GULFSTREAM GOODWILL INDUSTRIES, INC.

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(with comparable totals for 2016)

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Holyfield & Thomas, LLC
Certified Public Accountants & Advisors
125 Butler Street • West Palm Beach, FL 33407
(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

We have audited the accompanying consolidated financial statements of Gulfstream Goodwill Industries, Inc. (a not-for-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

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

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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulfstream Goodwill Industries, Inc. as of December 31, 2017, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of Gulfstream Goodwill Industries, 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 the 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 Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditure of federal awards and other financial assistance on page 29, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the supplemental schedules on pages 30 to 31 and 34, as listed in the table of contents, are presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and are also not a required part of the basic consolidated financial statements. The supplemental schedules on pages 32 and 33 as listed in the table of contents are presented for purposes of additional analysis and are also not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Gulfstream Goodwill Industries, Inc.'s 2016 consolidated financial statements, and our report dated June 14, 2017 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
June 27, 2018

As of December 31, 2017 ***(with comparable totals for 2016)***

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
ASSETS					
Cash and cash equivalents	$ 4,320,784	$ -	$ -	$ 4,320,784	$ 3,039,420
Investments	1,285,184	-	-	1,285,184	1,002,288
Accounts receivable, net	2,362,565	-	-	2,362,565	2,476,231
Prepaid expenses and other assets	1,412,365	-	-	1,412,365	1,552,252
Contributed goods inventory	2,667,239	-	-	2,667,239	2,734,089
Total current assets	12,048,137	-	-	12,048,137	10,804,280
Investments, designated	90,446	-	-	90,446	60,246
Land, building, and equipment, net	9,958,871	-	-	9,958,871	10,301,506
Beneficial interest in trusts	-	279,540	270,697	550,237	505,487
Total assets	$ 22,097,454	$ 279,540	$ 270,697	$ 22,647,691	$ 21,671,519
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	$ 1,050,932	$ -	$ -	$ 1,050,932	$ 676,705
Accrued expenses	1,517,670	-	-	1,517,670	1,558,677
Deferred revenue	121,699	-	-	121,699	-
Insurance note payable	611,765	-	-	611,765	726,837
Current portion of capital leases and bonds payable	434,576	-	-	434,576	391,750
Total current liabilities	3,736,642	-	-	3,736,642	3,353,969
Capital leases payable	169,767	-	-	169,767	45,992
Derivative financial instrument	125,696	-	-	125,696	188,147
Bonds payable, net	4,853,366	-	-	4,853,366	5,230,834
Total liabilities	8,885,471	-	-	8,885,471	8,818,942
Net assets	13,211,983	279,540	270,697	13,762,220	12,852,577
Total liabilities and net assets	$ 22,097,454	$ 279,540	$ 270,697	$ 22,647,691	$ 21,671,519

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2017 ***(with comparable totals for 2016)***

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
Support and revenues:					
Support:					
Contributed goods store sales	$ 29,874,451	$ -	$ -	$ 29,874,451	$ 31,370,002
Salvage and recycling	1,771,841	-	-	1,771,841	1,649,004
Contributions	1,087,202	-	-	1,087,202	1,617,679
Total support	32,733,494	-	-	32,733,494	34,636,685
Revenues:					
Employment and training	9,210,262	-	-	9,210,262	8,817,612
Contracts	4,000,309	-	-	4,000,309	3,789,254
Investment income	58,182	-	-	58,182	34,470
Realized and change in unrealized gain on investments	122,623	-	-	122,623	53,237
Change in value of beneficial interest in trusts	-	44,750	-	44,750	(151,534)
Other revenues:					
E-books / E-commerce	571,944	-	-	571,944	524,112
Participant rents	231,320	-	-	231,320	239,858
Administrative fee	470,568	-	-	470,568	483,349
Miscellaneous	292,491	-	-	292,491	72,638
Total revenues	14,957,699	44,750	-	15,002,449	13,862,996
Total support and revenues	47,691,193	44,750	-	47,735,943	48,499,681
Net assets released from restrictions	17,500	(17,500)	-	-	-
Expenses:					
Program services:					
Vocational and rehabilitation	42,278,887	-	-	42,278,887	43,836,197
Supporting services:					
Management and general	3,996,237	-	-	3,996,237	4,590,957
Fundraising	464,941	-	-	464,941	754,624
Total functional expenses	46,740,065	-	-	46,740,065	49,181,778
National affiliate membership dues	169,399	-	-	169,399	167,544
Total expenses	46,909,464	-	-	46,909,464	49,349,322
Other gains:					
Gain on derivative financial instrument	62,451	-	-	62,451	74,521
Gain on disposal of assets	20,713	-	-	20,713	11,954
Change in net assets	882,393	27,250	-	909,643	(763,166)
Net assets, beginning of year	12,329,590	252,290	270,697	12,852,577	13,615,743
Net assets, end of year	$ 13,211,983	$ 279,540	$ 270,697	$ 13,762,220	$ 12,852,577

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2017 ***(with comparable totals for 2016)***

