



# **GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**

COMBINED FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND COMPLIANCE

*As of and for the Years Ended December 31, 2017  
and 2016*

*And Report of Independent Auditor*



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**TABLE OF CONTENTS**

---

**REPORT OF INDEPENDENT AUDITOR ..... 1-2**

**COMBINED FINANCIAL STATEMENTS**

    Combined Statements of Financial Position ..... 3

    Combined Statements of Activities ..... 4

    Combined Statements of Functional Expenses..... 5-6

    Combined Statements of Cash Flows..... 7

    Notes to the Combined Financial Statements ..... 8-23

**SUPPLEMENTARY INFORMATION**

    Combining Statements of Financial Position ..... 24-27

    Combining Statements of Activities ..... 28-31

**COMPLIANCE SECTION**

**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* ..... 32-33**

**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE ..... 34-35**

Schedule of Expenditures of Federal Awards ..... 36

Notes to Schedule of Expenditures of Federal Awards ..... 37

Schedule of Findings and Questioned Costs ..... 38-39

Summary Schedule of Prior Audit Findings ..... 40-45



## **Report of Independent Auditor**

To the Audit Committee of the Board of Directors  
of Goodwill Industries of Middle Georgia, Inc.  
Macon, Georgia

We have audited the accompanying combined financial statements of Goodwill Industries of Middle Georgia, Inc. (a nonprofit organization) and its combined affiliates (the "Organization"), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

### **Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Middle Georgia, Inc. and its combined affiliates as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**Other Matters***Supplementary and Other Information*

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Statements of Financial Position and Combining Statements of Activities are presented for purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekart LLP". The signature is written in a cursive, flowing style.

Augusta, Georgia  
May 22, 2018



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 471,928	\$ 967,151
Certificates of deposit	9,352	9,352
Accounts receivable, net of allowance for doubtful accounts of approximately \$3,500,000 in 2017 and 2016	4,107,262	3,814,938
Promises to give, net of allowance for uncollectible pledges	185,883	98,720
Inventories	2,098,654	2,093,114
Investments	697,933	586,052
Prepaid expenses	207,743	290,498
Total Current Assets	7,778,755	7,859,825
Assets limited as to use - cash and cash equivalents	109,175	35,698
Investments and Other Assets:		
Promises to give, less current portion, net of allowance for uncollectible pledges and discount	150,811	142,724
Retirement annuity account	-	167,982
Assets held in deferred compensation plan	354,711	323,197
Total Investments and Other Assets	505,522	633,903
Property and equipment, at cost, net	33,680,510	34,257,408
<b>Total Assets</b>	<b>\$ 42,073,962</b>	<b>\$ 42,786,834</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current maturities of notes payable	\$ 236,335	\$ 1,173,963
Current maturities of bonds payable	80,562	318,562
Accounts payable	1,803,430	1,707,652
Salaries and benefits payable	1,487,316	1,483,977
Payroll withholdings	18,675	132,564
Sales tax payable	107,567	121,288
Deferred revenue	228,677	173,995
Liabilities of discontinued operations	-	87,917
Total Current Liabilities	3,962,562	5,199,918
Long-term Liabilities:		
Line of credit agreement	1,325,762	1,439,306
Notes payable, less current maturities, net of debt issuance costs	13,473,982	12,871,192
Bonds payable, less current portion, net of debt issuance costs	6,551,525	6,621,332
Interest rate swap obligation payable	-	9,877
Deferred compensation plan assets payable	354,711	323,197
Total Long-term Liabilities	21,705,980	21,264,904
Net Assets:		
Unrestricted	15,131,490	15,392,567
Unrestricted - board designated	500,000	500,000
Temporarily restricted	773,930	429,445
Total Net Assets	16,405,420	16,322,012
<b>Total Liabilities and Net Assets</b>	<b>\$ 42,073,962</b>	<b>\$ 42,786,834</b>

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



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<b>Change in Unrestricted Net Assets</b>		
Revenue, Gains, and Other Support:		
Contributions	\$ 292,471	\$ 444,827
Contributed revenue - donated goods	17,519,613	17,610,778
Retail sales, net of contributed revenue - donated goods	2,434,758	2,565,467
Government grants and performance contracts	732,382	530,753
Contract services	10,113,069	9,406,168
Staffing services	2,721,261	3,030,573
Education and hospitality	5,409,022	4,615,848
Change in fair value of derivatives	9,877	77,824
Investment income	112,424	32,469
Rental income	309,055	302,772
Other	41,481	39,292
Net assets released from restrictions	152,171	695,543
Total Unrestricted Revenue, Gains, and Other Support	39,847,584	39,352,314
Expenses:		
Program Services:		
Sales and operations	13,096,478	12,551,540
Contract services	7,679,991	7,366,208
Career services	2,201,364	2,012,523
Staffing services	3,794,299	4,454,097
Education and hospitality	7,195,785	6,758,761
Total Program Services	33,967,917	33,143,129
Support Services:		
Management and general	5,700,465	5,879,215
Fundraising	440,279	294,013
Total Support Services	6,140,744	6,173,228
Total Expenses	40,108,661	39,316,357
Change in Unrestricted Net Assets	(261,077)	35,957
<b>Change in Temporarily Restricted Net Assets</b>		
Contributions	496,656	767,634
Net asset released from restrictions	(152,171)	(695,543)
Change in Temporarily Restricted Net Assets	344,485	72,091
Change in net assets	83,408	108,048
Net assets, beginning of year	16,322,012	16,213,964
Net assets, end of year	\$ 16,405,420	\$ 16,322,012

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



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Sales and Operations	Contract Services	Career Services	Education and Hospitality	Staffing Services	Total Program Services	Management and General	Fundraising	Total Expenses 2017	Total Expenses 2016
Salaries and contract labor	\$ 6,107,762	\$ 4,117,451	\$ 1,292,909	\$ 2,934,848	\$ 3,186,831	\$ 17,639,801	\$ 3,091,678	\$ 177,338	\$ 20,908,817	\$ 20,484,030
Employee fringe benefits	1,803,970	1,822,894	232,322	555,664	429,299	4,844,149	191,486	15,927	5,051,562	5,343,633
Professional fees and services	66,810	62,625	5,874	113,493	25,411	274,213	455,356	118,844	848,413	561,614
Transaction processing fees and bank charges	292,397	5,168	-	48,196	100	345,861	85,523	3,197	434,581	426,079
Operating supplies	403,100	786,051	74,189	440,187	3,030	1,706,557	86,108	886	1,793,551	1,587,862
Goods purchased for resale	256,032	117,666	171	909,435	-	1,283,304	232	-	1,283,536	1,313,012
Computer equipment and software	21,236	2,667	23,187	34,759	3,275	85,124	109,203	1,068	195,395	146,794
Postage and shipping	99,529	449	45	727	3	100,753	17,083	-	117,836	97,371
Facility rent	909,474	-	118,813	-	-	1,028,287	18,397	-	1,046,684	1,088,873
Commercial insurance	181,380	39,209	23,203	51,159	5,759	300,710	103,543	116	404,369	389,489
Interest	346,518	9,252	20,049	218,222	441	594,482	205,663	22	800,167	719,503
Taxes, licenses, and fees	140,892	3,624	10,125	34,369	-	189,010	33,532	35	222,577	217,525
Building and property maintenance	181,917	94,517	16,029	56,051	304	348,818	101,221	223	450,262	372,454
Utilities	812,554	39,540	105,393	241,252	1,737	1,200,476	88,149	-	1,288,625	1,250,188
Security services	15,423	290	6,916	39,561	75	62,265	14,185	68	76,518	66,350
Rental and maintenance of equipment	42,413	6,563	594	16,532	961	67,063	4,861	725	72,649	45,435
Advertising - recruitment	313	-	8,306	60,388	12,506	81,513	26,941	-	108,454	135,459
Advertising - promotion, including donated	319,657	403	32,059	398,252	12,832	763,203	12,690	3,657	779,550	781,499
Outside printing services	10,776	306	2,943	1,605	-	15,630	10,384	103	26,117	18,233
Vehicles - consumable supplies	74,114	40,237	1,482	789	-	116,622	27,094	-	143,716	122,182
Vehicles - maintenance	85,745	18,364	-	-	-	104,109	3,897	-	108,006	200,657
Vehicles - leasing fees	255	-	-	-	-	255	-	-	255	-
Travel	49,653	29,481	31,114	88,428	56,747	255,423	147,098	6,312	408,833	406,083
Client transportation	146	1,579	23	-	-	1,748	-	-	1,748	-
Meetings and conferences	8,237	1,017	3,920	23,230	3,229	39,633	11,059	1,536	52,228	76,886
Events expense	-	-	-	-	-	-	-	45,013	45,013	84,579
Dues	3,332	328,510	5,001	12,730	1,407	350,980	211,409	287	562,676	557,534
Telephone and communications	117,094	37,017	53,413	57,874	5,698	271,096	91,557	1,680	364,333	350,357
Pre-employment screening tests	17,946	8,376	4,507	5,738	28,823	65,390	5,386	-	70,776	71,281
Employee relations	4,429	478	57	1,774	-	6,738	79,192	2,500	88,430	103,231
Employee uniforms	22,978	29,264	561	8,883	335	62,021	871	-	62,892	56,634
Bad debt (recoveries)	-	-	-	110,000	44	110,044	19,573	49,155	178,772	99,141
Miscellaneous	3,022	-	-	14,656	754	18,432	7,979	-	26,411	38,092
Depreciation	694,024	74,493	128,159	668,927	14,698	1,580,301	431,140	11,587	2,023,028	2,036,723
Tuition assistance	-	-	-	48,056	-	48,056	-	-	48,056	55,148
Contributions to others	3,350	2,500	-	-	-	5,850	7,975	-	13,825	12,426
Total expenses	\$ 13,096,478	\$ 7,679,991	\$ 2,201,364	\$ 7,195,785	\$ 3,794,299	\$ 33,967,917	\$ 5,700,465	\$ 440,279	\$ 40,108,661	\$ 39,316,357

The accompanying notes to the combined financial statements are an integral part of this statement.



