

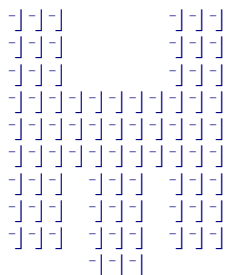
GULFSTREAM GOODWILL INDUSTRIES, INC.

**REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2010
(with comparable totals for 2009)**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of Gulfstream Goodwill Industries, Inc. (a Florida not-for-profit corporation) as of December 31, 2010, and the related consolidated statements of activities, cash flows, and functional expenses, for the year then ended. These consolidated financial statements are the responsibility of the Gulfstream Goodwill Industries, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Gulfstream Goodwill Industries, Inc.'s 2009 consolidated financial statements (see Note 1 for explanation of changes) and, in our original report dated June 24, 2010, we expressed a qualified opinion on those consolidated financial statements.

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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2011, 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* and important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Gulfstream Goodwill Industries, Inc. taken as a whole. The accompanying supplemental schedule on page 30 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic consolidated financial statements. The supplemental schedules on pages 31 to 36 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 supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have audited in accordance with attestation standards established by the American Institute of Certified Public Accountants, Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) and our report dated May 25, 2011 expressed unqualified opinion.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 25, 2011

*As of December 31, 2010**(with comparable totals for 2009)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Totals	2009 Totals
ASSETS					
Cash and cash equivalents	\$ 1,812,452	\$ -	\$ -	\$ 1,812,452	\$ 1,144,604
Investments	179,142	-	-	179,142	171,647
Accounts and bequests receivable, net	1,607,166	-	-	1,607,166	2,121,827
Prepaid expenses and other assets	520,275	-	-	520,275	465,135
Contributed goods inventory	2,286,829	-	-	2,286,829	2,093,577
Total current assets	6,405,864			6,405,864	5,996,790
Land, building, and equipment, net	9,403,316	-	-	9,403,316	9,829,796
Beneficial interests in trusts	-	670,633	296,631	967,264	1,042,467
Total assets	<u>\$ 15,809,180</u>	<u>\$ 670,633</u>	<u>\$ 296,631</u>	<u>\$ 16,776,444</u>	<u>\$ 16,869,053</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 596,217	\$ -	\$ -	\$ 596,217	\$ 801,303
Accrued expenses	1,341,131	-	-	1,341,131	1,092,624
Deferred revenue	4,379	-	-	4,379	24,584
Line of credit	-	-	-	-	2,181,834
Current portion of bond payable, capital leases, and notes payable	434,852	-	-	434,852	412,825
Total current liabilities	2,376,579	-	-	2,376,579	4,513,170
Capital leases and notes payable	2,561,976	-	-	2,561,976	1,331,558
Derivative financial instrument	580,442	-	-	580,442	522,533
Bond payable	4,470,000	-	-	4,470,000	4,660,000
Total liabilities	9,988,997	-	-	9,988,997	11,027,261
Net assets	5,820,183	670,633	296,631	6,787,447	5,841,792
Total liabilities and net assets	<u>\$ 15,809,180</u>	<u>\$ 670,633</u>	<u>\$ 296,631</u>	<u>\$ 16,776,444</u>	<u>\$ 16,869,053</u>

See accompanying notes to consolidated financial statements.

*For the Year Ended December 31, 2010**(with comparable totals for 2009)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Totals	2009 Totals
Support and revenues:					
Support:					
Contributed goods store sales	\$ 25,058,224	\$ -	\$ -	\$ 25,058,224	\$ 23,590,113
Salvage and recycling	1,330,717	-	-	1,330,717	1,200,392
Contributions	438,500	-	-	438,500	1,308,059
Total support	26,827,441	-	-	26,827,441	26,098,564
Revenues:					
Employment and training	5,872,343	-	-	5,872,343	4,275,649
Contracts	4,152,175	-	-	4,152,175	4,122,752
Investment income	10,295	-	-	10,295	4,337
Gain (loss) on disposal of assets	11,998	-	-	11,998	(3,530)
Realized and unrealized gain on investments	2,581	-	-	2,581	12,124
Change in value of beneficial interest in trusts	(7,716)	(3,521)	19,194	7,957	97,741
Other revenues	1,039,939	-	-	1,039,939	563,584
Total revenues	11,081,615	(3,521)	19,194	11,097,288	9,072,657
Total support and revenues	37,909,056	(3,521)	19,194	37,924,729	35,171,221
Net assets released from restrictions	90,876	(90,876)	-	-	-
Expenses:					
Program services:					
Vocational and rehabilitation	33,443,159	-	-	33,443,159	30,836,696
Supporting services:					
Management and general	3,441,122	-	-	3,441,122	3,307,415
Fundraising	36,884	-	-	36,884	34,108
Total expenses	36,921,165	-	-	36,921,165	34,178,219
Other gain (loss):					
Gain (loss) on derivative financial instrument	(57,909)	-	-	(57,909)	175,560
Change in net assets	1,020,858	(94,397)	19,194	945,655	1,168,562
Net assets, beginning of year	4,799,325	765,030	277,437	5,841,792	4,673,230
Net assets, end of year	\$ 5,820,183	\$ 670,633	\$ 296,631	\$ 6,787,447	\$ 5,841,792

See accompanying notes to consolidated financial statements.