	2017	2016
Cash flows from operating activities:		
Cash received from support and revenues	$ 47,811,988	$ 48,182,808
Cash paid for program and supporting services	(45,021,245)	(47,895,802)
Investment income	58,182	34,470
Interest paid:		
Non-occupancy related	(28,929)	(30,277)
Occupancy related	(164,912)	(175,862)
Net cash provided by operating activities	2,655,084	115,337
Cash flows from investing activities:		
Purchase of land, building, and equipment	(766,470)	(745,326)
Proceeds from sale of equipment	81,699	74,669
Purchase of investments	(160,273)	(46,083)
Proceeds from beneficial interest in trusts	-	752,116
Net cash provided by (used in) investing activities	(845,044)	35,376
Cash flows from financing activities:		
Payments on capital leases	(36,136)	(74,795)
Payments on bonds payable	(377,468)	(358,436)
Proceeds from insurance note payable	2,090,808	2,023,726
Payments on insurance note payable	(2,205,880)	(1,690,314)
Net cash used in financing activities	(528,676)	(99,819)
Change in cash	1,281,364	50,894
Cash and cash equivalents, beginning of year	3,039,420	2,988,526
Cash and cash equivalents, ending of year	$ 4,320,784	$ 3,039,420

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2017 ***(with comparable totals for 2016)***

	2017	2016
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 909,643	$ (763,166)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,250,856	1,312,276
Gain on disposal of assets	(20,713)	(11,954)
Realized and change in unrealized gain on investments	(122,623)	(53,237)
Change in value of beneficial interest in trusts	(44,750)	151,534
Provision for bad debt	615	2,131
Gain on derivative financial instrument	(62,451)	(74,521)
(Increase) decrease in assets:		
Accounts receivable	113,051	(346,661)
Prepaid expenses and other assets	139,887	(231,645)
Contributed goods inventory	66,850	42,614
Increase (decrease) in liabilities:		
Accounts payable	374,227	1,198
Accrued expenses	(71,207)	163,421
Deferred revenue	121,699	(76,653)
Net cash provided by operating activities	$ 2,655,084	$ 115,337

Supplemental schedule of noncash investing and financing activities:

	2017	2016
During the year, Goodwill acquired equipment through capital lease transactions.	$ 202,737	$ 39,670

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2017 ***(with comparable totals for 2016)***

	Program Services	Supporting Services			
	Vocational and Rehabilitation	Management and General	Fundraising	2017 Totals	2016 Totals
Salaries	$ 19,806,111	$ 1,979,900	$ 306,010	$ 22,092,021	$ 24,171,931
Employee benefits	1,904,086	155,234	20,022	2,079,342	2,393,590
Payroll taxes and related	2,190,581	187,171	32,159	2,409,911	2,298,373
Total salaries and other related expenses	23,900,778	2,322,305	358,191	26,581,274	28,863,894
Bad debt expense	-	615	-	615	2,131
Bank and other fees	43,524	25,749	-	69,273	82,171
Interest (non-occupancy)	4,888	24,041	-	28,929	30,277
Meetings	12,604	6,518	45,192	64,314	198,093
Membership dues	17,868	21,964	7,015	46,847	60,572
Store discounts, drug screening, and other	167,427	54,309	1,179	222,915	114,620
Occupancy	12,952,426	180,876	497	13,133,799	13,033,626
Postage	222,162	2,685	748	225,595	249,104
Professional fees and contract services	1,104,229	862,124	3,927	1,970,280	1,570,320
Shipping and freight	19,446	3,002	-	22,448	7,762
Specific assistance to clients and organizations	20,697	3,350	-	24,047	39,277
Supplies, printing, promotion, and other	1,165,970	56,192	27,087	1,249,249	1,743,702
Telephone	360,141	66,052	10,531	436,724	438,205
Transportation	1,324,279	78,075	10,546	1,412,900	1,435,748
Depreciation and amortization	962,448	288,380	28	1,250,856	1,312,276
Total expenses	$ 42,278,887	$ 3,996,237	$ 464,941	$ 46,740,065	$ 49,181,778

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements reflect the consolidated financial statements of Gulfstream Goodwill Industries, Inc. ("Goodwill") and Lighthouse for the Blind of the Palm Beaches, Inc. ("Lighthouse"), (collectively the "Organization"), for which Goodwill has both control and economic interest, as defined in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-810, *Consolidation*, issued by the American Institute of Certified Public Accountants. All significant inter-organization accounts and transactions have been eliminated.

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting whereby revenue is recognized when earned, support is recognized when received, and expenses are recognized when the corresponding liability is incurred.

Organization and Purpose

Gulfstream Goodwill Industries, Inc. is a community service organization whose mission is to fund, design, and deliver vocational and training programs that serve people with disabilities and other barriers to employment. The goal of Goodwill's services is to assist those served in becoming an integral part of the local workforce and to lead independent lives. Goodwill's income is derived principally through the sale of contributed goods, and from funding received from various governmental resources. To achieve its mission, Goodwill is committed to being the following:

- A premier provider of quality rehabilitation, employment, and training opportunities for people with barriers to employment and independence.
- Recognized as a community leader and partner, communicating closely and networking with key community groups to respond to ever-changing social problems and ensure wide use of community resources.
- A quality retailer, offering high quality, economical and fashionable merchandise, in well maintained locations, within the communities Goodwill serves.
- A quality industrial work program, providing timely delivery of quality products and services to community businesses and industry.

Goodwill serves Palm Beach, Martin, St. Lucie, Indian River, and Okeechobee counties in Southeast Florida and maintains administration facilities in West Palm Beach, Florida.

Lighthouse for the Blind of the Palm Beaches, Inc. was founded in 1946 to assist visually impaired persons to develop their capabilities to the fullest and to utilize them in the pursuits of life that are the right and privilege of all. Lighthouse provides direct education and rehabilitation services to people who are blind or visually impaired in Palm Beach, Martin, St. Lucie, Indian River, and Okeechobee counties.