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2016

	Sales and Operations	Contract Services	Career Services	Education and Hospitality	Staffing Services	Total Program Services	Management and General	Fundraising	Total Expenses 2016
Salaries and contract labor	\$ 5,936,390	\$ 3,957,594	\$ 1,148,579	\$ 2,595,856	\$ 3,641,017	\$ 17,279,436	\$ 3,045,057	\$ 159,537	\$ 20,484,030
Employee fringe benefits	1,671,618	1,748,425	257,921	543,762	640,167	4,861,893	459,674	22,066	5,343,633
Professional fees and services	40,883	40,654	7,579	88,580	13,931	191,627	369,982	5	561,614
Transaction processing fees and bank charges	282,254	4,734	-	49,954	-	336,942	85,445	3,692	426,079
Operating supplies	316,955	743,265	38,374	388,253	3,469	1,490,316	96,373	1,173	1,587,862
Goods purchased for resale	368,005	101,264	16	843,727	-	1,313,012	-	-	1,313,012
Computer equipment and software	31,245	1,116	14,754	19,371	1,730	68,216	78,578	-	146,794
Postage and shipping	75,679	278	721	438	694	77,810	19,486	75	97,371
Facility rent	961,788	-	108,128	-	750	1,070,666	18,207	-	1,088,873
Commercial insurance	166,875	41,890	22,317	48,480	4,959	284,521	104,875	93	389,489
Interest	217,017	8,276	17,093	255,836	394	498,616	220,870	17	719,503
Taxes, licenses, and fees	156,925	5,003	2,980	29,300	76	194,284	23,191	50	217,525
Building and property maintenance	132,153	26,804	14,296	53,915	-	227,168	145,286	-	372,454
Utilities	756,252	46,299	101,699	250,976	1,963	1,157,189	92,999	-	1,250,188
Security services	13,940	270	6,553	36,088	290	57,141	9,209	-	66,350
Rental and maintenance of equipment	31,332	3,245	-	1,503	2,741	38,821	6,614	-	45,435
Advertising - recruitment	18,707	13,917	25	99,221	-	131,870	3,589	-	135,459
Advertising - promotion, including donated	285,295	11,979	6,729	449,794	2,233	756,030	22,914	2,555	781,499
Outside printing services	10,416	514	-	3,183	416	14,529	3,327	377	18,233
Vehicles - consumable supplies	66,125	36,414	3,162	657	-	106,358	15,824	-	122,182
Vehicles - maintenance	134,674	43,740	3,173	2,339	-	183,926	16,731	-	200,657
Travel	39,295	30,670	55,715	104,003	25,982	255,665	145,237	5,181	406,083
Meetings and conferences	1,856	615	18,033	23,238	4,928	48,670	28,216	-	76,886
Events expense	-	-	-	-	-	-	-	84,579	84,579
Dues	3,238	309,687	5,997	6,479	5,462	330,863	224,497	2,174	557,534
Telephone and communications	105,242	31,806	53,005	54,445	6,616	251,114	97,301	1,942	350,357
Pre-employment screening tests	22,891	9,250	2,277	7,075	27,959	69,452	1,829	-	71,281
Employee relations	3,455	3,422	2,150	4,598	-	13,625	86,838	2,768	103,231
Employee uniforms	22,034	27,788	678	4,708	519	55,727	643	264	56,634
Bad debt (recoveries)	-	30,000	-	21,686	50,000	101,686	690	(3,235)	99,141
Miscellaneous	8,242	1,104	-	7,059	732	17,137	20,955	-	38,092
Depreciation	670,759	85,669	120,569	716,484	17,069	1,610,550	415,473	10,700	2,036,723
Tuition assistance	-	-	-	47,753	-	47,753	7,395	-	55,148
Contributions to others	-	516	-	-	-	516	11,910	-	12,426
Total expenses	<u>\$ 12,551,540</u>	<u>\$ 7,366,208</u>	<u>\$ 2,012,523</u>	<u>\$ 6,758,761</u>	<u>\$ 4,454,097</u>	<u>\$ 33,143,129</u>	<u>\$ 5,879,215</u>	<u>\$ 294,013</u>	<u>\$ 39,316,357</u>

The accompanying notes to the combined financial statements are an integral part of this statement.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 83,408	\$ 108,048
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,023,028	2,036,723
Amortization of debt issuance costs	26,487	41,144
Contributions restricted for property and equipment acquisition	-	(350,000)
Gain on disposal of property and equipment	(4,603)	-
Unrealized gain on investments	(70,395)	(9,926)
Investment income, net	(41,486)	(22,398)
Change in interest rate swap obligation payable	(9,877)	(77,824)
Bad debts, including promises to give	178,772	99,141
Change in assets and liabilities:		
Accounts receivable	(471,096)	(677,403)
Promises to give	(95,250)	27,276
Inventories	(5,540)	12,607
Prepaid expenses and other	82,755	(108,148)
Accounts payable	7,861	(292,063)
Salaries and benefits payable	171,321	38,357
Payroll withholdings	(113,889)	70,043
Sales tax payable	(13,721)	14,031
Deferred revenue	54,682	(149,859)
Net cash from operating activities	1,802,457	759,749
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,482,872)	(2,860,144)
Proceeds from sale of property and equipment	52,639	79,795
Net cash from investing activities	(1,430,233)	(2,780,349)
<b>Cash flows from financing activities:</b>		
Payments on notes payable	(1,186,071)	(921,596)
Payments on bonds payable	(318,562)	(2,331,750)
Proceeds from the issuance of notes payable	825,000	4,344,423
Debt issuance costs	(793)	(34,060)
Net borrowings (payments) under line of credit agreement	(113,544)	1,340,922
Net cash from financing activities	(793,970)	2,397,939
Net change in cash and cash equivalents	(421,746)	377,339
Cash and cash equivalents, beginning of year	1,002,849	625,510
Cash and cash equivalents, end of year	\$ 581,103	\$ 1,002,849
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 748,007	\$ 678,359
Cash and cash equivalents are included in the Combined Statements of Financial Position as follows:		
Cash and cash equivalents	\$ 471,928	\$ 967,151
Cash and cash equivalents included in assets limited as to use	109,175	35,698
	\$ 581,103	\$ 1,002,849

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



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### **Note 1—Nature of business and summary of significant accounting policies**

*Nature of Business* – Goodwill Industries of Middle Georgia, Inc. (the "Organization") is a not-for-profit organization helping people develop their God-given gifts through education, work, and career development services. The Organization strives to end poverty one new career at a time, helping people served experience a "maximum of abundant living", and makes a substantive human and economic impact in its thirty-five county territory in Georgia and South Carolina. The Organization is supported primarily by selling donated goods in its retail stores, providing contract services, receiving third-party reimbursements from various government grants, and receiving fees for services to various government agencies. The Organization has two subsidiaries, Helms, LLC and Goodwill Staffing Services of Middle Georgia and the CSRA, LLC ("Goodwill Staffing"), which are single member LLCs and thus disregarded for income tax purposes. Helms, LLC was formed to provide skills training in the culinary arts, medical, automotive, construction, and other occupational areas. Goodwill Staffing provides workforce solutions to the retail, hospitality and food service, and custodial and housekeeping industries. The Organization's affiliate, Goodwill Works Foundation, Inc. (the "Foundation") was formed during fiscal year 2009 for the purpose of raising funds to support the overall mission of the Organization. The Foundation's sole member is Goodwill Industries of Middle Georgia, Inc. The Organization's affiliate, Good Vocations, Inc., was formed to serve individuals with severe disabilities by providing rehabilitation services and job training for them through contract services to military installations in Georgia in accordance with the Javits-Wagner-O'Day Act.

*Basis of Combination* – The combined financial statements include the accounts of the Organization and its affiliates. All significant intercompany accounts and transactions have been eliminated in combination.

*Basis of Accounting* – The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of the combined financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* are those currently available for use in the day-to-day operation of the Organization and those resources invested in property and equipment. From time to time, the Board of Directors (the "Board") may designate certain amounts to be utilized or invested to meet specific objectives of the Organization. Such amounts would be reflected as board-designated net assets. During 2017 and 2016, the Board designation is for a general reserve for the use of the Organization.

*Temporarily restricted net assets* are those subject to donor-imposed restrictions that may or will be met by specific actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restriction.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### **Note 1—Nature of business and summary of significant accounting policies (continued)**

*Recent Accounting Pronouncements* – In November 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, providing specific guidance on the cash flow classification and presentation of changes in restricted cash and restricted cash equivalents. The new guidance requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance clarifies that transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are not part of the entity's operating, investing, and financing activities. Therefore, details of those transfers are not reported as cash flow activities in the statement of cash flows. ASU 2016-18 also requires additional disclosures about the nature of restricted cash and a reconciliation to the statement of financial position. This ASU was implemented during the year ended December 31, 2017 and has been applied retrospectively.

*Management Estimates* – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Recognition of Support and Revenues* – Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises, are recognized as revenues in the period made. Conditional promises are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

*Cash and Cash Equivalents* – The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Concentration of Credit Risk* – The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Organization from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2017, the Organization had approximately \$111,000 in excess of the insured amounts.

From time to time, the Organization receives large pledges and contributions from a small number of donors that represent a significant portion of recorded pledges receivable and contributions.

For the years ended December 31, 2017 and 2016, 11% and 29%, respectively, of total contribution revenue was received from one contributor.

Credit risk for accounts receivable is concentrated as well because substantially all of the balances are receivable from individuals located within the same geographic region.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### **Note 1—Nature of business and summary of significant accounting policies (continued)**

*Accounts Receivable* – Accounts receivable are recognized at their contract price at the time the service is completed. Accounts receivable are considered past due or delinquent when payment is not received within the credit limit extended to the customer, normally 30 days. The Organization reserves the right to charge customers late fees or interest on delinquent accounts receivable.

The Organization uses the allowance method to account for uncollectible accounts receivable. Management reviews accounts receivable on an individual basis and establishes an allowance as needed. Management has established an allowance for doubtful accounts receivable of approximately \$3,500,000 as of December 31, 2017 and 2016, respectively.

*Contributions* – Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

The Organization uses the allowance method to account for uncollectible promises to give. Management's estimate is based on prior collection experience.

