

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

CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND COMPLIANCE

*As of and for the Years Ended December 31, 2018  
and 2017*

*And Report of Independent Auditor*

**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
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## **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 consolidated financial statements of Goodwill Industries of Middle Georgia, Inc. (a nonprofit organization) and its consolidated affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Middle Georgia, Inc. and its consolidated affiliates as of December 31, 2018 and 2017, 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 consolidated financial statements as a whole. The Consolidating Statements of Financial Position and Consolidating Statements of Activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, 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.

*Cherry Bekart LLP*

Augusta, Georgia  
May 21, 2019

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,232,511	\$ 471,928
Certificates of deposit	9,352	9,352
Accounts receivable, net of allowance for doubtful accounts of approximately \$1,200,000 in 2018 and \$3,500,000 in 2017	4,601,268	4,107,262
Promises to give, net of allowance for uncollectible pledges	464,526	185,883
Inventories	2,760,586	2,098,654
Investments	675,480	697,933
Prepaid expenses	457,550	207,743
Total Current Assets	10,201,273	7,778,755
Assets limited as to use - cash and cash equivalents	44,208	109,175
Investments and Other Assets:		
Promises to give, less current portion, net of allowance for uncollectible pledges and discount	673,393	150,811
Assets held in deferred compensation plan	326,885	354,711
Total Investments and Other Assets	1,000,278	505,522
Property and equipment, at cost, net	32,680,503	33,680,510
<b>Total Assets</b>	<b>\$ 43,926,262</b>	<b>\$ 42,073,962</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 1,765,610	\$ 1,803,430
Salaries and benefits payable	1,531,215	1,487,316
Payroll withholdings	21,625	18,675
Sales tax payable	118,686	107,567
Deferred revenue	327,239	228,677
Dues billed in advance	50,000	-
Current maturities of notes payable	701,635	236,335
Current maturities of bonds payable	-	80,562
Total Current Liabilities	4,516,010	3,962,562
Long-term Liabilities:		
Line of credit agreement	1,406,291	1,325,762
Notes payable, less current maturities, net of debt issuance costs	21,065,567	13,473,982
Bonds payable, less current portion, net of debt issuance costs	-	6,551,525
Interest rate swap obligation payable	174,477	-
Deferred compensation plan assets payable	326,885	354,711
Total Long-term Liabilities	22,973,220	21,705,980
Net Assets:		
Without donor restrictions:		
Undesignated	13,792,061	15,131,490
Designated by the Board	500,000	500,000
With donor restrictions	2,144,971	773,930
Total Net Assets	16,437,032	16,405,420
<b>Total Liabilities and Net Assets</b>	<b>\$ 43,926,262</b>	<b>\$ 42,073,962</b>

**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	<b>2018</b>	<b>2017</b>
<b>Changes in net assets without donor restrictions:</b>		
Revenue and Gains:		
Contributions	\$ 421,324	\$ 292,471
Contributed revenue - donated goods	17,682,548	17,519,613
Retail sales, net of contributed revenue - donated goods	2,874,665	2,434,758
Government grants and performance contracts	864,687	732,382
Contract services	11,244,548	10,113,069
Staffing services	2,280,233	2,721,261
Education and hospitality	7,438,121	5,409,022
Change in fair value of derivatives	(174,477)	9,877
Investment return, net	(21,969)	112,424
Rental income	317,486	309,055
Other	25,431	41,481
Total Revenue and Gains Without Donor Restrictions	<u>42,952,597</u>	<u>39,695,413</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	40,097	152,171
Total net assets released from restriction	<u>40,097</u>	<u>152,171</u>
Total Revenue, Gains, and Other Support Without Donor Restrictions	<u>42,992,694</u>	<u>39,847,584</u>
Expenses and Losses:		
Program Services:		
Sales and operations	13,913,182	13,096,478
Contract services	8,454,366	7,679,991
Career services	2,142,985	2,201,364
Staffing services	3,314,863	3,794,299
Education and hospitality	9,492,882	7,195,785
Total Program Services	<u>37,318,278</u>	<u>33,967,917</u>
Support Services:		
Management and general	6,313,985	5,700,465
Fundraising	699,860	440,279
Total Support Services	<u>7,013,845</u>	<u>6,140,744</u>
Total Expenses	<u>44,332,123</u>	<u>40,108,661</u>
Change in Net Assets Without Donor Restrictions	<u>(1,339,429)</u>	<u>(261,077)</u>
<b>Change in Net Assets with Donor Restrictions</b>		
Contributions	1,411,138	496,656
Net asset released from restrictions	<u>(40,097)</u>	<u>(152,171)</u>
Change in Net Assets with Donor Restrictions	<u>1,371,041</u>	<u>344,485</u>
Change in net assets	31,612	83,408
Net assets, beginning of year	16,405,420	16,322,012
Net assets, end of year	<u><u>\$ 16,437,032</u></u>	<u><u>\$ 16,405,420</u></u>