1. *Summary of Significant Accounting Policies, continued*

Consolidated Financial Statement Presentation

The Organization's consolidated financial statements are presented in accordance with FASB ASC 958-205, *Presentation of Financial Statements*. This standard requires the classification of the Organization's consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classifications of net assets are described below:

- *Unrestricted net assets* - this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transactions (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.
- *Temporarily restricted net assets* - this classification includes those net assets whose use by the Organization has been limited by donors to either a later period of time, after a specified date, or for a specified purpose.
- *Permanently restricted net assets* - this classification includes those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements.

Fair Value Measurement

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value and provides a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

1. <u>Summary of Significant Accounting Policies</u>, continued

Fair Value Measurement, continued

Level 2 - Inputs to the valuation methodology, continued

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair Value of Financial Instruments: The following methods and assumptions were used by the Organization in estimating fair value of the financial instruments that are not disclosed under ASC 820.

a) Cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses – The carrying amount reported approximates fair value due to the short term duration of the instrument.
b) Insurance note payable, capital lease payable, and bonds payable - The carrying amount reported approximates fair value due to the short term duration of the instruments.

Items Measured at Fair Value on a Recurring Basis: The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2017.

a) Investments - Investments are stated at fair value, based on quoted market prices of those investments.
b) Beneficial interest in trusts - Approximates fair value by recording the Organization's relative share of assets that are held by the custodian and valued using quoted market prices of underlying assets discounted with an appropriate interest rate and expected term.
c) Derivative financial instrument - This instrument is valued at fair value determined with reference to the Organization's lending bank, which used prevailing rates based on an estimate of the net present values of the resulting cash flows, relevant market data inputs, and assumptions of no unusual market conditions or forced liquidation.

FASB ASC 825, *Financial Instruments,* provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Organization's Beneficial Interest in Trusts has been selected for this fair value election.

1. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of consolidated 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.

Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, the Organization considers money market accounts and short-term investments with original maturities of three months or less to be cash equivalents. However, cash and cash equivalents maintained by the Organization's investment managers are part of the Organization's long-term investment policy and are classified as investments. Cash and cash equivalents held within the Beneficial Interest in Trusts accounts are classified as part of those asset categories in the Consolidated Statement of Financial Position.

Investments

Under FASB ASC 958-320, *Investments-Debt and Equity Securities*, investments in marketable securities with readily determinable fair values are reported at their fair values in the Consolidated Statement of Financial Position, with the amount of unrealized gains or losses on investments not previously recognized shown in the Consolidated Statement of Activities. Investments, designated relate to funds set aside for a management executive as deferred compensation (See Note 12).

Accounts Receivable

Accounts receivable consists of amounts due from various government agencies and vendors that contract with the Organization for services. The Organization establishes an allowance for uncollectible accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. As of December 31, 2017, the Organization's allowance for potentially uncollectible accounts receivable was approximately $16,000.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of utility and security deposits, prepaid insurance, and postage and rent. Supply inventory is also included, consisting of small general office and maintenance supplies which are stated at lower of cost or market.

Contributed Goods Inventory

Contributed goods inventory consists of donor contributed goods, which are valued according to an estimate of fair value at the time of the donation. This estimate considers that fair value is that portion of retail value which exceeds Goodwill's cost of transporting and processing the merchandise for sale. Goodwill follows the practice of measuring contributed goods inventory based on an accepted model of excess value over cost of processing. Contributed goods received during the year are reported in the Consolidated Statement of Activities in contributed goods store sales.

1. Summary of Significant Accounting Policies, continued

Land, Building, and Equipment

Land, building, and equipment are recorded at cost, if purchased, or fair value, if donated, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful asset lives, ranging from 3-30 years. Capital expenditures in excess of $500 are capitalized and depreciated. Maintenance and repair costs are expensed as incurred.

Beneficial Interest in Trusts

Beneficial Interest in Trusts represent agreements in which the Organization has been named the residual or income beneficiary of several irrevocable trust and unitrust agreements. The Organization has legally enforceable rights and claims to either a specific income stream or a remainder interest in the assets; however, the donor or donor-designated beneficiary may retain a beneficial interest. The assets are administered by third-party investment managers and distributions are made to the beneficiaries under the terms of the agreements. The Organization records its interest at estimated fair value. Subsequent adjustments to the assets' estimated fair value are reported as a change in value of Beneficial Interest in Trusts in the Consolidated Statement of Activities.

Support and Revenues

Contributed Goods Store Sales and Salvage and Recycling - Contributed goods store sales consists of the sale of donor contributed goods. Support is recognized upon sale, as an allocation of the overall retail price received. Salvage and recycling consists of the bulk sale of donated goods which have not otherwise been sold as contributed goods store sales.

Contributions - The Organization follows FASB ASC 958-605, *Revenue Recognition*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are initially restricted as to use are required to be reported as temporarily restricted support and are later reclassified to unrestricted net assets upon expiration of the time restriction or to unrestricted support upon use of the contribution in accordance with the restricted purpose. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is satisfied or expires in the reporting period in which the support is recognized. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Employment, Training, and Contracts - The Organization receives funding under various federal, state and local government programs and public grants. Employment, training, and contract revenues are recorded when performance occurs under the terms of the grant agreement. These program revenues are reflected under employment and training and contracts in the Consolidated Statement of Activities.

Other Revenues -

Goodwill established an on-line sales program (E-books) in which it sells books over the Internet, and these revenues are reflected as other revenues in the Consolidated Statement of Activities.

1. Summary of Significant Accounting Policies, continued

Other Revenues, continued

Goodwill operates a rental assistance program under the U.S. Department of Housing and Urban Development (HUD). Program participants are required to contribute a specified percentage of their individual income as rent; these amounts are reflected as other revenues in the Consolidated Statement of Activities.