*Inventories* – Inventories consist of donated goods for resale and food and beverages for the hospitality department. The value of donated goods for resale is determined using statistical computations as recommended by Goodwill International and tailored to local operations. The valuation of donated inventory is considered to be that portion of retail sales value that exceeds the cost of preparing the goods for sale. All donated goods, prior to being offered for sale, are considered to have a value of zero due to the uncertainty of fair value before being offered for sale. The value of inventory on hand at the end of the year is computed statistically using an inventory turnover rate applied to total computed donated goods value. The inventory turnover rate is six weeks for the years ended December 31, 2017 and 2016.

*Assets Limited as to Use* – Assets limited as to use include cash and cash equivalents from federal awards related to Student Financial Aid programs that are to be used solely for this purpose as well as cash and cash equivalents related to health and benefits trust that is to be used for Good Vocations, Inc. employees.

*Investments* – Investments in marketable securities with readily determinable fair values are measured at fair value in the combined statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value was determined based on quoted market prices. Unrealized gains and losses are included as investment income on the combined statements of activities.

*Debt Issuance Costs* – Debt issuance costs consist of costs incurred in issuing the various bonds and obtaining notes payable. These costs are being amortized on the straight-line method. Debt issuance costs amortization expense was \$26,487 and \$41,144 and accumulated amortization was \$106,730 and \$80,524 as of and for the years ended December 31, 2017 and 2016, respectively. The use of the straight-line method is not materially different from the interest method for the years ended December 31, 2017 and 2016. Debt issuance costs, net of accumulated amortization, are included as a reduction to the carrying amount of the related notes and bonds payable on the combined statements of financial position.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 1—Nature of business and summary of significant accounting policies (continued)

*Property and Equipment* – Property and equipment acquisitions are recorded at cost, estimated cost, or if donated, at fair value on the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

	<u>Years</u>
Buildings and improvements	5 - 40
Machinery and equipment	3 - 10
Furniture and fixtures	5 - 10
Computer equipment	3 - 5
Vehicles	5

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

*Retail Sales* – Retail sales totaled \$19,954,371 and \$20,176,245, respectively, for the years ended December 31, 2017 and 2016. Retail sales are presented in the combined statements of activities net of donated goods of \$17,519,613 and \$17,610,778 for the years ended December 31, 2017 and 2016, respectively. Donated goods contributions are estimated to be the portion of retail sales that exceeds the cost of preparing the goods for placement in the retail stores. This excess value was calculated to be 87.8% and 87.3% for the years ended December 31, 2017 and 2016, respectively.

*In-Kind Contributions and Contributed Services* – In-kind contributions are reflected as contributions at their fair value at the date of donation in the accompanying combined financial statements. The Organization benefited from donated assets, which have been reported as contribution revenue and sales and operations and education and hospitality expenses in the combined statements of activities. In-kind contributions, which primarily represent advertising, are reflected in the accompanying combined statements of activities and totaled \$199,845 and \$298,761 for the years ended December 31, 2017 and 2016, respectively.

A number of unpaid volunteers have made significant contributions of their time to assist in the operation and activities of the Organization. The Organization's policy is to reflect the value of donated professional services (such as accounting and legal services), if any, in the combined statements of activities at their fair value. There were no professional services donated during the years ended December 31, 2017 and 2016.

*Income Taxes* – The Organization qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code Section 501(c)(3) and, therefore, is exempt from federal income taxes under Internal Revenue Code Section 501 (a). Federal law imposes tax on income that is not related to an organization's tax-exempt purposes or otherwise excluded under the Code.

It is the Organization's policy to account for any uncertainties in income tax law in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that the Organization has maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the combined financial statements. The Organization has income items that are subject to unrelated business income tax; however, these items, when netted with the directly attributable expenses, resulted in a net loss for the years ended December 31, 2017 and 2016. As a result, no provision or liability for income taxes has been included in the combined financial statements.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### **Note 1—Nature of business and summary of significant accounting policies (continued)**

*Advertising* – The Organization expenses advertising expenses when they are incurred. Advertising expenses, net of donated services, totaled \$688,159 and \$618,197 for the years ended December 31, 2017 and 2016, respectively.

*Fundraising* – The Organization expenses fundraising expenses when they are incurred. Fundraising expenses include expenses for radio and television advertisements and direct mailings and involve solicitations for contributions, including financial contributions and donated goods. Fundraising expenses totaled \$440,279 and \$294,013 for the years ended December 31, 2017 and 2016, respectively.

*Functional Allocation of Expenses* – The Organization allocates certain of its expenses to program and supporting services based on management's estimates of the respective service's personnel requirements, supplies and materials usage, and space and equipment utilization.

*Accounting for Derivatives* – All derivative financial instruments are recognized as either assets or liabilities at their fair value in the combined statements of financial position with the changes in the fair value reported in current-period changes in net assets. The Organization's derivative instruments are reported on the combined statements of financial position as an interest rate swap obligation payable, and the change in the fair value is included with investment income on the combined statements of activities.

*Fair Value of Financial Instruments* – The Organization has adopted FASB's fair value measurement and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

*Future Pronouncements* – In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In August of 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, requires disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature. This standard will be effective for the calendar year ending December 31, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the calendar year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*DECEMBER 31, 2017 AND 2016*

**Note 2—Promises to give**

Promises to give consisted of the following at December 31, 2017:

	<b><u>Due in less than 1 year</u></b>	<b><u>Due in 1 - 5 years</u></b>	<b><u>Total</u></b>
Pledges receivable	\$ 185,883	\$ 234,327	\$ 420,210
Less:			
Discount to net present value	-	(17,302)	(17,302)
Allowance for uncollectible pledges	-	(66,214)	(66,214)
Net pledges receivable	<u>\$ 185,883</u>	<u>\$ 150,811</u>	<u>\$ 336,694</u>

Promises to give consisted of the following at December 31, 2016:

	<b><u>Due in less than 1 year</u></b>	<b><u>Due in 1 - 5 years</u></b>	<b><u>Total</u></b>
Pledges receivable	\$ 98,720	\$ 185,166	\$ 283,886
Less:			
Discount to net present value	-	(13,084)	(13,084)
Allowance for uncollectible pledges	-	(29,358)	(29,358)
Net pledges receivable	<u>\$ 98,720</u>	<u>\$ 142,724</u>	<u>\$ 241,444</u>

Promises to give at December 31, 2017 and 2016 due in one to five years are discounted at 7%.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### Note 3—Fair value measurements

The Organization has adopted the provision of Financial Accounting Standards Board Accounting Standard Codification 820, *Fair Value Measurements and Disclosures*, which requires fair value measurement be classified and disclosed in one of the following three categories (“Fair Value Hierarchy”):

- Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments which would generally be included in Level 1 include listed equity securities, mutual funds, and money market funds. As required by GAAP, the Organization, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.
- Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1; inputs include comparable market transactions, pricing of similar instruments, values reported by the administrator, and pricing expectations based on internal modeling. Fair value is determined through the use of models or other valuation methodologies. The types of investments which would generally be included in this category include publicly traded securities with restrictions on disposition, corporate obligations, and U.S. Government and Agency Treasury Inflation Indices.
- Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments. The types of investments which would generally be included in this category include debt and equity securities issued by private entities and partnerships. The inputs into the determination of fair value require significant judgment or estimation. Inputs include recent transactions, earnings forecasts, market multiples, and future cash flows.

The tables on the following page summarize the valuation of the Organization’s financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016, based on the level of input utilized to measure fair value.



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016

**Note 3—Fair value measurements (continued)**

Measurement at fair value on a recurring basis:

<u>Description</u>	<b>Fair Value Measurements at December 31, 2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market account	\$ 35,182	\$ -	\$ -	\$ 35,182
Common stocks	45,834	-	-	45,834
Mutual funds - small and mid cap growth	114,898	-	-	114,898
Mutual funds - other equity securities	276,965	-	-	276,965
Mutual funds - fixed income	225,054	-	-	225,054
	<u>\$ 697,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,933</u>

Assets held in deferred compensation plan:				
Mutual funds	<u>\$ 354,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 354,711</u>

Assets held in retirement annuity account:				
Mutual funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	<b>Fair Value Measurements at December 31, 2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap obligation payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Description</u>	<b>Fair Value Measurements at December 31, 2016</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market account	\$ 32,988	\$ -	\$ -	\$ 32,988
Common stocks	32,881	-	-	32,881
Mutual funds - small and mid cap growth	94,409	-	-	94,409
Mutual funds - other equity securities	207,841	-	-	207,841
Mutual funds - fixed income	217,933	-	-	217,933
	<u>\$ 586,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,052</u>

Assets held in deferred compensation plan:				
Mutual funds	<u>\$ 323,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,197</u>

Assets held in retirement annuity account:				
Mutual funds	<u>\$ 167,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,982</u>

<u>Description</u>	<b>Fair Value Measurements at December 31, 2016</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap obligation payable	<u>\$ -</u>	<u>\$ 9,877</u>	<u>\$ -</u>	<u>\$ 9,877</u>

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*DECEMBER 31, 2017 AND 2016*

**Note 4—Property and equipment**

Property and equipment consists of the following at December 31:

	<b>2017</b>	<b>2016</b>
Land	\$ 5,635,510	\$ 5,635,510
Buildings and improvements	32,904,158	31,972,813
Land improvements	1,558,595	1,531,495
Leasehold improvements	1,265,239	1,164,907
Machinery and equipment	4,791,954	4,676,249
Furniture and fixtures	2,408,943	2,342,311
Computer equipment	1,270,545	1,258,197
Vehicles	1,805,276	1,736,939
Construction in progress	85,750	20,258
	51,725,970	50,338,679
Less accumulated depreciation	(18,045,460)	(16,081,271)
	<u>\$ 33,680,510</u>	<u>\$ 34,257,408</u>

As of December 31, 2017 and 2016, the Organization owns buildings, furniture, equipment, and leasehold improvements totaling \$2,787,321 that were purchased with government grant money and are subject to certain restrictions.

