV

Agency Head

William L. Jessee, President & CEO

Purpose	Amount
Salary	\$273,838
Benefits - Insurance	\$6,568
Benefits - Retirement	\$17,500
Benefits - Other	\$10,718
Car Allowance	\$17,525
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$3,115
Travel	\$5,487
Registration Fees	\$0
Conference Travel	\$2,516
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

OMB CIRCULAR A-133 SECTION

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Grant or Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Total Revenue/ Expenses Recognized	Federal Revenue/ Expenses Recognized	State Revenue/ Expenses Recognized
U.S. Department of Labor/Employment and Training Administration					
Reintegration of Ex-Offenders	17.270	PE-23188-12-60-A-22	\$ 438,590	\$ 438,590	\$ -
Subtotal - U.S. Department of Labor			438,590	438,590	-
U.S. Department of Housing and Urban Development					
Passed Through Unity for the Homeless Culinary Arts & Kitchen Management	14.235	LA0055B6H031104	58,454	58,454	-
Culinary Arts & Kitchen Management	14.267	LA0055L6H031306	200,608	200,608	-
Subtotal - U.S. Department of Housing and Urban Development			259,062	259,062	-
Total Federal Assistance			\$ 697,652	\$ 697,652	\$ -

See independent auditor's report.

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Goodwill Industries of Southeastern Louisiana, Inc. under programs of the federal government for the year ended December 31, 2014, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Goodwill Industries of Southeastern Louisiana, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Goodwill Industries of Southeastern Louisiana, Inc.



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**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**

INDEPENDENT AUDITOR'S REPORT

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

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 combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc. (the Organizations) which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated June 22, 2015..

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc., and Goodwill Industries Building, Inc.'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 a 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Organizations' combined 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 determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 on 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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Metairie, LA
June 22, 2015



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries of Southeastern Louisiana, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
June 22, 2015

GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2014

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc.
2. No significant deficiencies relating to the audit of the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc. are reported in the 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*.
3. No instances of noncompliance material to the combined financial statements of Goodwill Industries of Southeastern Louisiana, Inc., Goodworks, Inc. and Goodwill Industries Building, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Goodwill Industries of Southeastern Louisiana, Inc. expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Reintegration of Ex-Offenders	17.270
Culinary Arts & Kitchen Management	14.235 & 14.267

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Goodwill Industries of Southeastern Louisiana, Inc. was determined to be low-risk auditee.

B. Findings - Financial Statements Audit

None

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

None

**GOODWILL INDUSTRIES OF SOUTHEASTERN LOUISIANA, INC.,
Status of Prior Year Audit Findings
For the Year Ended December 31, 2014**

Prior Year Audit Findings

None Noted