Goodwill also reports administrative fees for management services provided to two other organizations: Lighthouse and Career Academy, a charter school, for which Goodwill acts as sponsor. The revenues from Lighthouse, a related party, are eliminated during consolidation. Career Academy has a separate board and acts independently of the Organization.

Promises to Give - Unconditional promises to give are generally recognized at their net realizable value in the period received and as unrestricted or temporarily restricted net assets, depending upon donor restrictions and/or expected time of payment. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Services - Unpaid volunteers have made significant contributions of their time to develop and maintain the Organization's programs. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for such donated services.

Expenses

Expenses are summarized on a functional basis. Expenses that can be specifically identified with a functional activity are charged accordingly. The amount of time spent on various functional categories by the employees is used to develop percentages that are used in allocating salary and related expenses, and other expenses which cannot be specifically identified with a particular functional activity.

Income Taxes

Goodwill and Lighthouse are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and from state income taxes under similar provisions of the State of Florida Income Tax Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under 509(a) of the Code. The Organization did not engage in any unrelated business activities during the year ended December 31, 2017, and accordingly there is no provision for income taxes reflected in the accompanying consolidated financial statements.

1. Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Organization follows FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. This standard seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. The Organization assesses the income tax positions based on management’s evaluation of the facts, circumstances, and information available at the reporting date. The Organization uses the prescribed more likely than not threshold when making their assessment. There are currently no open Federal or State tax years under audit.

Advertising

Goodwill expenses advertising costs as they are incurred. Advertising expense was approximately $159,000 for the year ended December 31, 2017, and is reflected as part of supplies, printing, promotion, and other in the Consolidated Statement of Functional Expenses.

Shipping Expense

Shipping expense is incurred as a result of the E-books program. Goodwill expenses the cost of shipping as incurred. Total shipping expense is reported in the Consolidated Statement of Functional Expenses.

Comparable Information and Reclassifications

The consolidated financial statements include certain prior-year summarized comparable 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 the Organization's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived. Certain 2016 amounts may have been reclassified to conform to 2017 classifications, although any such reclassification would have no effect on the 2016 change in net assets.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) recently issued several Accounting Standards Updates (ASU’s) that affect the accounting and reporting of not-for-profit entities. The FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issue Costs (Topic 958)*, to alter the reporting of debt issue costs, which will be reported net against the related liability, versus the previous guidance that capitalized and reflected such costs as an intangible asset. This ASU is effective for the Organization’s current fiscal year and does not have a material effect on its financial accounting and reporting.

1. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

ASU 2016-02, *Leases (Topic 842)*, does not take effect until the Organization's fiscal year ending December 31, 2020, and provides new guidance for leases such that virtually all leases will be capitalized and create "right of use" assets along with associated liabilities. This standard will impact the interpretation of certain Organization transactions, and management is evaluating the effect that the updated standard will have on the financial statements. ASU 2016-14 *Not-for-Profit Entities (Topic 958)*, imposes new requirements for the presentation and disclosure of not-for-profit financial statements, including a reduction in the number of net asset categories from 3 classes to 2 classes, a requirement to present a statement of functional expenses, a requirement to disclose the quantitative and qualitative aspects of its liquidity, in addition to other provisions. This ASU is effective for the Organization's fiscal period ending December 31, 2018, with early implementation permitted. As with the new guidance on leasing, management is evaluating the effect that this updated standard will have on the financial statements.

2. Investments

Investments as of December 31, 2017, consisted of the following:

	Goodwill	Lighthouse	Total
Current	$ 675,036	$ 610,148	$ 1,285,184
Non-current, designated	90,446	-	90,446
	$ 765,482	$ 610,148	$ 1,375,630

The fair value of investments is reported using the input guidance and valuation techniques described above. The fair value levels and amounts are presented as of December 31, 2017 in the following table:

	Goodwill	Lighthouse	Total
		Level 1	
Cash and cash equivalents	$ 57,367	$ 38,822	$ 96,189
Mutual and index funds - fixed income	160,712	78,492	239,204
Mutual and index funds - equity	477,788	424,850	902,638
Exchange traded products	69,615	67,984	137,599
	$ 765,482	$ 610,148	$ 1,375,630

3. Accounts Receivable

Accounts receivable as of December 31, 2017, consisted of the following:

	Goodwill	Lighthouse	Total
Due in less than one year	$ 1,960,634	$ 417,911	$ 2,378,545
Less allowance for Uncollectible accounts	15,980	-	15,980
	$ 1,944,654	$ 417,911	$ 2,362,565

4. Prepaid Expenses and Other Assets

Prepaid expenses and other assets as of December 31, 2017 consisted of the following:

	Goodwill	Lighthouse	Total
Utility deposits	$ 31,525	$ 480	$ 32,005
Prepaid insurance	916,075	7,737	923,812
Prepaid expense	175,685	-	175,685
Prepaid rents and rental deposits, net	30,665	9,613	40,278
Prepaid postage	10,662	-	10,662
Supplies	35,135	1,423	36,558
Reserve for unemployment claims	193,365	-	193,365
	$ 1,393,112	$ 19,253	$ 1,412,365

5. Land, Building, and Equipment

Land, building, and equipment as of December 31, 2017, consisted of the following:

	Goodwill	Lighthouse	Total
Land	$ 2,499,458	$ -	$ 2,499,458
Building	8,463,895	-	8,463,895
Building improvements	918,156	-	918,156
Leasehold improvements	3,859,081	-	3,859,081
Automotive and communications equipment	2,164,202	49,600	2,213,802
Furniture and equipment	6,118,939	130,627	6,249,566
Capital lease equipment	276,136	-	276,136
	24,299,867	180,227	24,480,094
Less accumulated depreciation	14,363,814	157,409	14,521,223
	$ 9,936,053	$ 22,818	$ 9,958,871

Depreciation expense for the year ended December 31, 2017, was approximately $1,251,000.

