

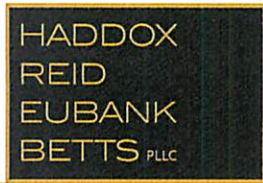
GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Goodwill Industries of Mississippi, Inc.

We have audited the accompanying financial statements of Goodwill Industries of Mississippi, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, activities by function, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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

Auditor's Responsibility - continued:

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 financial statements.

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

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, the Company does not record the value of donated goods received until such assets are sold. In our opinion, Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605, *Accounting for Contributions Received and Contributions Made*, requires the Company to recognize such contributions as revenues and assets in the period received. The effects of this departure from accounting principles generally accepted in the United States of America on the Company's 2017 and 2016 financial position and changes in net assets have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Mississippi, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of cash on page 13 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 audits 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Jackson, Mississippi
July 2, 2018

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 695,671	828,375
Accounts receivable	171,517	178,564
Inventory	1	1
Prepaid expenses	<u>63,037</u>	<u>80,914</u>
	930,226	1,087,854
PROPERTY, PLANT, & EQUIPMENT, NET	1,019,077	893,728
OTHER ASSETS	<u>10,308</u>	<u>14,964</u>
Total assets	\$ <u>1,959,611</u>	<u>1,996,546</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 59,078	77,272
Accrued liabilities	<u>125,699</u>	<u>158,716</u>
	184,777	235,988
OTHER LIABILITIES:		
Deferred compensation	10,308	14,964
UNRESTRICTED NET ASSETS	<u>1,764,526</u>	<u>1,745,594</u>
Total liabilities and net assets	\$ <u>1,959,611</u>	<u>1,996,546</u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT:		
Operations:		
Store sales	\$ 4,691,307	4,451,125
Rehabilitation fees	308,388	486,478
United Way	371	2,581
Vending sales	493	1,281
Wiper sales	8,973	12,966
Interest and miscellaneous income	<u>1,228</u>	<u>756</u>
Total operations	<u>5,010,760</u>	<u>4,955,187</u>
Contributions:		
Goodwill Industries Volunteer Services	45,329	48,000
Other	<u>62,290</u>	<u>30,399</u>
Total contributions	<u>107,619</u>	<u>78,399</u>
 Total revenue and support	 5,118,379	 5,033,586
 COST OF GOODS SOLD	 <u>53,044</u>	 <u>73,907</u>
 Gross profit	 <u>5,065,335</u>	 <u>4,959,679</u>
EXPENSES:		
Advertising	33,029	64,602
Awards, contributions, and grants	25,336	17,265
Credit card fees	98,680	86,001
Depreciation	131,141	123,977
Insurance	63,042	62,660
Membership	52,658	53,095
Miscellaneous	20,483	6,929
Occupancy	665,147	585,123
Personnel costs	3,279,738	3,304,282

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF ACTIVITIES - CONTINUED:
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
EXPENSES - CONTINUED:		
Postage	\$ 1,898	2,588
Printing and publications	18,651	26,758
Professional and other administrative costs	121,757	90,109
Repair and maintenance	42,429	60,787
Specific assistance	23,868	3,549
Supplies	105,490	83,538
Taxes and licenses	1,464	1,179
Technology	34,825	44,227
Telephone and utilities	148,564	147,528
Travel and conferences	48,784	57,396
Waste disposal	<u>129,419</u>	<u>133,978</u>
Total expenses	<u>5,046,403</u>	<u>4,955,571</u>
CHANGE IN NET ASSETS	18,932	4,108
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>1,745,594</u>	<u>1,741,486</u>
UNRESTRICTED NET ASSETS, END OF YEAR	\$ <u>1,764,526</u>	<u>1,745,594</u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF ACTIVITIES BY FUNCTION
YEAR ENDED DECEMBER 31, 2017**