*For the Year Ended December 31, 2010**(with comparable totals for 2009)*

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from support and revenues	\$ 38,176,218	\$ 34,580,051
Cash paid for program and supporting services	(35,578,441)	(32,845,622)
Investment income	10,294	4,337
Interest paid	(441,575)	(440,011)
Net cash provided by operating activities	<u>2,166,496</u>	<u>1,298,755</u>
Cash flows from investing activities:		
Purchase of equipment	(447,405)	(521,859)
Proceeds from sale of equipment	3,600	405
Purchase of investments	(73,205)	(171,647)
Proceeds from redemption of investments	68,291	172,449
Proceeds from (additions of) beneficial interests in trusts	83,160	(434,430)
Net cash used in investing activities	<u>(365,559)</u>	<u>(955,082)</u>
Cash flows from financing activities:		
Proceeds from line of credit	-	500,000
Payment on line of credit	(681,834)	(468,950)
Proceeds from capital leases and notes payable	112,249	230,974
Payment on capital leases and notes payable	(383,504)	(524,989)
Payment on bond payable	(180,000)	(170,000)
Net cash used in financing activities	<u>(1,133,089)</u>	<u>(432,965)</u>
Change in cash	667,848	(89,292)
Cash and cash equivalents, beginning of year	1,144,604	1,233,896
Cash and cash equivalents, ending of year	<u>\$ 1,812,452</u>	<u>\$ 1,144,604</u>

See accompanying notes to consolidated financial statements.

*For the Year Ended December 31, 2010**(with comparable totals for 2009)*

	<u>2010</u>	<u>2009</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 945,655	\$ 1,168,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	952,627	920,606
(Gain) loss on disposal of assets	(11,998)	3,530
Realized and unrealized gain on investments	(2,581)	(12,124)
Change in value of beneficial interest in trusts	(7,957)	(97,741)
Non-cash donation of vehicle	(61,406)	(18,750)
Provision for bad debt	16,886	27,773
(Gain) loss on derivative financial instrument	57,909	(175,560)
(Increase) decrease in assets:		
Accounts and bequests receivable	497,775	(482,813)
Prepaid expenses and other assets	(50,378)	(80,397)
Contributed goods inventory	(193,252)	(136,757)
Increase (decrease) in liabilities:		
Accounts payable	(205,086)	(33,402)
Accrued expenses	248,507	194,760
Deferred revenue	(20,205)	21,068
Net cash provided by operating activities	<u>\$ 2,166,496</u>	<u>\$ 1,298,755</u>
Supplemental schedule of noncash financing activities:		
During 2010, a bank termed \$1,500,000 of the Organization's line of credit into a note payable (see disclosure of notes payable)	<u>\$ 1,500,000</u>	<u>\$ -</u>
During 2010, the Organization purchased vehicles through the use of capital leases.	<u>\$ 13,700</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

*For the Year Ended December 31, 2010**(with comparable totals for 2009)*

	Program Services	Supporting Services		2010 Totals	2009 Totals
	Vocational and Rehabilitation	Management and General	Fundraising		
Salaries	\$ 16,147,190	\$ 1,785,703	\$ 10,495	\$ 17,943,388	\$ 16,604,251
Employee benefits	1,306,572	150,184	1,014	1,457,770	1,408,819
Payroll taxes and related	1,950,884	147,271	1,105	2,099,260	1,983,112
Total salaries and other related expenses	19,404,646	2,083,158	12,614	21,500,418	19,996,182
Bad debt expense	16,886	-	-	16,886	27,773
Bank and other fees	72,242	37,114	83	109,439	87,853
Interest	18,202	206,026	-	224,228	212,646
Meetings	10,279	27,766	-	38,045	33,322
Membership dues	7,244	175,116	-	182,360	173,952
Store discounts and other	332,442	90,367	138	422,947	132,532
Occupancy	9,238,901	174,122	-	9,413,023	9,375,320
Postage	98,235	4,345	10,878	113,458	14,246
Professional fees and contract services	623,402	111,347	5,540	740,289	634,460
Shipping and freight	17,412	6,164	-	23,576	16,158
Specific assistance to clients and organizations	435,274	9,750	-	445,024	26,018
Supplies and printing	930,904	86,592	7,631	1,025,127	897,994
Telephone	466,262	86,958	-	553,220	560,613
Transportation	1,101,236	59,262	-	1,160,498	1,068,544
Depreciation and amortization	669,592	283,035	-	952,627	920,606
Total expenses	\$ 33,443,159	\$ 3,441,122	\$ 36,884	\$ 36,921,165	\$ 34,178,219

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2010

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements reflect the consolidated financial statement of Gulfstream Goodwill Industries, Inc. ("Goodwill"), Gulfstream Goodwill Industries Foundation, Inc. ("Foundation"), 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 revenues 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. Goodwill maintains administration facilities in West Palm Beach, Florida.

The Gulfstream Goodwill Industries Foundation, Inc. was formed on August 27, 2003, for the purpose of establishing an endowment to provide financial support and assistance to Goodwill.

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. The 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.

For the Year Ended December 31, 2010

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.

- *Unrestricted net assets* - are those currently available at the discretion of the Organization's Board of Directors.
- *Temporarily restricted net assets* - are those which are stipulated by the donor for specific purposes.
- *Permanently restricted net assets* – are those which arise from a donor's stipulation that they:
 - not be expended but rather redeployed into assets functioning within a program, or
 - function as permanent endowments whereby the income may be used for specified or unrestricted programs, but the principal should remain in perpetuity.

Fair Value Measurements and Disclosures

FASB ASC 820-10 "*Fair Value Measurements and Disclosures*" establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes 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 820-10 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;
- 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.