6. Beneficial Interest in Trusts

Fair values of Beneficial Interest in Trusts measured on a recurring basis as of December 31, 2017, are as follows:

	Lighthouse
Level 3:	
Beneficial interests in irrevocable trusts	$ 281,859
Charitable remainder unitrusts	268,378
	$ 550,237

6. Beneficial Interest in Trusts, continued

A reconciliation of the Organization's Level 3 instruments for the year ended December 31, 2017 is provided below:

	Lighthouse
Balance, beginning of year	$ 505,487
Contributions	-
Settlement	-
Net change in value	44,750
Balance, end of year	$ 550,237

FASB ASC 820 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about Level 3 assets held as charitable remainder unitrust agreements:

	Fair Value	Valuation Techniques	Unobservable Inputs
Lighthouse:			
Beneficial interest in trusts	$ 550,237	Discounted cash flows, 3rd party valuation pricing	Life expectancy, discount rate

7. Accrued Expenses

Accrued expenses as of December 31, 2017, consisted of the following:

	Goodwill	Lighthouse	Total
Accrued payroll and related payables	$ 1,074,482	$ -	$ 1,074,482
Accrued NISH fees	45,545	-	45,545
Accrued pension retirement	111,713	-	111,713
Accrued professional fees	15,960	-	15,960
Accrued sales tax	71,769	-	71,769
Accrued interest	15,299	-	15,299
Accrued retail gift cards	67,256	-	67,256
Other accrued expenses	110,237	5,409	115,646
	$ 1,512,261	$ 5,409	$ 1,517,670

8. Line of Credit

Goodwill

Goodwill maintains a commitment from a financial institution for a $1,500,000 revolving line of credit secured by the assets of Goodwill. Interest only payments are due each month at 30-day LIBOR plus 1.70% (3.06% as of December 31, 2017). The terms of the note require that the balance be zero during a continuous and consecutive 30-day period during each calendar year. There is no outstanding balance as of December 31, 2017.

9. Insurance Note Payable

During the year, Goodwill entered into a financing agreement to fund its insurance premiums. The agreement specifies an annual interest rate of 2.73% and twelve monthly payments of $152,941.

10. Bond Payable and Capital Leases

A) Bond Payable

On July 2, 2014, Goodwill refinanced the 2006 industrial development revenue bond with proceeds from a new tax-exempt industrial development revenue bond of $5,958,000 (Series 2014A), which was issued by Palm Beach County, Florida. The bond has a floating interest rate which is 2.27% at December 31, 2017; however, the interest rate is fixed for the term of the bonds at 3.24% under an interest rate swap agreement entered into with a financial institution. Principal and interest are payable monthly. Goodwill capitalizes cost associated with the issuance of these bonds. These costs are amortized on a straight-line method over the term of the debt, and shown net of the bond payable. The unamortized costs are approximately $78,600. Amortization of these bond issuance costs for the year ended December 31, 2017, was approximately $6,800.

The bonds are collateralized by the assets of Goodwill.

Loan Covenants

The terms of the bonds and the line of credit agreements require Goodwill to maintain a debt service coverage ratio (DSCR) of at least 1.25 to 1.00 and must also maintain a minimum liquidity of $1,500,000.

B) Capital Leases

- Goodwill leases equipment for its Okeechobee Waterway contract. The capitalized cost reflected in the fixed assets is approximately $150,000. The leases require monthly payments totaling $3,263. The leases mature through September 2021.
- Goodwill leases other general equipment, the capitalized cost of which is reflected in the fixed assets at approximately $40,000. The lease requires monthly payments of $661. The lease matures in March 2021.
- Goodwill leases a forklift, the capitalized cost of which is reflected in the fixed assets at approximately $33,700. The lease requires monthly payments of $739 (principal and interest at 11.34%). The lease matures in September 2020.
- Goodwill leases vehicles, the capitalized cost of which is reflected in the fixed assets at approximately $53,000. The leases require monthly payments totaling $931. The leases mature through September 2023.

10. Bond Payable and Capital Leases, continued

B) Capital Leases

The following schedule illustrates future minimum lease payments under capital leases and the present value of net minimum lease payments:

Total minimum lease payments	$ 242,942
Less amount representing interest	16,067
Present value of minimum lease payments	226,875
Less current maturities	57,108
Obligations under capital leases, non-current maturities	$ 169,767

C) Future Maturities

The future principal maturity payment schedules of Goodwill are as follows:

Goodwill:	Bond Issue Costs	Bond	Capital Leases	Total
2018	$ (6,832)	$ 384,300	$ 57,108	$ 434,576
2019	(6,832)	397,100	62,269	452,537
2020	(6,832)	410,100	62,254	465,522
2021	(6,832)	423,200	36,165	452,533
2022	(6,832)	437,400	8,611	439,179
Thereafter	(44,406)	3,257,300	468	3,213,362
	$ (78,566)	$ 5,309,400	$ 226,875	$ 5,457,709

11. Derivative Financial Instrument

The Organization's derivative financial instrument consisted of an interest rate swap measured at estimated fair value on a recurring basis as of December 31, 2017:

Goodwill:	Level 3
Interest rate swap	$ 125,696

FASB ASC 820 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides the following information about Level 3 interest rate swap liability:

Goodwill:	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Interest rate swap	$ 125,696	Discounted cash flows, pricing models	Interest rate	Variable %

On July 2, 2014, the Organization entered into a floating-to-fixed interest rate swap agreement with a financial institution to synthetically convert its bonds into fixed rate bonds.