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Sales and Operations	Contract Services	Career Services	Education and Hospitality	Staffing Services	Total Program Services	Management and General	Fundraising	Total Expenses 2018	Total Expenses 2017
Salaries and contract labor	\$ 6,580,777	\$ 4,808,294	\$ 1,355,603	\$ 3,868,181	\$ 2,728,571	\$ 19,341,426	\$ 3,146,456	\$ 319,440	\$ 22,807,322	\$ 20,908,817
Employee fringe benefits	1,978,246	1,974,617	243,454	734,436	365,415	5,296,168	425,463	31,284	5,752,915	5,051,562
Professional fees and services	68,109	23,051	3,848	193,867	27,527	316,402	511,093	138,344	965,839	848,413
Transaction processing fees and bank charges	275,283	10,190	-	62,376	25	347,874	73,334	3,105	424,313	434,581
Operating supplies	364,305	766,658	24,165	633,127	1,586	1,789,841	93,747	1,729	1,885,317	1,793,551
Goods purchased for resale	296,314	117,308	-	1,162,207	73	1,575,902	-	-	1,575,902	1,283,536
Computer equipment and software	12,917	5,187	15,924	60,030	5,293	99,351	105,410	6,504	211,265	195,395
Postage and shipping	161,477	354	15	811	10	162,667	18,750	230	181,647	117,836
Facility rent	800,981	-	106,118	86,688	-	993,787	18,120	-	1,011,907	1,046,684
Commercial insurance	185,549	47,265	35,876	61,675	5,231	335,596	101,921	285	437,802	404,369
Interest	414,246	12,653	26,997	293,475	546	747,917	199,441	28	947,386	800,167
Taxes, licenses, and fees	122,958	3,574	6,409	23,373	-	156,314	24,541	-	180,855	222,577
Building and property maintenance	227,118	36,745	25,495	73,379	-	362,737	110,341	-	473,078	450,262
Utilities	876,953	41,119	74,831	300,053	719	1,293,675	93,662	-	1,387,337	1,288,625
Security services	23,911	-	6,416	51,319	456	82,102	23,584	3,227	108,913	76,518
Rental and maintenance of equipment	71,441	3,543	378	13,583	384	89,329	7,477	955	97,761	72,649
Advertising - recruitment	2,837	60	1,751	14,719	1,273	20,640	42,850	1,246	64,736	108,454
Advertising - promotion, including donated	335,258	390	2,141	657,512	3,888	999,189	20,815	25,737	1,045,741	779,550
Outside printing services	7,194	136	1,047	8,389	-	16,766	5,874	10,207	32,847	26,117
Vehicles - consumable supplies	91,648	50,603	1,572	697	-	144,520	23,265	-	167,785	143,716
Vehicles - maintenance	103,067	12,646	-	220	-	115,933	5,914	-	121,847	108,006
Vehicles - leasing fees	-	-	-	-	-	-	-	-	-	255
Travel	61,027	27,911	36,705	126,809	55,343	307,795	165,380	9,939	483,114	408,833
Client transportation	-	-	-	-	-	-	1,074	-	1,074	1,748
Meetings and conferences	1,594	3,024	15,889	39,600	4,701	64,808	36,120	-	100,928	52,228
Events expense	-	-	-	-	-	-	-	63,105	63,105	45,013
Dues	5,720	363,465	1,807	19,116	5,212	395,320	210,672	2,104	608,096	562,676
Telephone and communications	115,420	39,571	57,016	66,585	15,454	294,046	99,649	672	394,367	364,333
Pre-employment screening tests	25,218	9,563	1,370	20,569	26,879	83,599	3,008	-	86,607	70,776
Employee relations	7,706	113	319	1,439	-	9,577	91,986	2,499	104,062	88,430
Employee uniforms	31,326	30,900	949	11,081	1,794	76,050	4,257	-	80,307	62,892
Bad debt (recoveries)	-	-	-	230,150	50,000	280,150	110,577	67,311	458,038	178,772
Miscellaneous	1,453	27	-	5,170	2,277	8,927	2,142	464	11,533	26,411
Depreciation	663,129	65,190	96,890	646,648	12,206	1,484,063	529,004	10,945	2,024,012	2,023,028
Tuition assistance	-	-	-	25,598	-	25,598	-	-	25,598	48,056
Contributions to others	-	209	-	-	-	209	8,058	500	8,767	13,825
Total expenses	\$ 13,913,182	\$ 8,454,366	\$ 2,142,985	\$ 9,492,882	\$ 3,314,863	\$ 37,318,278	\$ 6,313,985	\$ 699,860	\$ 44,332,123	\$ 40,108,661