For the Year Ended December 31, 2010

1. **Summary of Significant Accounting Policies, continued**

Fair Value Measurements and Disclosures, continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial Instruments

FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures regarding fair value measurements. The standard does not require any new fair value measurements, but its application may, for some entities, change current practice. Changes to current practice stem from the revised definition of fair value and the application of this definition within the framework established by FASB ASC 820-10.

The Organization has a number of financial instruments, none of which are held for trading purposes. As set forth in FASB ASC 820-10, management has estimated the fair value of these financial instruments as follows:

Cash and cash equivalents – The carrying value approximates fair value.

Investments – Investments are stated at fair value.

Accounts and bequests receivable - The carrying value approximates fair value due to their short term nature.

Beneficial interest in trusts - These amounts are composed of beneficial interest in trusts and charitable remainder unitrusts and are valued at the present value of the estimated cash flows which approximates fair value.

Accounts payable and accrued expenses - The carrying value approximates fair value due to their short term nature.

Derivative financial instrument - These are valued with a mathematical formula which approximates fair value.

Capital leases, notes payable, and bond payable - These carrying values approximate fair value because the applicable interest rates approximate current market rates.

FASB ASC 825-10 "*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.

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.

For the Year Ended December 31, 2010

1. **Summary of Significant Accounting Policies, continued**

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the Organization considers certificate of deposit, money market accounts, and short-term investments with original maturities of three months or less to be cash equivalents.

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.

Accounts and Bequests Receivable

Accounts receivable consists of amounts due from various government agencies and vendors that contract with Goodwill for services. Goodwill and Lighthouse each have a bequest receivable from an estate as of December 31, 2010. The receipt of these funds is expected within the next fiscal year; therefore, no adjustment to the present value has been reflected in the consolidated financial statements. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. As of December 31, 2010, the Organization's allowance for potentially uncollectible accounts receivable was approximately \$33,000.

Prepaid expenses and other assets

Prepaid expenses and other assets consist of utility and security deposits, prepaid insurance and rent expense, and intangible assets related to the closing costs of the various debt instruments. Supply inventory is also included, consisting of small general office and maintenance supplies which is 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. 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. During 2009, the Organization changed the process of estimating the fair value of contributed goods inventory. Goodwill follows the industry-wide 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.

For the Year Ended December 31, 2010

1. **Summary of Significant Accounting Policies, continued**

Land, Building, and Equipment

Land, building, and equipment are recorded at cost 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 split-interest agreements in which the Organization has been named the beneficiary of several irrevocable trust and unitrust agreements. The irrevocable trusts agreements are measured at fair value upon contribution and at subsequent reporting dates. The terms of the unitrust agreements require a promise by the Organization to pay fixed amounts for a specified period of time to the beneficiaries. The assets contributed pursuant to split-interest agreements and the liabilities are measured at fair value upon contribution and at subsequent reporting dates. The unitrust agreements are measured at fair value at the time of the contribution based upon the present value of future cash distributions, using discount rates prevalent at the date of the gift.

A charitable remainder unitrust is a trust that pays the donor a percentage of the fair market value of the trust assets as revalued annually for a term of years or one or more lives. At the end of the trust term, the remaining principal goes to the charities named in the trust agreement. The fair value of the Organization's interest in the trust was estimated based on the donor's life expectancy and a percentage payout rate.

Deferred Revenue

Deferred revenue represents funds received in advance for Goodwill program services to be provided in the coming year.

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 since an objective basis for valuation does not exist until the sale has been completed.

Salvage and recycling consists of the bulk sale of donated goods which have not otherwise been sold as store sales.

For the Year Ended December 31, 2010

1. **Summary of Significant Accounting Policies, continued**

- *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. Contributions of goods for resale are recorded as revenue based upon the incremental increase in value added from Goodwill's program related expense and processes.

- *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.

- *Other Revenues*

The Organization received funding under a contract with Palm Beach County to provide employment opportunities and training through the Goodwill Achievement Through Employment (GATE) program. These program revenues are reflected under employment and training in the consolidated statement of activities. The Organization established this program (E-books) in which it sells books over the internet and these revenues are reflected as other revenues.

The Organization 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.

The Organization also provides management services to two other organizations: Lighthouse for the Blind (Lighthouse) and Career Academy, a charter school, which Goodwill acted 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.

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 the various functional categories by the employees are used to develop percentages which are used in allocating salary and related expenses and other expenses which cannot be specifically identified with a particular functional activity.

For the Year Ended December 31, 2010

1. Summary of Significant Accounting Policies, continued

Income Taxes

Goodwill, the Foundation, 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 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, 2010, and accordingly there is no provision for income taxes reflected in the accompanying financial statements.

The Organization adopted FASB ASC 740-10, *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. At adoption, the Organization did not record any cumulative effect adjustment, and accordingly did not accrue any interest expense or penalties related to tax positions. 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 \$37,000 for the year ended December 31, 2010, and is part of supplies and printing in the statement of functional expenses.

Shipping Expense

Shipping expense is incurred as a result of the G.A.T.E (Goodwill Achievement Through Employment) program, also known as E-books. Goodwill expenses the cost of shipping as incurred. Total shipping expense is reported on the consolidated statement of functional expenses.

Comparable Financial Information

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 Goodwill's financial statements for the year ended December 31, 2009, from which the summarized information was derived. Certain 2009 amounts may have been reclassified to conform to 2010 classifications.