11. Derivative Financial Instrument, continued

The Organization follows the provisions of FASB ASC 815, *Derivatives and Hedging* and 820 *Fair Value Measurements* with respect to its interest rate swap, an agreement qualifying as a derivative instrument. The aggregate fair value of the interest rate swap of approximately $126,000 represents the estimated amount at which the swap agreement could be settled, and is included as a liability in the accompanying Consolidated Statement of Financial Position as of December 31, 2017. The change in value of the interest rate swap is approximately $62,000 and is included in the accompanying Consolidated Statements of Activities, for the year ended December 31, 2017.

The result of fixing its interest rate under the swap arrangement is included in interest expense in the Consolidated Statement of Functional Expenses. The effect for the year ended December 31, 2017 was to increase interest expense by approximately $63,400.

A reconciliation of this Level 3 instrument for the year ended December 31, 2017 is provided below:

Balance, beginning of year	$ 188,147
Net change on derivative financial instrument	(62,451)
Balance, end of year	$ 125,696

12. Employee Benefit Plans

Defined contribution: Goodwill maintains a qualified thrift plan under section 403(b) of the Internal Revenue Code. Under this plan, Goodwill, at its discretion, will make a matching contribution on the employee's behalf equal to 100% of the first 4% of employee's allowable contribution. Goodwill contributed approximately $245,000 to the plan for the year ended December 31, 2017. In addition, Goodwill has in place a 457(b) deferred compensation plan for certain members of management. Approximately $18,000 was contributed to this plan during the fiscal year. This plan is a non-qualified deferred compensation plan subject to the claims of creditors. As of December 31, 2017, approximately $90,000 of plan assets is reflected as “investments, designated” on the Consolidated Statement of Financial Position.

13. Related Party Transactions

During 2017, Goodwill advanced funds to an entity that is related by common board members. Goodwill paid Florida Goodwill Association (FGA), a membership association with a common officer, approximately $25,000 for dues. In addition, during 2017 Goodwill paid Goodwill Industries International (GII), an affiliated national organization, approximately $155,000 for annual dues, which is reflected in the national affiliate membership dues line in the Consolidated Statement of Activities.

14. Commitments and Contingencies

The Organization leases storefront facilities, residential units and vehicles under numerous operating leases that expire through 2033. Leased facility rent expense, which is reflected as part of occupancy in the consolidated financial statements, is approximately $9,601,000 for the year ended December 31, 2017. The storefront leases contain renewal options varying from one to ten years, and rent escalation clauses ranging from one percent to three percent per year.

Total minimum rental payments under non-cancelable operating leases as of December 31, 2017 are approximately:

2018	$ 9,710,000
2019	10,034,000
2020	10,206,000
2021	10,357,000
2022	10,588,000
Thereafter	77,430,000
	$ 128,325,000

Self-insured unemployment claims

As provided by Florida law for 501(c)(3) non-profit organizations, the Organization seeks to control the costs of unemployment claims through self-insurance, versus paying a specified rate to the State of Florida. The amount designated for such claims is noted as reserve for unemployment claims, which is part of prepaid expenses and other assets on the Consolidated Statement of Financial Position.

The Organization is involved in various legal actions related to unemployment claims that arise in the normal course of business. In management’s opinion, such matters will not have a material effect upon the financial position of Goodwill.

Compensated absences

FASB ASC 710-10-25, *Compensated Absences*, requires disclosure of accrued compensated future absences if the obligation (a) is attributable to employees' services already rendered (b) relates to rights that vest or accumulate (c) payment is probable (d) can be reasonable estimated. No amounts have been reflected in the consolidated financial statements for accrued compensated future absences because management believes the criteria for recognition under FASB ASC 710-10-25 has not been satisfied because the accrual cannot be reasonable estimated.

15. *Concentrations*

At various times during the year, the Organization had funds on deposit at financial institutions in excess of the $250,000 Federal Deposit Insurance Corporation limit. Management regularly monitors the financial condition of its banking institution, along with its cash balances, and in so doing, tries to keep this potential risk to a minimum. In management's opinion, its cash management does not represent unusual risk. As of December 31, 2017, cash deposits exceeded federally insured limits by approximately $3,720,000.

With respect to accounts receivable, the Organization does not appear subject to significant credit risk as its principal account debtors are Palm Beach County, Division of Human Services, which accounts for approximately 41% of the outstanding balance, and the U.S. Army Corps of Engineers, which accounts for approximately 12%. The remaining balance of its accounts receivable is owed by a variety of organizations or companies.

16. *Net Assets Restrictions*

As of December 31, 2017, temporarily and permanently restricted net assets consisted of:

	Temporarily Restricted	Permanently Restricted	Total
Lighthouse:			
Beneficial interest in trusts	$ 279,540	$ 270,697	$ 550,237

17. *Subsequent Events*

Date of Management Evaluation

Management has evaluated subsequent events through June 27, 2018, the date on which the financial statements were available to be issued, and determined that no further disclosures were required to be presented in theses financial statements.