**Note 5—Line of credit**

The Organization has a line of credit in the amount of \$1,500,000, maturing on February 4, 2018, with a variable interest rate which is the prime rate of the lender plus 0.500 percentage points. The interest rate at December 31, 2017 and 2016 was 4.75% and 4.00%, respectively. The line of credit is secured by all assets. There was \$1,325,762 and \$1,439,306 outstanding at December 31, 2017 and 2016, respectively. The line of credit was extended on January 25, 2018. See Note 19 – Subsequent events.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 6—Notes payable

Notes payable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Note payable, due in monthly principal installments of \$38,544, including interest at LIBOR plus 2.25%, through May 2023 with the remaining balance due June 2023. Collateral is real estate. Refinanced March 14, 2018.	\$ 4,856,600	\$ 5,319,133
Note payable, due in monthly installments of \$5,969, including interest at LIBOR plus 2.15% through October 2021. Collateral is real estate. Refinanced March 14, 2018.	3,350,676	3,511,004
Note payable, due in monthly principal installments of \$13,177, including interest at LIBOR plus 2.15% through October 2020. Collateral is real estate. Refinanced March 14, 2018.	2,510,942	2,669,064
Note payable, due in monthly principal installments of \$14,428, including interest at 3.86% through October 2020, with a balloon payment on October 28, 2020. Collateral is real estate. Refinanced March 14, 2018.	1,846,268	1,945,019
Note payable, due in monthly principal installments of \$18,333, including interest at LIBOR plus 3.5% through December 2017. Collateral is furniture, fixtures, and equipment.	-	220,000
Note payable, due in monthly installments of \$5,521, including interest at 2.00%, through February 2024. Collateral is real estate.	384,050	441,981
Note payable, due in monthly installments of \$5,697, including interest at LIBOR plus 2.50% through July 2018, with a balloon payment due on July 28, 2018. Collateral is real estate. Refinanced March 14, 2018.	796,515	-
Note payable, due in weekly installments of \$55, including interest at 9.90%, through December 2022. Collateral is equipment.	11,373	-
	<u>13,756,424</u>	<u>14,106,201</u>
Less unamortized debt issuance costs	<u>(46,107)</u>	<u>(61,046)</u>
	13,710,317	14,045,155
Less current maturities	<u>(236,335)</u>	<u>(1,173,963)</u>
	<u>\$ 13,473,982</u>	<u>\$ 12,871,192</u>

Interest on the line of credit (Note 5) and notes payable was expensed as incurred for the years ended December 31, 2017 and 2016.

On March 14, 2018, the Organization refinanced substantially all its notes payable into one note payable. See Note 19 – Subsequent events.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 6—Notes payable (continued)

Aggregate maturities on the notes payable at December 31, 2017 that were not refinanced subsequent to year end are as follows:

2018	\$	60,830
2019		62,338
2020		63,764
2021		65,235
2022		66,798
Thereafter		76,458
	\$	<u>395,423</u>

The notes payable, along with the line of credit arrangements discussed in Note 5 are subject to certain covenants related to the combined financial statements, fixed charge coverage, and certain permitted indebtedness. At December 31, 2017 and 2016, management was not aware of any violations of these covenants.

### Note 7—Bonds payable

Bonds payable consisted of the following at December 31:

	2017	2016
Richmond County Revenue Bond Series 2012-A in the original amount of \$6,267,547 with principal and interest payments made monthly. Variable interest rate based on LIBOR plus 250 basis points. Bonds mature in March 2022. Collateral is real estate.	\$ 5,249,783	\$ 5,482,600
Richmond County Revenue Bond Series 2012-B in the original amount of \$1,869,977 with principal and interest payments made monthly. Variable interest rate based on LIBOR plus 375 basis points. Bonds mature in March 2022. Collateral is real estate.	1,430,278	1,516,023
	6,680,061	6,998,623
Less unamortized debt issuance costs	(47,974)	(58,729)
	6,632,087	6,939,894
Less current maturities	(80,562)	(318,562)
	<u>\$ 6,551,525</u>	<u>\$ 6,621,332</u>

Interest expense on the bonds payable was \$242,193 and \$225,312 for the years ended December 31, 2017 and 2016, respectively.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 7—Bonds payable (continued)

The Organization has entered into certain interest rate swap agreements for the purpose of fixing a portion of the interest rate. The Organization exited the interest rate swaps at no cost in March 2017. The fair value of the interest rate swap agreements at December 31, 2016 was a liability of \$9,877, and is included as a liability in the combined statements of financial position. The change in fair value of the interest rate swap agreements is recorded as a component of the performance indicator and amounted to an increase in fair value of the interest rate swap agreements of \$9,877 and \$77,824 for 2017 and 2016, respectively. The maturity date of the swap agreements coincide to that of the bonds. A summary of the interest rate swaps at December 31, 2017 and 2016 is in the table below:

<u>Issuance</u>	<u>Start Date</u>	<u>Maturity</u>	<u>Fair Value at December 31, 2017</u>	<u>Fair Value at December 31, 2016</u>
Richmond Co. Series 2012-A	1/12/2013	3/12/2022	\$ -	\$ (9,877)
			<u>\$ -</u>	<u>\$ (9,877)</u>

This amount was recorded based on calculated mathematical approximations of market values using certain assumptions regarding past, present, and future market conditions. The liability would only be realized upon termination of the swap agreement prior to the maturity date.

The bond issues contain certain covenants relating to fixed charge coverage and maximum debt. At December 31, 2017 and 2016, management was not aware of any violations of these covenants.

The bonds payable are secured by the property acquired with the bond proceeds.

On March 14, 2018, the Organization refinanced its bonds payable into one note payable. See Note 19 – Subsequent events.

### Note 8—Restrictions on net assets

Temporarily restricted net assets at December 31, 2017 and 2016 were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 464,072	\$ 409,145
Hand Up campaign	289,558	-
Hispanic services	10,000	10,000
Other educational programs	10,300	10,300
	<u>\$ 773,930</u>	<u>\$ 429,445</u>

Temporarily restricted net assets consist of cash and investments at December 31, 2017 and 2016.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 9—Assets limited as to use

At December 31, 2017 and 2016, assets were limited as to use for the following purposes:

	<b>2017</b>	<b>2016</b>
Student financial aid	\$ 8,204	\$ 35,698
Good Vocations	100,971	-
	<u>\$ 109,175</u>	<u>\$ 35,698</u>

### Note 10—Net assets released from restrictions

Net assets were released from donor restrictions during 2017 and 2016 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	<b>2017</b>	<b>2016</b>
Purpose restrictions accomplished:		
Scholarships	\$ 121,413	\$ 41,277
Grovetown property	-	350,000
Helms Macon Expansion	-	250,000
Hospitality lab	10,000	-
Other programs	20,758	54,266
	<u>\$ 152,171</u>	<u>\$ 695,543</u>

### Note 11—Leases

The Organization leases real estate under operating lease commitments expiring in various years through 2026. Those leases generally contain renewal options for periods ranging from one to six years and require the Organization to pay all executory costs such as taxes, maintenance, and insurance. Facility rental expense amounted to \$1,046,684 and \$1,088,873 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under the operating leases at December 31, 2017 are as follows:

2018	\$ 882,289
2019	754,364
2020	341,119
2021	127,415
2022	128,924
Thereafter	429,601
	<u>\$ 2,663,712</u>



# **GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

*DECEMBER 31, 2017 AND 2016*

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### **Note 12—Employee benefit plans**

The Organization participates in a 401(k) employer defined contribution plan. Employees who work at least 20 hours per week are eligible after one year of service. Employees are eligible for employer matching contributions of up to six percent of gross wages. Total contribution expense for the years ended December 31, 2017 and 2016 was \$249,860 and \$281,607, respectively.

The Organization has a 457(b) deferred compensation plan for its senior management employees. All employees who are director-level and above are eligible to contribute to the plan. The plan had three participants at December 31, 2017 and 2016. The fair value of the assets in the plan and related liability at December 31, 2017 and 2016 were \$354,711 and \$323,197, respectively.

### **Note 13—Related party transactions**

The Organization has an agreement with a Board member to lease retail space. Lease expense for each of the years ended December 31, 2017 and 2016 was \$149,268.

### **Note 14—Employment agreement**

During March 2010, the Organization entered into an employment agreement with its existing chief executive officer ("CEO"). As a result, the CEO will retain his current position through December 2022 unless terminated with cause, as defined in the employment agreement, and his salary will be formally reviewed by the Organization's Compensation Committee on an annual basis. Each year, the Organization will also make a retirement contribution equal to 20 percent (20%) of the CEO's base salary to an annuity account. The full balance of the investment account was transferred from the Organization to the CEO in March 2017. There is no amount due to be paid to the CEO at December 31, 2017. The amount due to be paid to the CEO is included in salaries and benefits payable on the combined statements of financial position and totaled \$167,982 at December 31, 2016. Total contribution expense for the years ended December 31, 2017 and 2016 was \$92,230 and \$89,981, respectively.

### **Note 15—Major customers**

For the years ended December 31, 2017 and 2016, one customer accounted for approximately 22% and 20% of the Organization's total revenue, gains, and other support, net of contribution revenue. At December 31, 2017 and 2016, accounts receivable from one customer accounted for approximately 38% and 39%, respectively, of the Organization's net accounts receivable.

### **Note 16—Contingencies**

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 17—Discontinued operations

During the year ended December 31, 2015, management of the Organization made the decision to implement a teach-out and closure plan for all remaining educational programs at the Helms Career Institute. During the year ended December 31, 2015, the Organization accounted for Helms Career Institute as a discontinued operation.

During the years ended December 31, 2017 and 2016, no additional revenue or expenses were incurred associated with the discontinued operation. The remaining liabilities were reduced for payments made.

	2017	2016
Carrying amounts of major classes of liabilities included as part of discontinued operations:		
Lease payable	\$ -	\$ 62,679
Common area maintenance payable	-	17,884
Other liabilities	-	7,354
Total major classes of liabilities of the discontinued operation	<u>\$ -</u>	<u>\$ 87,917</u>

### Note 18—Department of Education/concentration of risk

The Organization participates in the student financial assistance (SFA) programs administered by the Department of Education ("ED"). To participate, the Organization must demonstrate that it is financial responsible and comply with the 90/10 rule.