For the Year Ended December 31, 2010**2. Investments**

Investments as of December 31, 2010, consisted of the following:

<i>Foundation:</i>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Certificate of deposit	\$ 35,000	\$ 35,888	\$ 888
Mutual funds	82,904	81,274	(1,630)
Money market funds	61,980	61,980	-
Totals	<u>\$ 179,884</u>	<u>\$ 179,142</u>	<u>\$ (742)</u>

Fair values of investments measured on a recurring basis as of December 31, 2010 are as follows:

	<u>Level 1</u>
Certificate of deposit	\$ 35,888
Mutual funds	81,274
Money market funds	61,980
Totals	<u>\$ 179,142</u>

3. Accounts and Bequests Receivable

Accounts and bequests receivable as of December 31, 2010, consisted of the following:

	<u>Accounts Receivable</u>	<u>Bequests Receivable</u>	<u>Total</u>
<i>Goodwill:</i>			
Due in less than one year	\$ 1,412,717	\$ 10,000	\$ 1,422,717
Less: allowance for uncollectible accounts	33,000	-	33,000
	<u>1,379,717</u>	<u>10,000</u>	<u>1,389,717</u>
<i>Lighthouse:</i>			
Due in less than one year	256,117	10,000	266,117
<i>Foundation:</i>			
Due in less than one year	227	-	227
Less inter-organization eliminations	48,895	-	48,895
Totals	<u>\$ 1,587,166</u>	<u>\$ 20,000</u>	<u>\$ 1,607,166</u>

*For the Year Ended December 31, 2010***4. Prepaid Expenses and Other Assets**

Prepaid expenses and other assets as of December 31, 2010, consisted of the following:

Goodwill:

Deposits	\$ 71,972
Prepaid insurance	87,039
Prepaid rents	108,419
Bond issue costs, net	134,107
Loan closing costs, net	51,535
Supplies	19,877
Other miscellaneous	19,315
	<u>492,264</u>

Lighthouse:

Deposits	480
Prepaid insurance	17,054
Prepaid rents	727
Supplies	9,750
	<u>28,011</u>
Totals	<u>\$ 520,275</u>

5. Land, Building, and Equipment

Land, building, and equipment as of December 31, 2010, consisted of the following:

	Cost	Accumulated Depreciation	Net
Land	\$ 2,255,845	\$ -	\$ 2,255,845
Building	7,379,602	3,055,365	4,324,237
Building improvements	458,748	330,468	128,280
Leasehold improvements	2,940,932	1,293,212	1,647,720
Automotive and communications, including assets under capital leases	1,400,596	1,121,531	279,065
Furniture and equipment, including assets under capital lease	4,040,180	3,272,011	768,169
Totals	<u>\$ 18,475,903</u>	<u>\$ 9,072,587</u>	<u>\$ 9,403,316</u>

For the Year Ended December 31, 2010**6. Beneficial Interest in Trusts**

Beneficial interest in trusts as of December 31, 2010, consisted of the following instruments wherein Goodwill and Lighthouse are named beneficiary of several irrevocable trust and unitrust agreements.

Fair values of other long-term assets measured on a recurring basis as of December 31, 2010 are as follows:

	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Goodwill:</i>			
Beneficial interests in irrevocable trusts	\$ 121,145	\$ -	\$ 121,145
Charitable remainder unitrusts	-	109,394	109,394
	<u>121,145</u>	<u>109,394</u>	<u>230,539</u>
<i>Lighthouse:</i>			
Beneficial interests in irrevocable trusts	454,558	-	454,558
Charitable remainder unitrusts	-	282,167	282,167
	<u>454,558</u>	<u>282,167</u>	<u>736,725</u>
Totals	<u>\$ 575,703</u>	<u>\$ 391,561</u>	<u>\$ 967,264</u>

The following schedule reflects the assets and corresponding liabilities (i.e. the amount due to term beneficiary) associated with the charitable remainder unitrusts as of December 31, 2010:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
<i>Goodwill:</i>			
Charitable remainder unitrusts	\$ 220,291	\$ 110,897	\$ 109,394
<i>Lighthouse:</i>			
Charitable remainder unitrusts	675,535	393,368	282,167
Totals	<u>\$ 895,826</u>	<u>\$ 504,265</u>	<u>\$ 391,561</u>

A reconciliation of the Organization's Level 3 instruments for the year ended December 31, 2010 is provided below:

	<u>Level 3</u>
Balance, beginning of year	\$ 449,381
Net change in value of beneficial interest in trusts	<u>(57,820)</u>
Balance, end of year	<u>\$ 391,561</u>

*For the Year Ended December 31, 2010***7. Accrued Expenses**

Accrued expenses as of December 31, 2010, consisted of the following:

Accrued payroll and related payables	\$ 1,114,853
Accrued NISH fees	25,712
Accrued employee PTO	34,605
Florida sales tax	61,672
Worker's compensation	29,892
Other miscellaneous accrued expenses	74,397
Totals	<u>\$ 1,341,131</u>

8. Line of Credit*Goodwill and Foundation*

Goodwill and Foundation have a combined commitment from a financial institution for a \$750,000 revolving line of credit secured by real estate, with remedies escalating up to and including mortgages on the properties located at 1280 W. Indiantown Road, Jupiter, Florida, 1715 and 1710 E. Tiffany Drive, West Palm Beach, Florida. Interest only payments are due each month at the Bank's base rate, plus 2.5%. The base rate shall never be less than 5.0%. Any unpaid principal balance plus accrued interest is due July 30, 2011.