	Program Services						
	Stores and Contributed Goods Production	Rehabilitation	Contracts	Wipers	Management and Administrative Services	Total	
REVENUE AND SUPPORT:							
Sales and contract revenue	\$ 4,689,692	308,388	371	8,973	-	5,007,424	
Contributions	-	-	-	-	107,619	107,619	
Interest and miscellaneous income	2,108	-	-	-	1,228	3,336	
Total revenue and support	4,691,800	308,388	371	8,973	108,847	5,118,379	
COST OF GOODS SOLD	<u>53,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,044</u>	
Gross profit	<u>4,638,756</u>	<u>308,388</u>	<u>371</u>	<u>8,973</u>	<u>108,847</u>	<u>5,065,335</u>	
EXPENSES:							
Advertising	9,226	492	-	-	23,311	33,029	
Awards, contributions, and grants	23,836	1,500	-	-	-	25,336	
Credit card fees	98,754	-	-	-	(74)	98,680	
Depreciation	126,664	-	-	-	4,477	131,141	
Insurance	59,801	-	-	-	3,241	63,042	
Membership	48,134	3,138	4	91	1,291	52,658	
Miscellaneous	10,020	597	-	-	9,866	20,483	
Occupancy	645,849	-	-	-	19,298	665,147	
Personnel costs	2,402,423	291,969	-	15,349	569,997	3,279,738	
Postage	106	-	-	-	1,792	1,898	
Printing and publications	9,163	-	-	-	9,488	18,651	
Professional and other administrative costs	4,496	870	-	-	116,391	121,757	
Repair and maintenance	39,104	-	-	-	3,325	42,429	
Specific assistance	6,052	724	-	-	17,092	23,868	
Supplies	57,591	174	-	-	47,725	105,490	
Taxes and licenses	1,411	-	-	-	53	1,464	
Technology	8,349	-	-	-	26,476	34,825	
Telephone and utilities	138,351	690	-	-	9,523	148,564	
Travel and conferences	9,156	4,043	-	-	35,585	48,784	
Waste disposal	128,787	-	-	-	632	129,419	
Total expenses	<u>3,827,273</u>	<u>304,197</u>	<u>4</u>	<u>15,440</u>	<u>899,489</u>	<u>5,046,403</u>	
CHANGE IN NET ASSETS	\$ <u>811,483</u>	<u>4,191</u>	<u>367</u>	<u>(6,467)</u>	<u>(790,642)</u>	<u>18,932</u>	

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF ACTIVITIES BY FUNCTION
YEAR ENDED DECEMBER 31, 2016**

	Program Services					
	Stores and Contributed Goods Production	Rehabilitation	Contracts	Wipers	Management and Administrative Services	Total
REVENUE AND SUPPORT:						
Sales and contract revenue	\$ 4,450,973	486,478	2,581	12,966	-	4,952,998
Contributions	-	-	-	-	78,399	78,399
Interest and miscellaneous income	<u>1,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>756</u>	<u>2,189</u>
Total revenue and support	4,452,406	486,478	2,581	12,966	79,155	5,033,586
COST OF GOODS SOLD	<u>73,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,907</u>
Gross profit	<u>4,378,499</u>	<u>486,478</u>	<u>2,581</u>	<u>12,966</u>	<u>79,155</u>	<u>4,959,679</u>
EXPENSES:						
Advertising	13,931	-	-	-	50,671	64,602
Awards, contributions, and grants	2,268	-	-	-	14,997	17,265
Credit card fees	85,966	-	-	-	35	86,001
Depreciation	117,440	-	-	-	6,537	123,977
Insurance	57,983	-	-	-	4,677	62,660
Membership	46,800	5,300	27	136	832	53,095
Miscellaneous	431	270	-	-	6,228	6,929
Occupancy	575,083	-	-	-	10,040	585,123
Personnel costs	2,388,754	402,814	-	15,287	497,427	3,304,282
Postage	-	-	-	-	2,588	2,588
Printing and publications	15,071	-	-	-	11,687	26,758
Professional and other administrative costs	457	-	-	-	89,652	90,109
Repair and maintenance	57,246	766	-	-	2,775	60,787
Specific assistance	1,061	-	-	-	2,488	3,549
Supplies	32,957	80	-	-	50,501	83,538
Taxes and licenses	1,091	-	-	-	88	1,179
Technology	9,160	-	-	-	35,067	44,227
Telephone and utilities	140,313	360	-	-	6,855	147,528
Travel and conferences	17,855	1,210	-	-	38,331	57,396
Waste disposal	<u>133,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>693</u>	<u>133,978</u>
Total expenses	<u>3,697,152</u>	<u>410,800</u>	<u>27</u>	<u>15,423</u>	<u>832,169</u>	<u>4,955,571</u>
CHANGE IN NET ASSETS	\$ <u>681,347</u>	<u>75,678</u>	<u>2,554</u>	<u>(2,457)</u>	<u>(753,014)</u>	<u>4,108</u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 18,932	4,108
Depreciation	131,141	123,977
Changes in operating assets and liabilities:		
Accounts receivable	7,047	(138,966)
Prepaid expenses and other assets	22,533	131,911
Accounts payable and accrued expenses	(51,211)	7,049
Deferred compensation	<u>(4,656)</u>	<u>(78,170)</u>
Net cash provided by operating activities	<u>123,786</u>	<u>49,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	<u>(256,490)</u>	<u>(198,495)</u>
Net cash used in investing activities	<u>(256,490)</u>	<u>(198,495)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132,704)	(148,586)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>828,375</u>	<u>976,961</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>695,671</u></u>	<u><u>828,375</u></u>

The accompanying notes are an integral part of these statements.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF
PRESENTATION**

Summary of Significant Accounting Policies

Goodwill Industries of Mississippi, Inc. (the Company) is a voluntary health and welfare organization that provides training and employment opportunities and sells donated goods to residents within the State of Mississippi. The Company presents its financial statements in accordance with accounting principles generally accepted in the United States of America. A summary of the Company's more significant accounting policies follows:

Cash and cash equivalents include cash, money market accounts and other highly liquid investments with original maturities of three months or less.