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

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

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
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
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
Professional fees and services	66,810	62,625	5,874	113,493	25,411	274,213	455,356	118,844	848,413
Transaction processing fees and bank charges	292,397	5,168	-	48,196	100	345,861	85,523	3,197	434,581
Operating supplies	403,100	786,051	74,189	440,187	3,030	1,706,557	86,108	886	1,793,551
Goods purchased for resale	256,032	117,666	171	909,435	-	1,283,304	232	-	1,283,536
Computer equipment and software	21,236	2,667	23,187	34,759	3,275	85,124	109,203	1,068	195,395
Postage and shipping	99,529	449	45	727	3	100,753	17,083	-	117,836
Facility rent	909,474	-	118,813	-	-	1,028,287	18,397	-	1,046,684
Commercial insurance	181,380	39,209	23,203	51,159	5,759	300,710	103,543	116	404,369
Interest	346,518	9,252	20,049	218,222	441	594,482	205,663	22	800,167
Taxes, licenses, and fees	140,892	3,624	10,125	34,369	-	189,010	33,532	35	222,577
Building and property maintenance	181,917	94,517	16,029	56,051	304	348,818	101,221	223	450,262
Utilities	812,554	39,540	105,393	241,252	1,737	1,200,476	88,149	-	1,288,625
Security services	15,423	290	6,916	39,561	75	62,265	14,185	68	76,518
Rental and maintenance of equipment	42,413	6,563	594	16,532	961	67,063	4,861	725	72,649
Advertising - recruitment	313	-	8,306	60,388	12,506	81,513	26,941	-	108,454
Advertising - promotion, including donated	319,657	403	32,059	398,252	12,832	763,203	12,690	3,657	779,550
Outside printing services	10,776	306	2,943	1,605	-	15,630	10,384	103	26,117
Vehicles - consumable supplies	74,114	40,237	1,482	789	-	116,622	27,094	-	143,716
Vehicles - maintenance	85,745	18,364	-	-	-	104,109	3,897	-	108,006
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
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
Events expense	-	-	-	-	-	-	-	45,013	45,013
Dues	3,332	328,510	5,001	12,730	1,407	350,980	211,409	287	562,676
Telephone and communications	117,094	37,017	53,413	57,874	5,698	271,096	91,557	1,680	364,333
Pre-employment screening tests	17,946	8,376	4,507	5,738	28,823	65,390	5,386	-	70,776
Employee relations	4,429	478	57	1,774	-	6,738	79,192	2,500	88,430
Employee uniforms	22,978	29,264	561	8,883	335	62,021	871	-	62,892
Bad debt (recoveries)	-	-	-	110,000	44	110,044	19,573	49,155	178,772
Miscellaneous	3,022	-	-	14,656	754	18,432	7,979	-	26,411
Depreciation	694,024	74,493	128,159	668,927	14,698	1,580,301	431,140	11,587	2,023,028
Tuition assistance	-	-	-	48,056	-	48,056	-	-	48,056
Contributions to others	3,350	2,500	-	-	-	5,850	7,975	-	13,825
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