9. Bond Payable, Capital Leases, and Notes Payable*A) Bond Payable*

On May 1, 2006, Goodwill re-financed its industrial development revenue bond (IDB) with a tax-exempt adjustable mode industrial development revenue bond, both of which were issued by Palm Beach County, Florida. The bond has a floating interest rate. Goodwill entered into an interest rate swap with a financial institution to fix the rate at 4.40% for a period of 10 years, after which a rate change may occur. Interest is payable monthly and principal is payable annually.

The principal is payable according to the following schedule:

	<u>Principal Amount</u>
2011	\$ 190,000
2012	200,000
2013	210,000
2014	220,000
2015	230,000
Thereafter	3,610,000
Total	<u>\$ 4,660,000</u>

For the Year Ended December 31, 2010**9. Bond Payable, Capital Leases, and Notes Payable, continued***B) Bond Payable, continued*

The bond is collateralized by a first mortgage on land and building with a book value of approximately \$6,000,000 as of December 31, 2010.

Loan Covenants

Under the terms of the bond, Goodwill must maintain a fixed charge coverage ratio (FCCR) of at least 1.25 to 1.00. For the year ended December 31, 2010, Goodwill had a FCCR service ratio of 2.56 to 1.00.

Goodwill must also maintain a ratio of senior liabilities to effective tangible net worth (net worth) of no more than 3.25 to 1.00. For the year ended December 31, 2010, Goodwill maintained a net worth ratio of 2.01 to 1.0.

B) Capital Leases

Goodwill leases equipment and vehicles for its Okeechobee Waterway contract. The capitalized cost of the equipment and vehicles reflected in the fixed assets is approximately \$851,000. The leases require monthly payments totaling \$17,131, of principal and interest at an average effective interest rate of 7.07%. The leases mature August 2011 through March 2012. NISH, a national nonprofit agency designated by the federal government to support other nonprofit agencies which provide employment opportunities for people who are blind or severely disabled, reimburses Goodwill on a quarterly basis for the interest costs associated with \$500,000 of the lease obligation.

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

Total minimum lease payments	\$ 172,096
Less: amount representing interest	<u>13,473</u>
Present value of minimum lease payments	158,623
Less: current maturities	<u>143,831</u>
Obligations under capital leases, non-current maturities	<u>\$ 14,792</u>

*C) Notes Payable**Goodwill:*

\$100,000 note payable to NISH for equipment, at an annual interest rate of 4.125%, requiring quarterly principal of \$5,000 plus accrued interest. This note matures September 2011.	\$ 15,000
\$1,250,000 note payable to a bank, at an annual interest rate of 6.80%, requiring monthly principal and interest payments of \$8,751, collateralized by real estate. This note matures January 2015, with a balloon payment of \$1,044,704.	1,161,636

For the Year Ended December 31, 2010**9. Bond Payable, Capital Leases, and Notes Payable, continued***C) Note Payable, continued*

\$1,500,000 note payable to a bank, at an annual interest rate of 7.00%, requiring monthly principal and interest payments of \$13,565, collateralized by real estate. This note is based on a fifteen year amortization and matures June 2015, with a balloon payment of \$1,163,531.

Totals

\$ 1,471,569\$ 2,648,205*D) Future Maturities*

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

<i>Goodwill:</i>	<u>Bond</u>	<u>Capital Lease</u>	<u>Notes Payable</u>	<u>Total</u>
2011	\$ 190,000	\$ 143,831	\$ 101,021	\$ 434,852
2012	200,000	8,962	87,209	296,171
2013	210,000	5,830	98,942	314,772
2014	220,000	-	106,133	326,133
2015	230,000	-	2,254,900	2,484,900
Thereafter	<u>3,610,000</u>	<u>-</u>	<u>-</u>	<u>3,610,000</u>
Totals	<u>\$ 4,660,000</u>	<u>\$ 158,623</u>	<u>\$ 2,648,205</u>	<u>\$ 7,466,828</u>

10. Derivative Financial Instrument

The Organization's derivative financial instrument consisted of the following measured at fair value on a recurring basis as of December 31, 2010:

<i>Goodwill:</i>	<u>Level 3</u>
Interest rate swap	<u>\$ 580,442</u>

Goodwill entered into an interest rate swap arrangement with Wells Fargo Bank (formerly Wachovia Bank) on its tax-exempt adjustable mode industrial development revenue bond series 2006 effective June 1, 2006 that in effect fixed the interest rate on Goodwill's long-term bank note payable at 4.40%. The arrangement is scheduled to expire on July 1, 2016. The notional amount of the contract as of December 31, 2010 was \$4,660,000.

For the Year Ended December 31, 2010

10. Derivative Financial Instrument, continued

Goodwill's purpose in entering into the swap arrangement was to hedge against the risk of interest rate increases on the related variable rate debt and not to hold the instrument for trading purposes. Accordingly, the swap arrangement, which is a derivative financial instrument, is classified as a cash flow hedge. As such, the derivative financial instrument is reflected on the consolidated statement of financial position at its estimated fair value. Because the hedge is considered effective, the results of the swap arrangement are included in interest expense on the consolidated statement of activities. The effect for the year ended December 31, 2010 was to increase interest expense by approximately \$200,000. The liquidating value of the swap as of December 31, 2010 was approximately \$580,000. This amount would be owed to the bank if Goodwill were to terminate the agreement.