*Financial Responsibility* – On September 30, 2015, the ED determined that the Organization did not meet financial responsibility standards for the year ended December 31, 2014. On December 12, 2016, the ED determined the Organization is no longer required to comply with the irrevocable letter of credit and zone reporting requirements contained in the Provisional Program Participation Agreement ("PPA") as well as, the cash monitoring 1, payment method of reporting, previously imposed on the Organization by the ED on September 30, 2015. The letter amends the Organization's current Provisional PPA and all other provisions of the Organization's PPA will remain in place until the expiration date.

*Concentration of Risk* – The Organization's tuition-related accounts receivable are from students, most of whom receive federal financial aid. The students are concentrated in the geographic areas where the Organization's campuses are located.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

### Note 19—Subsequent events

On January 25, 2018 the Organization extended its line of credit agreement through July 31, 2019. There were no changes to the terms of the line of credit agreement other than the maturity date.

On March 14, 2018, the Organization refinanced substantially all its notes payable and all of its bond payable into one note payable in the amount of \$21,500,000 with an interest rate of LIBOR plus 1.75% maturing in sixty months. Interest only payments are to be made monthly through March 2019. Principal and interest payments are to be made beginning in April 2019. The amounts paid from January 1, 2018 to March 14, 2018 on the refinanced notes payable were \$175,505 and on the bonds payable were \$80,562. Accordingly, the balances that were not paid from January 1, 2018 to March 14, 2018, have been classified to long-term debt at December 31, 2017 and amount to \$722,244 in notes payable and \$253,276 in bonds payable.

After the refinance, aggregate maturities on the note payable are as follows:

2018	\$ -
2019	638,694
2020	886,301
2021	927,664
2022	970,958
Thereafter	<u>18,076,383</u>
	<u>\$ 21,500,000</u>

In connection with the refinance, the Organization also extended its line of credit agreement through July 31, 2020 with an interest rate of LIBOR plus 1.75%. The Organization also obtained a guidance line of credit - non-revolving in the amount of \$1,000,000 with an interest rate of LIBOR plus 1.75% maturing July 31, 2020. The note is secured by real property.

On March 14, 2018, the Organization entered into an interest rate swap agreement for the purpose of fixing a portion of the interest rate. The interest rate swap has a notional amount of \$11,500,000 with a maturity date of March 14, 2023.

The Organization has evaluated subsequent events through May 22, 2018, the date on which the combined financial statements were available to be issued.



## **SUPPLEMENTARY INFORMATION**



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2017

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	Eliminations	Total
<b>ASSETS</b>							
Current Assets:							
Cash	\$ -	\$ 323,435	\$ -	\$ -	\$ 148,493	\$ -	\$ 471,928
Certificates of deposit	-	-	-	-	9,352	-	9,352
Accounts receivable, net of allowance for doubtful accounts	675,860	1,327,929	1,578,404	512,268	12,801	-	4,107,262
Promises to give, net of allowance for doubtful accounts	-	-	-	-	185,883	-	185,883
Inventories	2,037,104	61,550	-	-	-	-	2,098,654
Investments	697,933	-	-	-	-	-	697,933
Prepaid expenses	169,943	31,858	-	5,942	-	-	207,743
Total Current Assets	3,580,840	1,744,772	1,578,404	518,210	356,529	-	7,778,755
Assets limited as to use	101,236	7,939	-	-	-	-	109,175
Investments and Other Assets:							
Investment in subsidiary	(14,456,575)	-	-	-	-	14,456,575	-
Promises to give, less current portion, net of allowance for doubtful accounts and discount	-	-	-	-	150,811	-	150,811
Assets held in deferred compensation plan	354,711	-	-	-	-	-	354,711
Total Investments and Other Assets	(14,101,864)	-	-	-	150,811	14,456,575	505,522
Property and equipment, at cost, net	33,658,771	-	-	-	21,739	-	33,680,510
<b>Total Assets</b>	<b>\$ 23,238,983</b>	<b>\$ 1,752,711</b>	<b>\$ 1,578,404</b>	<b>\$ 518,210</b>	<b>\$ 529,079</b>	<b>\$ 14,456,575</b>	<b>\$ 42,073,962</b>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)**

DECEMBER 31, 2017

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Current maturities of notes payable	\$ 236,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,335
Current maturities of bonds payable	80,562	-	-	-	-	-	80,562
Accounts payable	1,242,607	131,700	414,366	-	14,757	-	1,803,430
Salaries and benefits payable	1,190,258	-	240,705	56,353	-	-	1,487,316
Payroll withholdings	4,884	-	-	13,791	-	-	18,675
Sales tax payable	107,567	-	-	-	-	-	107,567
Deferred revenue	97,670	117,907	-	-	13,100	-	228,677
Intercompany (receivable) payable	(12,178,641)	16,610,196	(3,891,818)	(202,451)	(337,286)	-	-
Total Current Liabilities	(9,218,758)	16,859,803	(3,236,747)	(132,307)	(309,429)	-	3,962,562
Long-term Liabilities:							
Line of credit agreement	1,325,762	-	-	-	-	-	1,325,762
Notes payable, less current maturities, net of debt issuance costs	13,473,982	-	-	-	-	-	13,473,982
Bonds payable, less current portion, net of debt issuance costs	6,551,525	-	-	-	-	-	6,551,525
Deferred compensation plan assets payable	354,711	-	-	-	-	-	354,711
Total Long-term Liabilities	21,705,980	-	-	-	-	-	21,705,980
Net Assets:							
Unrestricted	10,251,761	(15,107,092)	4,815,151	650,517	64,578	14,456,575	15,131,490
Unrestricted - board designated	500,000	-	-	-	-	-	500,000
Temporarily restricted	-	-	-	-	773,930	-	773,930
Total Net Assets	10,751,761	(15,107,092)	4,815,151	650,517	838,508	14,456,575	16,405,420
<b>Total Liabilities and Net Assets</b>	<b>\$ 23,238,983</b>	<b>\$ 1,752,711</b>	<b>\$ 1,578,404</b>	<b>\$ 518,210</b>	<b>\$ 529,079</b>	<b>\$ 14,456,575</b>	<b>\$ 42,073,962</b>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2016

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	Eliminations	Total
<b>ASSETS</b>							
Current Assets:							
Cash	\$ 421,230	\$ 307,932	\$ -	\$ -	\$ 237,989	\$ -	\$ 967,151
Certificates of deposit	-	-	-	-	9,352	-	9,352
Accounts receivable, net of allowance for doubtful accounts	542,184	850,087	1,495,134	890,901	36,632	-	3,814,938
Promises to give, net of allowance for doubtful accounts	-	-	-	-	98,720	-	98,720
Inventories	2,044,378	48,736	-	-	-	-	2,093,114
Investments	586,052	-	-	-	-	-	586,052
Prepaid expenses	269,817	-	-	20,681	-	-	290,498
Total Current Assets	3,863,661	1,206,755	1,495,134	911,582	382,693	-	7,859,825
Assets limited as to use	265	35,433	-	-	-	-	35,698
Investments and Other Assets:							
Investment in subsidiary	(12,429,653)	-	-	-	-	12,429,653	-
Promises to give, less current portion, net of allowance for doubtful accounts and discount	-	-	-	-	142,724	-	142,724
Retirement annuity account	167,982	-	-	-	-	-	167,982
Assets held in deferred compensation plan	323,197	-	-	-	-	-	323,197
Total Investments and Other Assets	(11,938,474)	-	-	-	142,724	12,429,653	633,903
Property and equipment, at cost, net	34,235,669	-	-	-	21,739	-	34,257,408
<b>Total Assets</b>	<b>\$ 26,161,121</b>	<b>\$ 1,242,188</b>	<b>\$ 1,495,134</b>	<b>\$ 911,582</b>	<b>\$ 547,156</b>	<b>\$ 12,429,653</b>	<b>\$ 42,786,834</b>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)**

DECEMBER 31, 2016

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>							
Current Liabilities:							
Current maturities of notes payable	\$ 1,173,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,173,963
Current maturities of bonds payable	318,562	-	-	-	-	-	318,562
Accounts payable	1,212,301	206,264	280,019	9,068	-	-	1,707,652
Salaries and benefits payable	1,251,148	-	167,377	65,452	-	-	1,483,977
Payroll withholdings	87,369	-	-	45,195	-	-	132,564
Sales tax payable	109,548	11,740	-	-	-	-	121,288
Deferred revenue	95,935	56,285	-	-	21,775	-	173,995
Liabilities of discontinued operations	87,917	-	-	-	-	-	87,917
Intercompany (receivable) payable	(11,495,007)	13,966,582	(2,689,728)	222,837	(4,684)	-	-
Total Current Liabilities	(7,158,264)	14,240,871	(2,242,332)	342,552	17,091	-	5,199,918
Long-term Liabilities:							
Line of credit agreement	1,439,306	-	-	-	-	-	1,439,306
Notes payable, less current maturities, net of debt issuance costs	12,871,192	-	-	-	-	-	12,871,192
Bonds payable, less current portion, net of debt issuance costs	6,621,332	-	-	-	-	-	6,621,332
Interest rate swap obligation payable	9,877	-	-	-	-	-	9,877
Deferred compensation plan assets payable	323,197	-	-	-	-	-	323,197
Total Long-term Liabilities	21,264,904	-	-	-	-	-	21,264,904
Net Assets:							
Unrestricted	11,554,481	(12,998,683)	3,737,466	569,030	100,620	12,429,653	15,392,567
Unrestricted - board designated	500,000	-	-	-	-	-	500,000
Temporarily restricted	-	-	-	-	429,445	-	429,445
Total Net Assets	12,054,481	(12,998,683)	3,737,466	569,030	530,065	12,429,653	16,322,012
<b>Total Liabilities and Net Assets</b>	<b>\$ 26,161,121</b>	<b>\$ 1,242,188</b>	<b>\$ 1,495,134</b>	<b>\$ 911,582</b>	<b>\$ 547,156</b>	<b>\$ 12,429,653</b>	<b>\$ 42,786,834</b>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2017*