Holyfield & Thomas, LLC
Certified Public Accountants & Advisors
125 Butler Street • West Palm Beach, FL 33407
(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

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*

The Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

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 consolidated financial statements of Gulfstream Goodwill Industries, Inc. (a not-for-profit organization), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report dated June 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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 Gulfstream Goodwill Industries, Inc.'s consolidated 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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
June 27, 2018

Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

Report on Compliance for Each Major Federal Program

We have audited Gulfstream Goodwill Industries, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gulfstream Goodwill Industries, Inc.'s major federal programs for the year ended December 31, 2017. Gulfstream Goodwill Industries, Inc.'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 federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gulfstream Goodwill Industries, Inc.'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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Gulfstream Goodwill Industries, Inc.'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 Gulfstream Goodwill Industries, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Gulfstream Goodwill Industries, Inc. 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, 2017.

Report on Internal Control Over Compliance

Management of Gulfstream Goodwill Industries, Inc. 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 Gulfstream Goodwill Industries, Inc.'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 the Uniform Guidance, 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 Gulfstream Goodwill Industries, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
June 27, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None
• Significant deficiencies identified that are not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	None

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None
• Significant deficiencies identified that are not considered to be material weaknesses?	None
Type of auditor's report issued on compliance of major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)?	None
Identification of major programs:	
CFDA Number	14.267
Name of Federal Program or Cluster: U.S. Department of Housing and Urban Development	Continuum of Care (COC) Program
Dollar Threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II – CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended December 31, 2017.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended December 31, 2017.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there were no findings or questioned costs for the year ended December 31, 2017.

PRIOR YEAR FINDINGS

There were no prior audit findings for the year ended December 31, 2016, relative to federal awards requiring action on the part of the auditee for that fiscal year.

MANAGEMENT LETTER

There are no comments for the fiscal year ended December 31, 2017.

SUPPLEMENTARY INFORMATION

Federal/State Agency, Pass-through Entity	CFDA Number	Contract Grant Number	Federal Expenditures
Federal Awards:			
Direct Programs:			
U.S.Department of Housing and Urban Development:			
Continuum of Care Program-New Avenues	14.267	FL0347L4D051605	$ 765,221
Continuum of Care Program-Project Succeed	14.267	FL0289L4D051508	1,076,819
Continuum of Care Program-Beacon Place	14.267	FL0503L4D051502	450,454
Continuum of Care Program-Beacon Place 2	14.267	FL0541L4D051501	227,181
			2,519,675
Indirect Programs Passed Through:			
U.S. Department of Justice:			
Palm Beach County:			
Ex-Offender Re-entry Services-Adult Re-entry	99.999	R2017-1387	141,659
Ex-Offender Re-entry Services-Back to a Future	99.999	R2017-1389	68,392
			210,051
Indirect Programs Passed Through:			
U.S. Department of Transportation:			
Florida Department of Transportation:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	G0972	25,142
			25,142
			$ 2,754,868

Other Financial Assistance:	Revenue	Expenditures
Palm Beach County - Lewis Center	$ 2,035,465	$ 2,087,430

1. Basis of Presentation

The above schedule includes the federal award and other financial assistance of Gulfstream Goodwill Industries, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic consolidated financial statements.

See independent auditor's report.

		New Avenues	Project Succeed	Beacon Place	Beacon Place 2
	REVENUES:				
5120	Rent revenues	$ -	$ 10,833	$ -	$ 314
5121	Tenant assistance payments	765,221	1,076,819	450,454	227,181
5100T	Total rent revenue	765,221	1,087,652	450,454	227,495
5990	Miscellaneous revenue	-	-	-	-
5000T	Total revenue	765,221	1,087,652	450,454	227,495
	EXPENSES:				
6210	Advertising and marketing	359	2,489	404	74
6250	Other renting expenses - rent payments	429,464	637,779	103,404	124,070
6310	Payroll	189,231	281,634	163,119	63,445
6311	Office expenses	22,995	36,413	33,141	17,010
6340	Legal expense	-	1,407	141	-
6360	Telephone expenses	4,155	5,726	6,678	706
6390	Miscellaneous	6,617	6,667	22,279	3,376
6390	Miscellaneous - professional fees	-	-	30,000	-
6263T	Total administrative expenses	652,821	972,115	359,166	208,681
6450	Electric	1,513	678	1,511	-
6400T	Total utilities expenses	1,513	678	1,511	-
6515	Operating and maintenance - supplies	192	706	417	202
6520	Building maintenance and repair	6,964	24,727	11,117	2,450
6570	Vehicle and maintenance equipment operation and repairs	45,097	29,157	46,250	1,402
6500T	Total operating and maintenance expenses	52,253	54,590	57,784	4,054
6711	Payroll taxes	13,870	20,474	15,005	4,552
6720	Property and liability insurance	28,704	13,188	-	4,393
6723	Health insurance and other employee benefits	15,926	25,549	16,838	5,785
6790	Misc taxes, licenses, permits & insurance	134	1,058	150	30
6700T	Total taxes and insurance	58,634	60,269	31,993	14,760
6000T	Total costs of operations before depreciation	765,221	1,087,652	450,454	227,495
3250	Change in total net assets from operations	$ -	$ -	$ -	$ -

See independent auditor's report.