A reconciliation of the Level 3 instruments for the year ended December 31, 2010 is provided below:

Balance, beginning of year	\$ 522,533
Net unrealized loss on derivative financial instrument	<u>57,909</u>
Balance, end of year	<u>\$ 580,442</u>

11. Employee Benefit Plans

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 \$199,000 to the employee benefit plan for the year ended December 31, 2010.

Goodwill also provides a deferred compensation plan for a management executive. The agreement provides for annual contributions to a "Rabbi Trust" arrangement for each year including 2010. The executive shall vest in this plan on December 31, 2010. Goodwill did not contribute to the deferred compensation plan for the year ended December 31, 2010.

12. Related Party Transactions

During 2010, Goodwill advanced funds to various parties that are related by common management and/or board members. Goodwill advanced approximately \$681,000 on behalf of a charter school, Career Academy, which was founded by Goodwill and that is related to the broader mission of Goodwill. The charter school owed Goodwill approximately \$172,000 as of December 31, 2010. Goodwill also paid Florida Goodwill Association, a membership association, approximately \$12,000 for dues, and paid to Goodwill Industries International (GII), an affiliated national organization, approximately \$152,000 for annual dues in 2010.

Goodwill also received payments from various related parties during 2010. Goodwill received approximately \$185,000 from the charter schools as reimbursement for rent which was part of the advances referenced above. The charter schools reimbursed approximately another \$ 323,000 of the expenses referenced above over the course of 2010.

For the Year Ended December 31, 2010

13. Commitments

As part of its cash management activities, Goodwill has issued irrevocable standby letters of credit to utilities, vendors, and landlords. By using letters of credit in lieu of placing cash deposits, Goodwill has better use of its working capital. Currently, Goodwill has approximately \$380,000 issued under these agreements.

Goodwill leases storefront facilities, residential units and vehicles under several operating leases that expire through 2020. Rent expense incurred for the facilities under these leases, which is reflected in the consolidated financial statements, is approximately \$6,782,000 for the year ended December 31, 2010. The storefront leases contain renewal options varying from one to seven years, and rent escalation clauses ranging from three percent to six percent per year.

Total minimum rental payments under non-cancelable operating leases as of December 31, 2010 are approximately:

	<u>Amount</u>
2011	\$ 6,384,000
2012	6,774,000
2013	7,112,000
2014	6,836,000
2015	6,869,000
Thereafter	<u>26,078,000</u>
Totals	<u>\$ 60,053,000</u>

14. Concentrations and Contingencies

At various times during the year, the Organization had more funds on deposit at financial institutions than the \$250,000 currently insured by the Federal Deposit Insurance Corporation. 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, 2010, cash deposits exceeded federally insured limits by approximately \$204,000.

With respect to accounts receivable, Goodwill does not appear subject to significant credit risk as its principal account debtors are the U.S. Department of Transportation, which accounts for approximately 11% of the outstanding balance and the U.S. Army Corp of Engineers, which accounts for approximately 17% of the outstanding balance. The remaining balance of its accounts receivable is owed by a variety of organizations or companies.

Goodwill is involved in various legal actions arising in the normal course of business. In management's opinion, such matters will not have a material effect upon the financial position of Goodwill.

For the Year Ended December 31, 2010

15. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through May 25, 2011, the date on which the financial statements were available to be issued, and determined that there were no further disclosures required to be presented in these financial statements.

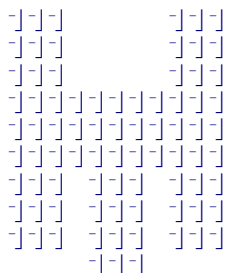
Subsequent to year end, Lighthouse sold its former operations building. Lighthouse financed the sale by holding a mortgage with terms that specify a down payment of \$25,000 and monthly payments of principal and interest of \$3,747. The note calls for additional periodic principal payments of \$65,000 on March 10, 2016. The mortgage note is at a rate of 6.00% and matures March 20, 2021 with a balloon payment of \$439,108.

Goodwill is in entitled to 49% of the proceeds and the remaining 51% is to be paid to Lighthouse.

16. Prior Period Adjustment

During the year, the Organization determined that the swap contract to fix the rate on the bond payable had not been previously recorded. The unrestricted net assets for the year ended December 31, 2009 have been restated to reflect this correction. The effect of the restatement as of December 31, 2009 was to decrease unrestricted net assets by \$522,533. The effect reflected on the consolidated statement of activities was \$175,560 representing gain on derivative financial instrument for the year ended December 31, 2009.

	Unrestricted Net Assets	Change in net assets
Balance, as previously stated	\$ 6,364,325	\$ 993,002
Derivative adjustment	522,533	175,560
Balance, as restated	<u>\$ 5,841,792</u>	<u>\$ 1,168,562</u>



Holyfield & Thomas, LLC

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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

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

We have audited the consolidated financial statements of Gulfstream Goodwill Industries, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated May 25, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

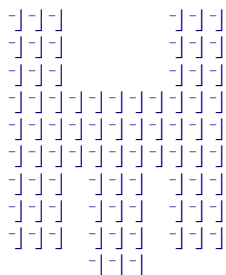
As part of obtaining reasonable assurance about whether Gulfstream Goodwill Industries, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

We noted certain matters that we reported to management of Gulfstream Goodwill Industries, Inc. in a separate letter dated May 25, 2011.

This report is intended for the information of the board of directors, management, and federal, state, and local awarding agencies and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 25, 2011



Holyfield & Thomas, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Gulfstream Goodwill Industries, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gulfstream Goodwill Industries, Inc.'s management. Our responsibility is to express an opinion on Gulfstream Goodwill Industries, Inc.'s compliance based on our audit.