Certificates of deposit are stated at cost. Because of the short-term nature of these investments, the estimated fair value of these investments approximates cost.

The value of donated goods is not recognized as an asset or as revenues or gains until such assets are sold. Consequently, the fair value of donated assets on hand at December 31, 2017 and 2016 is not included in the accompanying statements of financial position.

Depreciable assets are shown in the accompanying statements of financial position at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets ranging from three to thirty-nine years, and is computed using the straight-line method. Maintenance, repairs and minor renewals are charged to expense, whereas additions and major improvements are capitalized at cost. Items of land, buildings and equipment retired or otherwise disposed of are removed from the asset and related accumulated depreciation accounts and any profits or losses from the disposition of assets are credited or charged through income.

Cash contributions are recorded as support when received unless specified for use in future periods. Other revenue is recognized when it is earned.

Periodically, the governing board allocates various contributions to be set aside for scholarship grants.

The Company reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Currently, all assets of the Company are neither permanently nor temporarily restricted by donor-imposed stipulations.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION - CONTINUED:

Summary of Significant Accounting Policies - continued:

The Company is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code; however, the Company files an annual information return Form 990 with the Internal Revenue Service. The Company does not have unrelated business income and, therefore, does not file tax Form 990-T.

The Company accounts for uncertainty in income taxes as required by the Income Tax topic of the FASB Accounting Standards Codification. Management of the Company believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

Basis of Presentation

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The costs of providing the Company's programs and the administration of the Company have been summarized in the statements of activities by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

NOTE 2 - LAND, BUILDINGS AND EQUIPMENT

A summary of land, buildings and equipment follows:

	December 31,	
	<u>2017</u>	<u>2016</u>
Land	\$ 110,561	110,561
Buildings	646,613	646,613
Machinery and equipment	151,093	132,193
Automobiles and transportation equipment	194,048	198,508
Office furniture and equipment	442,861	412,613
Leasehold improvements	<u>541,911</u>	<u>340,100</u>
	2,087,087	1,840,588
Less accumulated depreciation	<u>1,068,010</u>	<u>946,860</u>
	\$ <u>1,019,077</u>	<u>893,728</u>

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 - OPERATING LEASE COMMITMENTS

The Company occupied six and five locations under noncancelable operating lease agreements for the years ended December 31, 2017 and 2016, respectively. Minimum future rentals on noncancelable operating leases follow:

2018	\$ 435,790
2019	377,990
2020	319,734
2021	324,006
2022	324,006
Thereafter	<u>242,252</u>
	<u>\$ 2,023,778</u>

Rental payments under noncancelable operating leases for the years ended December 31, 2017 and 2016 were approximately \$630,000 and \$555,000, respectively.

NOTE 4 - DEFERRED COMPENSATION

The Company has a deferred compensation plan for a former president. The deferred compensation plan is accounted for on the accrual method. Expense under the plan was \$595 and \$1,115 for 2017 and 2016, respectively.

The Company has a 457 deferred compensation plan covering the former chief executive officer and chief operating officer. The Company made contributions totaling \$25,000 to the plan for the year ended December 31, 2016. All remaining funds in this plan were withdrawn before December 31, 2016.

Included in other assets are funds that have been deposited with third parties to fund the \$10,308 and \$14,964 deferred compensation liability as December 31, 2017 and 2016, respectively.

NOTE 5 - COST OF GOODS SOLD

Cost of goods sold, reflected in the accompanying statements of activities, represents the cost of items purchased and resold by the Company during the years ended December 31, 2017 and 2016.

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances.

A major customer is any single customer generating 10% or more of total revenues. For the years ended December 31, 2017 and 2016, there were no major customers.

NOTE 7 - CONTINGENCIES

The Company has pending accident claims incurred in the normal course of business that, in the opinion of management, can be disposed of without material adverse effect on the financial position or results of operations of the Company.

NOTE 8 - SUBSEQUENT EVENTS

The Company had no subsequent events of a material nature requiring adjustment to or disclosure in the financial statements through July 2, 2018, the date the financial statements were approved by the Company's management and thereby available to be issued.

NOTE 9 - NEW ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02 "Leases" (Topic 842). ASU 2016-02 increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

Under the standard, leased assets will be recorded as right-of-use assets, and liabilities will be recorded for future lease payments. The company is required to adopt ASU 2016-02 in 2020 using a modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on their financial statements nor has the method of adoption been determined by management of the Company.

SUPPLEMENTAL INFORMATION

GOODWILL INDUSTRIES OF MISSISSIPPI, INC.

SCHEDULE OF CASH

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
BankPlus	\$ 99,254	192,655
BancorpSouth	116,040	115,866
First Commercial Bank	155,804	155,726
Regions Bank	113,266	113,195
Trustmark National Bank	122,616	165,546
BankFirst Financial Services	80,280	80,144
PayPal	5,161	2,143
Change Fund	<u>3,250</u>	<u>3,100</u>
	<u>\$ 695,671</u>	<u>828,375</u>