For the Year Ended December 31, 2017

		New Avenues	Project Succeed	Beacon Place	Beacon Place 2
	Cash flows from operating activities:				
S1200-030	Other operating receipts	$ 765,221	$1,087,652	$ 450,454	$ 227,495
S1200-040	Total receipts	765,221	1,087,652	450,454	227,495
S1200-050	Adminstrative	652,821	972,115	359,166	208,681
S1200-090	Utilities	1,513	678	1,511	-
S1200-100	Operating and maintenance	52,253	54,590	57,784	4,054
S1200-150	Miscellaneous taxes and insurance	58,634	60,269	31,993	14,760
S1200-230	Total disbursements	765,221	1,087,652	450,454	227,495
S1200-470	Net increase in cash and cash equivalents	-	-	-	-
S1200-480	Cash-beginning of year	-	-	-	-
S1200T	Cash-end of year	$ -	$ -	$ -	$ -

See independent auditor's report.

As of December 31, 2017

	Goodwill	Lighthouse	Eliminating Entry	Totals
ASSETS				
Cash and cash equivalents	$ 1,583,741	$ 2,737,043	$ -	$ 4,320,784
Investments	675,036	610,148	-	1,285,184
Accounts receivable, net	2,010,485	417,911	(65,831)	2,362,565
Prepaid expenses and other assets	1,393,112	19,253	-	1,412,365
Contributed goods inventory	2,667,239	-	-	2,667,239
Total current assets	8,329,613	3,784,355	(65,831)	12,048,137
Investments, designated	90,446	-	-	90,446
Land, building and equipment, net	9,936,053	22,818	-	9,958,871
Beneficial interest in trusts	-	550,237	-	550,237
Total assets	$ 18,356,112	$ 4,357,410	$ (65,831)	$ 22,647,691
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 1,042,618	$ 74,145	$ (65,831)	$ 1,050,932
Accrued expenses	1,512,261	5,409	-	1,517,670
Deferred revenue	121,699	-	-	121,699
Insurance note payable	611,765	-	-	611,765
Current portion of capital leases and bonds payable	434,576	-	-	434,576
Total current liabilities	3,722,919	79,554	(65,831)	3,736,642
Capital leases payable	169,767	-	-	169,767
Derivative financial instrument	125,696	-	-	125,696
Bonds payable	4,853,366	-	-	4,853,366
Total liabilities	8,871,748	79,554	(65,831)	8,885,471
Net assets	9,484,364	4,277,856	-	13,762,220
Total liabilities and net assets	$ 18,356,112	$ 4,357,410	$ (65,831)	$ 22,647,691

See independent auditor's report.

For the Year Ended December 31, 2017

Support and revenues:	Goodwill	Lighthouse	Eliminating Entry	Totals
Support:				
Contributed goods store sales	$ 29,874,451	$ -	$ -	$ 29,874,451
Salvage and recycling	1,771,841	-	-	1,771,841
Contributions	391,578	695,624	-	1,087,202
Total support	32,037,870	695,624	-	32,733,494
Revenues:				
Employment and training	8,467,506	742,756	-	9,210,262
Contracts	4,000,309	-	-	4,000,309
Investment income	31,369	26,813	-	58,182
Realized and change in unrealized gain on investments	74,658	47,965	-	122,623
Change in value of beneficial interest in trusts	-	44,750	-	44,750
Other revenues:				
E-books / E-commerce	571,944	-	-	571,944
Participant rents	231,320	-	-	231,320
Administrative fee	1,320,213	-	(849,645)	470,568
Miscellaneous	280,456	12,035	-	292,491
Total revenues	14,977,775	874,319	(849,645)	15,002,449
Total support and revenues	47,015,645	1,569,943	(849,645)	47,735,943
Expenses:				
Salary and other related expenses	26,581,275	621,344	(621,345)	26,581,274
Bad debt expense	615	-	-	615
Bank and other fees	67,522	1,751	-	69,273
Interest (non-occupancy)	28,644	285	-	28,929
Meetings	55,394	8,999	(79)	64,314
Membership dues	44,340	2,507	-	46,847
Store discounts, drug screening, and other	219,183	3,959	(227)	222,915
Occupancy	13,123,731	113,713	(103,645)	13,133,799
Postage	219,186	6,859	(450)	225,595
Professional fees and contract services	1,935,029	126,432	(91,181)	1,970,280
Shipping and freight	22,423	152	(127)	22,448
Specific assistance to clients and organizations	20,055	3,992	-	24,047
Supplies, printing, promotion, and other	1,203,734	47,123	(1,608)	1,249,249
Telephone	428,230	15,129	(6,635)	436,724
Transportation	1,395,770	41,478	(24,348)	1,412,900
Depreciation and amortization	1,238,908	11,948	-	1,250,856
Total functional expenses	46,584,039	1,005,671	(849,645)	46,740,065
National affiliate membership dues	169,399	-	-	169,399
Total expenses	46,753,438	1,005,671	(849,645)	46,909,464
Other gains:				
Gain on derivative financial instrument	62,451	-	-	62,451
Gain on disposal of assets	20,713	-	-	20,713
Change in net assets	$ 345,371	$ 564,272	$ -	$ 909,643

See independent auditor's report.

Goodwill
Gulfstream Goodwill Industries

1715 Tiffany Drive East
West Palm Beach, FL 33407
Tel: 561.848.7200
Fax: 561.494.0802
TDD: 561.848.3806
gulfstreamgoodwill.org

Gulfstream Goodwill Industries, Inc.

HUD Project No:

Project Succeed	FL0289L4D051508
New Avenues	FL0347L4D051605
Operations at Beacon Place	FL0503L4D051502
Operations at Beacon Place 2	FL0541L4D051501

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of Gulfstream Goodwill Industries, Inc., for the HUD Projects listed above and, to the best of our knowledge and belief, the same are accurate and complete.

Marvin A. Tanck

Marvin Tanck, President/CEO
June 27, 2018