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 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. Our audit does not provide a legal determination of Gulfstream Goodwill Industries, Inc.'s compliance with those requirements.

In our opinion, Gulfstream Goodwill Industries, Inc. complied, in all material respects, with the 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, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with *OMB Circular A-133*.

Internal Control over Compliance

Management of Gulfstream Goodwill Industries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Gulfstream Goodwill Industries, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the board of directors, management and federal and state awarding agencies and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 25, 2011

For the Year Ended December 31, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance of major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	14.235
Name of Federal Program or Cluster: U.S. Department of Housing and Urban Development	Supportive Housing Assistance
Dollar Threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended December 31, 2010, relative to federal awards for Gulfstream Goodwill Industries, Inc.

For the Year Ended December 31, 2010

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended December 31, 2010, relative to federal awards for Gulfstream Goodwill Industries, Inc.

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

There were no prior year audit findings or questioned costs for the year ended December 31, 2009, relative to federal awards requiring action on the part of Gulfstream Goodwill Industries, Inc. for that fiscal year.

CORRECTIVE ACTION PLAN:

There is no corrective action plan required, as there were no findings for the prior year ended December 31, 2009 in the auditor's report with respect to federal awards.

MANAGEMENT LETTER:

We noted certain matters that we reported to management of Gulfstream Goodwill Industries, Inc. in a separate letter dated May 25, 2011.

SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2010

Federal/State Agency, Pass-through Entity	CFDA Number	Contract Grant Number	Federal Expenditures
U.S. Department of Labor:			
Workforce Alliance - Out of School	17.259	S08-003	\$ 170,986
Workforce Alliance - WTP/WIA/WTW		V08-070	75,029
Workforce Alliance - ARRA			8,556
			<u>254,571</u>
U.S. Department of Justice:			
Offender Re-entry Program		4117.007 5506.003	<u>112,366</u>
U.S. Department of Housing and Urban Development Project Succeed:			
Supportive housing	14.235	FL089B4D05080	953,388
Supportive housing	14.235	FL089B4D05080	
Project Succeed #3 - Supportive housing	14.235	FL14B60-5001	121,469
Project Success:			387,431
Support services	14.235	R2009-2111	
Supportive housing	14.235	R2010-1634	
Case manager trainee II	14.235	R2009-1253	
Case manager trainee	14.235	R2010-1377	
			<u>1,462,288</u>
			<u>\$ 1,829,225</u>

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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.

For the Year Ended December 31, 2010

		Project Succeed #3
	ASSETS	
111	Cash-unrestricted	<u>\$ 18,918</u>
190	Total assets	<u><u>\$ 18,918</u></u>
	NET ASSETS	
512	Unrestricted net assets	<u>\$ 18,918</u>
600	Total liabilities and net assets	<u><u>\$ 18,918</u></u>

See independent auditor's report.

For the Year Ended December 31, 2010

	Project Succeed #3	Project Succeed #4	Project Success
REVENUES:			
5120 Rent revenues	\$ 23,040	\$ 112,545	\$ 46,474
5121 Tenant assistance payments	124,062	983,388	387,431
5100T Total rent revenue	<u>147,102</u>	<u>1,095,933</u>	<u>433,905</u>
EXPENSES:			
6250 Other renting expenses - rent payments	78,000	617,941	105,079
6310 Payroll	26,949	246,096	187,800
6311 Office expenses	1,231	15,575	7,800
6350 Audit expense	2,000	5,000	2,000
6360 Telephone expenses	1,056	11,491	14,870
6390 Miscellaneous	-	7,059	5,176
6263T Total administrative expenses	<u>109,236</u>	<u>903,162</u>	<u>322,725</u>
6450 Electric	-	-	24,603
6451 Water	-	-	9,544
6400T Total utilities expenses	<u>-</u>	<u>-</u>	<u>34,147</u>
6510 Operating and maintenance- payroll	7,135	29,080	-
6515 Operating and maintenance- supplies	2,309	39,556	17,365
6520 Building maintenance and repair	108	-	-
6525 Garbage and trash removal	-	-	2,388
6570 Vehicle and maintenance equipment operation and repairs	-	54,329	8,177
6500T Total operating and maintenance expenses	<u>9,552</u>	<u>122,965</u>	<u>27,930</u>
6711 Payroll taxes	2,223	13,083	17,696
6720 Property and liability insurance	3,319	11,272	6,400
6723 Health insurance and other employee benefits	3,854	40,114	24,757
6700T Total taxes and insurance	<u>9,396</u>	<u>64,469</u>	<u>48,853</u>
6000T Total costs of operations before depreciation	<u>128,184</u>	<u>1,090,596</u>	<u>433,655</u>
5060T Change in net assets before depreciation	18,918	5,337	250
6600 Depreciation expense	-	5,337	250
5060N Operating income	<u>18,918</u>	-	-
3250 Change in total net assets from operations	<u>\$ 18,918</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