	<b>Goodwill Industries</b>	<b>Helms, LLC</b>	<b>Good Vocations</b>	<b>Goodwill Staffing Services</b>	<b>Goodwill Works Foundation, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>Change in Unrestricted Net Assets</b>							
Revenue, Gains, and Other Support:							
Contributions	\$ 138,939	\$ 122,533	\$ -	\$ -	\$ 435,740	\$ (404,741)	\$ 292,471
Contributed revenue - donated goods	17,519,613	-	-	-	-	-	17,519,613
Retail sales, net of contributed revenue - donated goods	2,434,758	-	-	-	-	-	2,434,758
Government grants and performance contracts	732,382	-	-	-	-	-	732,382
Contract services	1,298,451	134,110	8,760,525	-	-	(80,017)	10,113,069
Staffing services	-	-	-	3,875,983	-	(1,154,722)	2,721,261
Education and hospitality	497,115	5,046,017	-	-	-	(134,110)	5,409,022
Change in fair value of derivatives	9,877	-	-	-	-	-	9,877
Investment income	112,170	-	-	-	254	-	112,424
Management fee	1,545,701	-	-	-	-	(1,545,701)	-
Rental income	309,055	-	-	-	-	-	309,055
Other	36,060	2,687	-	-	2,734	-	41,481
Loss on affiliate	(2,026,922)	-	-	-	-	2,026,922	-
Net assets released from restrictions	65,357	-	-	-	86,814	-	152,171
<b>Total Unrestricted Revenue, Gains, and Other Support</b>	<b>22,672,556</b>	<b>5,305,347</b>	<b>8,760,525</b>	<b>3,875,983</b>	<b>525,542</b>	<b>(1,292,369)</b>	<b>39,847,584</b>
Expenses:							
Program Services:							
Sales and operations	13,823,675	-	-	-	-	(727,197)	13,096,478
Contract services	1,767,804	-	6,137,139	-	-	(224,952)	7,679,991
Career services	2,229,458	-	-	-	-	(28,094)	2,201,364
Staffing services	-	-	-	3,794,496	-	(197)	3,794,299
Education and hospitality	-	7,461,812	-	-	-	(266,027)	7,195,785
<b>Total Program Services</b>	<b>17,820,937</b>	<b>7,461,812</b>	<b>6,137,139</b>	<b>3,794,496</b>	<b>-</b>	<b>(1,246,467)</b>	<b>33,967,917</b>
Support Services:							
Management and general	6,168,573	-	1,545,701	-	-	(2,013,809)	5,700,465
Fundraising	-	-	-	-	561,584	(121,305)	440,279
<b>Total Support Services</b>	<b>6,168,573</b>	<b>-</b>	<b>1,545,701</b>	<b>-</b>	<b>561,584</b>	<b>(2,135,114)</b>	<b>6,140,744</b>
<b>Total Expenses</b>	<b>23,989,510</b>	<b>7,461,812</b>	<b>7,682,840</b>	<b>3,794,496</b>	<b>561,584</b>	<b>(3,381,581)</b>	<b>40,108,661</b>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**

*YEAR ENDED DECEMBER 31, 2017*

	<b>Goodwill Industries</b>	<b>Helms, LLC</b>	<b>Good Vocations</b>	<b>Goodwill Staffing Services</b>	<b>Goodwill Works Foundation, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Change in Unrestricted Net Assets	<u>\$ (1,316,954)</u>	<u>\$ (2,156,465)</u>	<u>\$ 1,077,685</u>	<u>\$ 81,487</u>	<u>\$ (36,042)</u>	<u>\$ 2,089,212</u>	<u>\$ (261,077)</u>
<b>Change in Temporarily Restricted Net Assets</b>							
Contributions	79,591	48,056	-	-	431,299	(62,290)	496,656
Net asset released from restrictions	<u>(65,357)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,814)</u>	<u>-</u>	<u>(152,171)</u>
Change in Temporarily Restricted Net Assets	<u>14,234</u>	<u>48,056</u>	<u>-</u>	<u>-</u>	<u>344,485</u>	<u>(62,290)</u>	<u>344,485</u>
Change in Net Assets	<u>(1,302,720)</u>	<u>(2,108,409)</u>	<u>1,077,685</u>	<u>81,487</u>	<u>308,443</u>	<u>2,026,922</u>	<u>83,408</u>
Net assets, beginning of year	<u>12,054,481</u>	<u>(12,998,683)</u>	<u>3,737,466</u>	<u>569,030</u>	<u>530,065</u>	<u>12,429,653</u>	<u>16,322,012</u>
Net assets, end of year	<u><u>\$ 10,751,761</u></u>	<u><u>\$ (15,107,092)</u></u>	<u><u>\$ 4,815,151</u></u>	<u><u>\$ 650,517</u></u>	<u><u>\$ 838,508</u></u>	<u><u>\$ 14,456,575</u></u>	<u><u>\$ 16,405,420</u></u>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES**

*YEAR ENDED DECEMBER 31, 2016*

	<b>Goodwill Industries</b>	<b>Helms, LLC</b>	<b>Good Vocations</b>	<b>Goodwill Staffing Services</b>	<b>Goodwill Works Foundation, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
<b>Change in Unrestricted Net Assets</b>							
Revenue, Gains, and Other Support:							
Contributions	\$ 173,235	\$ 173,732	\$ 87	\$ -	\$ 351,524	\$ (253,751)	\$ 444,827
Contributed revenue - donated goods	17,610,778	-	-	-	-	-	17,610,778
Retail sales, net of contributed revenue - donated goods	2,565,467	-	-	-	-	-	2,565,467
Government grants and performance contracts	530,753	-	-	-	-	-	530,753
Contract services	1,292,538	126,570	8,159,995	-	-	(172,935)	9,406,168
Staffing services	-	-	-	4,344,394	-	(1,313,821)	3,030,573
Education and hospitality	263,832	4,478,586	-	-	-	(126,570)	4,615,848
Change in fair value of derivatives	77,824	-	-	-	-	-	77,824
Investment income	32,376	-	-	-	93	-	32,469
Management fee	1,599,066	-	-	-	-	(1,599,066)	-
Rental income	302,772	-	-	-	-	-	302,772
Other	39,247	45	-	-	-	-	39,292
Loss on affiliate	(2,250,603)	-	-	-	-	2,250,603	-
Net assets released from restrictions	139,005	-	-	-	556,538	-	695,543
<b>Total Unrestricted Revenue, Gains, and Other Support</b>	<b>22,376,290</b>	<b>4,778,933</b>	<b>8,160,082</b>	<b>4,344,394</b>	<b>908,155</b>	<b>(1,215,540)</b>	<b>39,352,314</b>
Expenses:							
Program Services:							
Sales and operations	13,443,142	-	-	-	-	(891,602)	12,551,540
Contract services	1,774,935	-	5,821,790	-	-	(230,517)	7,366,208
Career services	2,155,349	-	-	-	-	(142,826)	2,012,523
Staffing services	-	-	-	4,466,562	-	(12,465)	4,454,097
Education and hospitality	-	6,970,849	-	-	-	(212,088)	6,758,761
<b>Total Program Services</b>	<b>17,373,426</b>	<b>6,970,849</b>	<b>5,821,790</b>	<b>4,466,562</b>	<b>-</b>	<b>(1,489,498)</b>	<b>33,143,129</b>
Support Services:							
Management and general	6,209,764	-	1,599,066	-	-	(1,929,615)	5,879,215
Fundraising	-	-	-	-	832,923	(538,910)	294,013
<b>Total Support Services</b>	<b>6,209,764</b>	<b>-</b>	<b>1,599,066</b>	<b>-</b>	<b>832,923</b>	<b>(2,468,525)</b>	<b>6,173,228</b>
<b>Total Expenses</b>	<b>23,583,190</b>	<b>6,970,849</b>	<b>7,420,856</b>	<b>4,466,562</b>	<b>832,923</b>	<b>(3,958,023)</b>	<b>39,316,357</b>



**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**COMBINING STATEMENT OF ACTIVITIES (CONTINUED)**

*YEAR ENDED DECEMBER 31, 2016*

	<b>Goodwill Industries</b>	<b>Helms, LLC</b>	<b>Good Vocations</b>	<b>Goodwill Staffing Services</b>	<b>Goodwill Works Foundation, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Change in Unrestricted Net Assets	<u>\$ (1,206,900)</u>	<u>\$ (2,191,916)</u>	<u>\$ 739,226</u>	<u>\$ (122,168)</u>	<u>\$ 75,232</u>	<u>\$ 2,742,483</u>	<u>\$ 35,957</u>
<b>Change in Temporarily Restricted Net Assets</b>							
Contributions	562,255	63,481	-	-	633,778	(491,880)	767,634
Net asset released from restrictions	<u>(139,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(556,538)</u>	<u>-</u>	<u>(695,543)</u>
Change in Temporarily Restricted Net Assets	<u>423,250</u>	<u>63,481</u>	<u>-</u>	<u>-</u>	<u>77,240</u>	<u>(491,880)</u>	<u>72,091</u>
Change in Net Assets	(783,650)	(2,128,435)	739,226	(122,168)	152,472	2,250,603	108,048
Net assets, beginning of year	<u>12,838,131</u>	<u>(10,870,248)</u>	<u>2,998,240</u>	<u>691,198</u>	<u>377,593</u>	<u>10,179,050</u>	<u>16,213,964</u>
Net assets, end of year	<u><u>\$ 12,054,481</u></u>	<u><u>\$ (12,998,683)</u></u>	<u><u>\$ 3,737,466</u></u>	<u><u>\$ 569,030</u></u>	<u><u>\$ 530,065</u></u>	<u><u>\$ 12,429,653</u></u>	<u><u>\$ 16,322,012</u></u>



## **COMPLIANCE SECTION**



**Report of Independent Auditor on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Combined Financial  
Statements Performed in Accordance with *Government Auditing Standards***

To the Audit Committee of the Board of Directors  
Goodwill Industries of Middle Georgia, Inc.  
Macon, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Goodwill Industries of Middle Georgia, Inc. and its combined affiliates (the "Organization"), which comprise the combined statement of financial position as of December 31, 2017 and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 22, 2018

**Internal Control over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Organization'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 opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 combined 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 the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Cherry Bekart LLP*

Augusta, Georgia  
May 22, 2018



## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

To the Audit Committee of the Board of Directors  
Goodwill Industries of Middle Georgia, Inc.  
Macon, Georgia

### **Report on Compliance for Each Major Federal Program**

We have audited Goodwill Industries of Middle Georgia, Inc.'s and its combined affiliates (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, 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 the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Report on Internal Control over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization's internal control over compliance.



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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Cherry Bekart LLP*

Augusta, Georgia  
May 22, 2018



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Contract or Project Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Pilot Projects to Reduce Dependency and Increase Work</b>			
Passed through			
South Carolina Department of Social Services (SCDSS)			
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400014274	\$ 19,467
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400017075	5,604
		Total CFDA #10.596	<u>25,071</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>25,071</b></u>
<b>U.S. Department of Veterans Affairs</b>			
<b>VA Supportive Services for Veteran Families Program</b>			
Passed through			
CSRA Economic Opportunity Authority, Inc.			
Supportive Services for Veteran Families (SSVF) Program	64.033	MOA 10-01-2016	64,148
Supportive Services for Veteran Families (SSVF) Program	64.033	MOA 10-01-2017	12,590
		Total CFDA #64.033	<u>76,738</u>
<b>Total U.S. Department of Veteran Affairs</b>			<u><b>76,738</b></u>
<b>U.S. Department of Education</b>			
<b>Student Financial Assistance Cluster</b>			
Direct			
Student Financial Assistance Cluster -			
Federal Supplemental Educational Opportunity	84.007		12,954
Federal Supplemental Educational Opportunity Administrative Allowance	84.007		800
Federal Work Study Program	84.033		6,309
Federal Work Study Program Administrative Allowance	84.033		428
Federal Pell Grant Program	84.063		736,251
Federal Direct Student Loan Program	84.268		1,455,467
		Total Student Financial Assistance Cluster (Helms College)	<u>2,212,209</u>
<b>Rehabilitation Services-Vocational Rehabilitation Grants to States</b>			
Passed through			
Georgia Vocational Rehabilitation Agency			
Vocational Rehabilitation	84.126	MOU Step & Services Agreement	436,547
		Total CFDA #93.556	<u>436,547</u>
<b>Total U.S. Department of Education</b>			<u><b>2,648,756</b></u>
<b>U.S. Department of Health and Human Services</b>			
<b>Promoting Safe and Stable Families</b>			
Passed through			
Georgia Department of Health and Human Services			
Promoting Safe and Stable Families	93.556	42700-040C-PSSF-17-122	18,950
Promoting Safe and Stable Families	93.556	42700-040C-PSSF-18-136	2,741
		Total CFDA #93.556	<u>21,691</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><b>21,691</b></u>
		<b>Total</b>	<u><b>\$ 2,772,256</b></u>



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2017

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### Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Goodwill Industries of Middle Georgia, Inc. and Affiliates (the "Organization") and is presented in accordance with the 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").

### Note 2—Summary of significant accounting policies

*Basis of Accounting* – Expenditures reported on the Schedule are reported on the accrual basis of accounting method. Under this basis, expenses are recognized when incurred. This method is consistent with the method used to prepare the basic combined financial statements. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

*Cost Principles* – The cost principles applicable to the expenditures on the Schedule include OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, for grant awards made before December 26, 2014, or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for grant awards made after December 26, 2014. These principles identify certain types of expenditures that are not allowable or are limited as to reimbursement.

*Indirect Cost Rate* – The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### Note 3—Subrecipients

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2017.

### Note 4—Non-cash awards

The Organization did not receive non-cash federal awards during the year ended December 31, 2017.

### Note 5—State funds

The State of Georgia receives awards directly from the federal government and supplements those funds with its own funds. The State then awards a combination of federal and state funds to the Organization. If the Organization is unable to determine the federal portion, the entire amount is reported on the Schedule of Expenditures of Federal Awards.

### Note 6—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

### Section I. Summary of Auditor's Results

#### Combined Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness(es) identified?       | <u>      </u> yes | <u>  X  </u> no            |
| • Significant deficiency(ies) identified? | <u>      </u> yes | <u>  X  </u> none reported |

Noncompliance material to combined financial statements noted?

       yes   X   no

#### Federal Awards

Internal control over major programs:

- |   |                   |                             |
|---|-------------------|-----------------------------|
| • Material weakness(es) identified?       | <u>      </u> yes | <u>  X  </u> no             |
| • Significant deficiency(ies) identified? | <u>  X  </u> yes  | <u>      </u> none reported |

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?

  X   yes        no

#### Major Programs:

The programs tested as major programs of Goodwill Industries of Middle Georgia, Inc. and Affiliates included:

CFDA #

Name of Federal Program

84.007, 84.033, 84.063, 84.268

Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000.

Auditee qualified as low-risk auditee?   X   yes        no

### Section II. Findings in relation to the Audit of the Combined Financial Statements

None.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

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### Section III. Federal Awards Findings and Questioned Costs

#### **Finding 2017-001**

Federal Agency:	Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.007, 84.033, 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions – Verification
Type of Finding:	Significant Deficiency – Internal Controls over Compliance

#### **Criteria**

In accordance with Federal regulations (Title 34 CFR 668.54-668.56), an institution must require an applicant whose Free Application for Federal Student Aid (FAFSA) information is selected for verification by the Secretary, to verify certain information. Each award year, the Secretary publishes in the Federal Register notice the FAFSA information that an institution and an applicant may be required to verify.

#### **Condition**

The College has not fully implemented the adopted policies and procedures regarding management's review and confirmation of all necessary verification information for students selected by the Department of Education.

#### **Effects**

Information contained in the FAFSA is used by the Secretary when calculating a student's Expected Family Contribution (EFC). The EFC affects a student's need for financial aid and has a direct effect on the packaging of the types and amounts of aid a student is eligible to receive. Not properly verifying FAFSA information can result in the College over awarding or under awarding federal student financial assistance.

#### **Questioned Costs**

N/A.

#### **Cause**

The College does not have an adequate process to monitor or review verification.

#### **Recommendations**

We recommend the College fully implement their verification procedures among all campuses to ensure all required documents are submitted and meet the acceptable documentation requirements. This should include review by management to confirm that all necessary verification has been received and properly processed.

#### **Management's Response and Corrective Action Plan**

The College will continue to use the Verification Checklist implemented May 2, 2017 to ensure receipt and use of acceptable documentation required to complete the verification process for students selected for verification. The initial verification review will continue to be performed by each Financial Aid Manager. In addition, awards generated after March 30, 2018 now include a subsequent review by the Director of Financial Aid. Signatures of both verification reviewers are required on the Verification Checklist to attest to accurate verification. Disbursement of Federal Financial Aid will not be processed until both reviews have been completed.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

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### **Finding 2016-001**

Federal Agency:	Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.268 – Federal Direct Student Loans
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency – Internal Controls over Compliance Nonmaterial Noncompliance

### **Criteria**

The Direct Loan Program regulations at 34 CFR 685.203(c)(1)(ii) authorize a school to award additional Direct Unsubsidized Loan funds to a dependent student (up to the amounts normally available only to independent undergraduate students) if the financial aid administrator determines that the student's parent likely will be precluded by exceptional circumstances from borrowing under the Direct PLUS Loan Program and the student's family is otherwise unable to provide the student's expected family contribution. The financial aid administrator must base the determination on a review of the family financial information provided by the student and consideration of the student's debt burden and must document the determination in the school's file.

### **Condition**

Out of a sample of twenty-one (21) students who received federal student financial aid, one (1) dependent student received additional direct unsubsidized loans in amounts available to an independent student. No documentation was maintained in the student's file, nor was any other support presented, to support the increase in the annual loan limit awarded to the student.

### **Effects**

Over awarding of loans to students in excess of the annual loan limits as established by the Department of Education.

### **Questioned Costs**

\$4,000 - Questioned costs calculated as the difference between the amount of unsubsidized loans available to an independent student as compared to the amount of unsubsidized loans available to a dependent student.

### **Cause**

The College does not have an adequate process to monitor the awarding of loan amounts within the applicable loan limit.

### **Recommendations**

We recommend the College establish or revise their policies and procedures related to the awarding of loans to ensure the loan limits are not exceeded. A monitoring system should be established that compares the loans awarded to the student's grade level and dependency status. Any exceptions to the annual limits allowed should be documented and maintained in the student's file.

### **Management's Response and Corrective Action Plan**

The Organization has created a report to ensure loan limits are not exceeded based on grade level and dependency status. The report runs monthly, and upon release of preliminary loan disbursement rosters, is reviewed by the Financial Aid Manager for accuracy. Prior to the release of final loan disbursement rosters, the Financial Aid Manager or Financial Aid Advisor make financial aid adjustments, as necessary.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

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### **Current Status**

Finding corrected in the current year.

### **Finding 2016-002**

Federal Agency:	Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.007, 84.033, 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions – Verification
Type of Finding:	Significant Deficiency – Internal Controls over Compliance Nonmaterial Noncompliance

### **Criteria**

In accordance with Federal regulations (Title 34 CFR 668.54-668.56), an institution must require an applicant whose Free Application for Federal Student Aid (FAFSA) information is selected for verification by the Secretary, to verify certain information. Each award year, the Secretary publishes in the Federal Register notice the FAFSA information that an institution and an applicant may be required to verify.

### **Condition**

Out of a sample of twenty-one (21) students who received federal student financial aid, two (2) 2015/16 FAFSAs and two (2) 2016/17 FAFSAs were selected by the Secretary for verification. For one (1) of the 2015/16 FAFSAs, the institution and student were required to verify the income information (adjusted gross income, U.S. income tax paid, untaxed portions of IRA distributions, untaxed portions of pensions, IRA deductions and payments, tax-exempt interest income, and education credits) for the 2014 tax year. Instead, the student provided the 2015 tax return and the ISIR was updated using the income information reported for 2015. This resulted in the College not accurately verify all required items on the FAFSA.

### **Effects**

Income information is used by the Secretary when calculating a student's Expected Family Contribution (EFC). The EFC affects a student's need for financial aid and has a direct effect on the packaging of the types and amounts of aid a student is eligible to receive. Not properly verifying FAFSA information can result in the College over awarding or under awarding federal student financial assistance.

### **Questioned Costs**

\$10,657 - Questioned Costs were computed as the amount of federal student financial assistance that was disbursed to the student whose FAFSA was incorrectly verified.