For the Year Ended December 31, 2010

	Project Succeed #3	Project Succeed #4	Project Success
Cash flows from operating activities:			
S1200-030 Other operating receipts	\$ 147,102	\$ 1,095,933	\$ 433,905
S1200-040 Total receipts	<u>147,102</u>	<u>1,095,933</u>	<u>433,905</u>
S1200-050 Administrative	109,236	908,499	322,975
S1200-090 Utilities	-	-	34,147
S1200-100 Operating and maintenance	9,552	122,965	27,930
S1200-150 Miscellaneous taxes and insurance	<u>9,396</u>	<u>64,469</u>	<u>48,853</u>
S1200-230 Total disbursements	<u>128,184</u>	<u>1,095,933</u>	<u>433,905</u>
S1200-240 Net cash provided by operating activities	<u>18,918</u>	<u>-</u>	<u>-</u>
S1200-470 Net increase in cash and cash equivalents	18,918	-	-
S1200-480 Cash-beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
S1200T Cash-end of year	<u>\$ 18,918</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

As of December 31, 2010

	Goodwill	Lighthouse	Foundation	Eliminating Entry	Totals
ASSETS					
Cash and cash equivalents	\$ 1,070,569	\$ 481,917	\$ 259,966	\$ -	\$ 1,812,452
Investments	-	-	179,142	-	179,142
Accounts and bequests receivable, net	1,389,717	266,117	227	(48,895)	1,607,166
Prepaid expenses and other assets	492,264	28,011	-	-	520,275
Contributed goods inventory	2,286,829	-	-	-	2,286,829
Total current assets	5,239,379	776,045	439,335	(48,895)	6,405,864
Land, building and equipment, net	9,198,443	204,873	-	-	9,403,316
Beneficial interest in trusts	230,539	736,725	-	-	967,264
Total assets	<u>\$ 14,668,361</u>	<u>\$ 1,717,643</u>	<u>\$ 439,335</u>	<u>\$ (48,895)</u>	<u>\$ 16,776,444</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 576,713	\$ 68,399	\$ -	\$ (48,895)	\$ 596,217
Accrued expenses	1,341,131	-	-	-	1,341,131
Deferred revenue	4,379	-	-	-	4,379
Current portion of bond payable, capital leases and notes payable	434,852	-	-	-	434,852
Total current liabilities	2,357,075	68,399	-	(48,895)	2,376,579
Capital leases and notes payable	2,561,976	-	-	-	2,561,976
Derivative financial instrument	580,442	-	-	-	580,442
Bond payable	4,470,000	-	-	-	4,470,000
Total liabilities	9,969,493	68,399	-	(48,895)	9,988,997
Net assets, unrestricted	4,698,868	1,649,244	439,335	-	6,787,447
Total liabilities and net assets	<u>\$ 14,668,361</u>	<u>\$ 1,717,643</u>	<u>\$ 439,335</u>	<u>\$ (48,895)</u>	<u>\$ 16,776,444</u>

See independent auditor's report.

For the Year Ended December 31, 2010

Support and revenues:	Goodwill	Lighthouse	Foundation	Eliminating Entry	Totals
Support:					
Contributed goods store sales	\$ 25,058,224	\$ -	\$ -	\$ -	\$ 25,058,224
Salvage and recycling	1,330,717	-	-	-	1,330,717
Contributions	79,629	320,709	38,162	-	438,500
Total public support	26,468,570	320,709	38,162	-	26,827,441
Revenues:					
Employment and training	5,426,121	446,222	-	-	5,872,343
Contracts	4,152,175	-	-	-	4,152,175
Investment income	1,897	2,209	6,189	-	10,295
Loss on disposal of assets	11,998	-	-	-	11,998
Realized and unrealized gain on investments	-	-	2,581	-	2,581
Change in value of beneficial interest in trusts	7,825	132	-	-	7,957
Other revenues	1,535,705	3,354	-	(499,120)	1,039,939
Total revenues	11,135,721	451,917	8,770	(499,120)	11,097,288
Total support and revenues	37,604,291	772,626	46,932	(499,120)	37,924,729
Expenses:					
Salary and other related expenses	21,500,418	332,274	-	(332,274)	21,500,418
Bad debt expense	15,896	990	-	-	16,886
Bank and other fees	106,600	2,756	83	-	109,439
Interest	224,228	-	-	-	224,228
Meetings	33,872	4,682	-	(509)	38,045
Membership dues	180,666	1,694	-	-	182,360
Store discounts and other	422,597	888	-	(538)	422,947
Occupancy	9,355,475	149,791	-	(92,243)	9,413,023
Postage	100,221	14,077	-	(840)	113,458
Professional fees and contract services	708,937	92,402	540	(61,590)	740,289
Shipping and freight	23,576	-	-	-	23,576
Specific assistance to clients and organizations	445,024	-	-	-	445,024
Supplies and printing	993,176	36,742	-	(4,791)	1,025,127
Telephone	545,728	8,217	-	(725)	553,220
Transportation	1,134,500	31,608	-	(5,610)	1,160,498
Depreciation and amortization	899,022	53,605	-	-	952,627
Total expenses	36,689,936	729,726	623	(499,120)	36,921,165
Other loss:					
Loss on derivative financial instrument	(57,909)	-	-	-	(57,909)
Change in net assets	\$ 856,446	\$ 42,900	\$ 46,309	\$ -	\$ 945,655

See independent auditor's report.

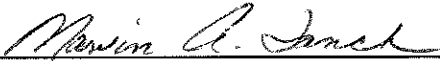
Gulfstream Goodwill Industries, Inc

HUD Project No:

Project Succeed: FL 0289B4D050801
FL 0289B4D050802
Project Succeed #3: FL 14B60-5001
Project Success: R2009-2111
R2010-1634
R2009-1253
R2010-1377

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 Tanck, President/CEO
May 25, 2011