### **Cause**

The error occurred because the incorrect tax return was obtained from the student. The College does not have an adequate process to monitor or review verification.

### **Recommendations**

We recommend the College revise their verification procedures to ensure all the required documents are submitted and meet the acceptable documentation requirements. A verification checklist should be created that includes the specific acceptable documentation. The verification process should be monitored by a second reviewer.

### **Management's Response and Corrective Action Plan**

The Organization has implemented use of a Verification Checklist to ensure receipt of acceptable documentation required to complete the verification process for students selected for verification.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

---

Prior to the disbursement of financial aid, an initial and second verification review is performed by the Financial Aid Advisor and the Financial Aid Manager. Signatures of both verification reviewers on the Verification Checklist attest to accurate verification.

### **Current Status**

Finding not fully corrected in the current year. See repeat finding at 2017-001.

### **Finding 2016-003**

Federal Agency:	Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.007, 84.033, 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions – Disbursements to or on Behalf of Students
Type of Finding:	Significant Deficiency – Internal Controls over Compliance
	Nonmaterial Noncompliance

### **Criteria**

Federal regulations (Title 34 CFR 668.4(c)) defines payment periods for an eligible program that measures progress in clock hours and that is one academic year or less in length as follows: The first payment period is the period of time in which the student successfully completes half of the number of clock hours in the program and half of the number of weeks of instructional time in the program; and the second payment period is the period of time in which the student successfully completes the program or the remainder of the program. In accordance with Federal regulations (Title 34 CFR 668.164(i)), the earliest an institution may disburse Title IV funds to an eligible student enrolled in a clock hour program is the later of ten days before the first day of classes of a payment period; or the date the student completed the previous payment period for which he or she received Title IV program funds.

### **Condition**

Out of a sample of twenty-one (21) students who received federal student financial aid, one (1) student was enrolled in a clock hour program that was less than an academic year in length. The student received the second disbursement of federal Pell grants fifty-four (54) days prior to the student completing the first payment period and was, therefore, not eligible for the second disbursement.

### **Effects**

Disbursement of federal financial assistance prior to the start of the enrollment period for which the disbursement is intended.

### **Questioned Costs**

\$917 - Questioned Cost calculated as the amount of Pell funds disbursed to the student prior to the date the student was allowed to receive the second disbursement.

### **Cause**

The College's controls over disbursements to students enrolled in clock hour programs are ineffective.

### **Recommendations**

We recommend the College establish review procedures for the disbursements made to students enrolled in clock hour programs to ensure students have successfully completed both the required number of hours earned and weeks of instructional time prior to disbursements being made.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

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### **Management's Response and Corrective Action Plan**

The Organization has implemented a procedure to ensure students enrolled in clock hour programs meet the requirement of hours earned and weeks of instructional time prior to disbursement. At the conclusion of the grading process, the Financial Aid Manager obtains from the Registrar the total hours earned for students enrolled in clock hour programs. The Financial Aid Manager updates the hours earned in FAME ESP, the financial aid software system, accordingly to initiate the disbursement process. Upon receipt of preliminary disbursement rosters, the Financial Aid Manager and the Student Accounts Manager conduct a second review confirming the hours earned. As needed, adjustments are made prior to the receipt of the final disbursement rosters and the subsequent posting of financial aid.

### **Current Status**

Finding corrected in the current year.

### **Finding 2016-004**

Federal Agency:	Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.007, 84.033, 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions – Return of Title IV Funds
Type of Finding:	Significant Deficiency – Internal Controls over Compliance
	Nonmaterial Noncompliance

### **Criteria**

Federal regulations (Title 34 CFR 668.22) state the when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period in which the recipient began attendance, the institution must determine the amount of Title IV assistance earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs. An institution must return the amount of title IV funds for which it is responsible as soon as possible but no later than forty-five (45) days after the date of the institution's determination that the student withdrew.

### **Condition**

We sampled eight (8) students from a population of forty-one (41) who withdrew from the College during the calendar year 2016. Of the eight (8) students selected, six (6) did not require a return of Title IV funds. For the remaining two (2) samples, we noted that one (1) of these student's unearned aid was not returned to the Department of Education until eighty-nine (89) days after the school determined the student had withdrawn, which is in excess of the forty-five (45) days required. The other student's unearned aid was returned thirty (30) days after the school determined the student had withdrawn, which is within the required timeframe.

### **Effects**

The unearned Title IV student financial assistance was not refunded to the Department of Education as required.

### **Questioned Costs**

N/A - Funds were returned, though not in a timely manner.

### **Cause**

This is a repeat finding. The College does not have an adequate system in place to track withdrawals and to track the number of days remaining to return funds. The College's controls over Title IV refunds to the Department of Education are ineffective.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

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### **Recommendations**

We recommend the College establish or revise their policies and procedures related to the return of Title IV funds to ensure the timely return of funds as necessary. They should develop a monitoring system whereby the withdrawal of a student is followed from the date the school is aware of the withdrawal, to the date the calculation is performed to determine if a return is required, to the date the return is made, if applicable.

### **Management's Response and Corrective Action Plan**

The Organization has implemented a procedure to ensure the timely return of Title IV funds. Specifically, within one week of receipt of the Drop Report from the Registrar, the Student Accounts Manager reviews the report, initiates the Return to Title IV (R2T4) calculation, and tracks the process on the R2T4 Checklist. Week two, the Student Accounts Manager forwards to the third-party servicer, FAME, documentation required to complete the R2T4 calculation. Week three, FAME returns to the Student Accounts Manager the R2T4 calculation with notification of funds to be returned or post withdrawal disbursements. Immediately, the Student Accounts Manager advises the Accounting Department of funds requiring return. Week four, the Student Accounts Manager signs the R2T4 Checklist confirming date of withdrawal, date of R2T4 calculation, return of funds date, and notification of post withdrawal disbursements. A copy of the R2T4 Checklist is retained in the student's file, and is available to senior management for follow-up to ensure the timely return of funds.

### **Current Status**

Finding corrected in the current year.

### **Finding 2016-005**

Federal Agency:	Department of Education
Federal Program:	Student Financial Assistance Cluster
CFDA Number:	84.007, 84.033, 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions – Enrollment Reporting
Type of Finding:	Significant Deficiency – Internal Controls over Compliance
	Nonmaterial Noncompliance

### **Criteria**

In accordance with Federal regulations (Title 34 CFR 685.309(b)), unless an institution expects to submit its next enrollment reporting roster file to the Secretary of the U.S. Department of Education within the next sixty (60) days, it must notify the Secretary within thirty (30) days if it discovers that a loan under Title IV has been made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or a student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

### **Condition**

For nine (9) sampled students who had graduated during the calendar year 2016, the College did not report status changes to the NSLDS within 60 days of the date the student graduated for two (2) of the sampled students. Specifically, the College reported the status changes eighty-four (84) and one hundred and two (102) days after the effective date of the graduation. For one of these students, the College also did not report the correct effective date of the status change. The effective date reported was eighty-four (84) days after the student graduated.



# **GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**

## **SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

*YEAR ENDED DECEMBER 31, 2017*

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For eight (8) sampled students who had withdrawn during the calendar year 2016, the College did not report status changes to the NSLDS within 60 days of the date the College determined the student had withdrawn for three (3) of the sampled students. Specifically, the College reported the withdrawn status change between ninety-one (91) and one hundred and fourteen (114) days after the school determined the student had withdrawn. In addition, for one (1) of these students, the College did not report the correct effective date of the withdrawal. The effective date reported was forty-four (44) days after the student's withdrawal effective date.

### **Effects**

Not reporting student status changes accurately and completely could affect determinations that guarantors, lenders, and servicers of student loans make related to in-school status, deferments, grace periods, repayment schedules, and the federal government's payment of interest subsidies.

### **Questioned Costs**

None

### **Cause**

Noncompliance occurred because of manual errors made in submitting status changes. The College does not have adequate controls in place to ensure status changes are reported to the National Student Loan Data System (NSLDS) accurately and in a timely manner.

### **Recommendations**

We recommend the College develop policies and procedures for maintaining accurate enrollment records, including strengthening its procedures for reporting the effective dates of status changes. The College should implement a monitoring process to ensure that the enrollment status it reports to the NSLDS are accurate.

### **Management's Response and Corrective Action Plan**

The Organization has implemented a procedure to ensure the timely reporting of changes in student enrollment status to NSLDS. Specifically, within 14 days of graduation, or determination of withdrawal the Registrar updates NSLDS to reflect such changes in enrollment status. Monthly, the Financial Aid Manager reviews NSLDS confirming the enrollment status updates as accurate and timely. The Financial Aid Manager alerts the Registrar to discrepancies requiring correction, and a subsequent review follows prior to the statutory reporting requirement. A copy of NSLDS – Enrollment Maintenance documenting enrollment status and status effective date is placed in the student's file.

### **Current Status**

Finding corrected in the current year.





Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Subpart F, Section 511 - Audit Findings Follow-up requires the auditee to prepare a corrective action plan to address each audit finding included in the current year auditor's report. This schedule presents the corrective action planned by Goodwill Industries of Middle Georgia, Inc. and Affiliates (the "Organization") for the Federal Award Finding described in the Schedule of Findings and Questioned Costs for the year ended December 31, 2017. The information in this schedule is the representation of the Organization.

#### **Finding 2017-001**


**The College does not have an adequate process to monitor or review verification procedures and documentation.**

#### **Management's Response and Corrective Action Plan**

Management agrees with the finding. The Organization will continue to use the Verification Checklist implemented May 2, 2017 to ensure receipt and use of acceptable documentation required to complete the verification process for students selected for verification. The initial verification review will continue to be performed by each Financial Aid Manager. In addition, awards generated after March 30, 2018 now include a subsequent review by the Director of Financial Aid. Signatures of both verification reviewers are required on the Verification Checklist to attest to accurate verification. Disbursement of Federal Financial Aid will not be processed until both reviews have been completed.

Implementation Date: April 16, 2018

Contact Person: Sandra May, Director of Financial Aid (706) 854-4706.

Signed  
  
Tim Ligou  
Chief Financial Officer

***Building lives, families, and communities — one job at a time.***

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***www.goodwillworks.org***