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



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 31,612	\$ 83,408
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,024,012	2,023,028
Amortization of debt issuance costs	17,509	26,487
Inherent contribution received - Pinnacle Club	(195,765)	-
Gain on disposal of property and equipment	-	(4,603)
Unrealized (gain) loss on investments	79,587	(70,395)
Investment return, net	(57,134)	(41,486)
Change in interest rate swap obligation payable	174,477	(9,877)
Loss on refinancing debt	94,081	-
Bad debts, including promises to give	458,038	178,772
Change in assets and liabilities:		
Accounts receivable	(878,137)	(471,096)
Promises to give	(801,225)	(95,250)
Inventories	(642,914)	(5,540)
Prepaid expenses	(249,807)	82,755
Accounts payable	(57,821)	7,861
Salaries and benefits payable	43,899	171,321
Payroll withholdings	2,950	(113,889)
Sales tax payable	11,119	(13,721)
Deferred revenue	98,562	54,682
Net cash from operating activities	153,043	1,802,457
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(851,164)	(1,482,872)
Proceeds from sale of property and equipment	-	52,639
Net cash from investing activities	(851,164)	(1,430,233)
<b>Cash flows from financing activities:</b>		
Payments on notes payable	(13,421,802)	(1,186,071)
Payments on bonds payable	(6,680,061)	(318,562)
Proceeds from the issuance of notes payable	21,500,000	825,000
Debt issuance costs	(84,929)	(793)
Net borrowings (payments) under line of credit agreement	80,529	(113,544)
Net cash from financing activities	1,393,737	(793,970)
Net change in cash and cash equivalents	695,616	(421,746)
Cash and cash equivalents, beginning of year	581,103	1,002,849
Cash and cash equivalents, end of year	\$ 1,276,719	\$ 581,103
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 927,551	\$ 748,007
Cash and cash equivalents are included in the Consolidated Statements of Financial Position as follows:		
Cash and cash equivalents	\$ 1,232,511	\$ 471,928
Cash and cash equivalents included in assets limited as to use	44,208	109,175
	\$ 1,276,719	\$ 581,103

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

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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, health services, and other occupational areas. Helms, LLC operates Helms College, a fully accredited and Title IV eligible post-secondary institution, offering certificate, diploma, and degree programs in culinary arts and health services. 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. On August 1, 2018, Helms, LLC began managing the Pinnacle Club, Inc. (the "Club"), a 501(c)(7) private social club through Helms College, LLC entering into a long-term management agreement with the Club to expand the applied learning opportunities of Helms College students (Refer to Note 18).

*Basis of Consolidation* – The consolidated financial statements include the accounts of the Organization and its affiliates. All significant intercompany accounts and transactions have been eliminated in consolidation.

*Basis of Accounting* – The accompanying consolidated 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 consolidated 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:

*Net assets without donor restrictions* 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 2018 and 2017, the Board designation is for a general reserve for the use of the Organization.

*Net assets with donor restrictions* 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*Recent Accounting Pronouncements* – In August of 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its consolidated financial statements accordingly. The new standards change the following aspects of the Organization’s consolidated financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. The Organization did not have any permanently restricted net assets.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (see Note 17).

*Management Estimates* – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of 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, 2018, the Organization had approximately \$897,000 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, 2018 and 2017, 27% and 11%, respectively, of contribution revenue included as contributions in the consolidated statement of activities 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 CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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 \$1,200,000 and \$3,500,000 as of December 31, 2018 and 2017, 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 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), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated 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 inventories on hand at the end of the year is computed statistically using an inventory turnover rate applied to total computed donated goods value. To account for the increase in inventories due to increased contributions, management changed its estimate of inventory during 2018. The inventory turnover rate is eight weeks and six weeks for the years ended December 31, 2018 and 2017, respectively.

*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 consolidated 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 in investment return, net on the consolidated 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 \$17,509 and \$26,487 and accumulated amortization was \$20,574 and \$106,730 as of and for the years ended December 31, 2018 and 2017, respectively. The use of the straight-line method is not materially different from the interest method for the years ended December 31, 2018 and 2017. 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 consolidated statements of financial position.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### 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.

	Years
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.

*Sales Tax Payable* – Sales tax is recorded on the consolidated statements of financial position as a liability until it is remitted to the appropriate agency. Sales taxes are excluded from revenue and expenses on the consolidated statements of activities.

*Dues Billed in Advance* – Dues billed in advance consist of The Pinnacle Club, Inc. membership dues for January 2019 billed in December 2018.

*Retail Sales* – Retail sales totaled \$20,557,213 and \$19,954,371, for the years ended December 31, 2018 and 2017, respectively. Retail sales are presented in the consolidated statements of activities net of donated goods of \$17,682,548 and \$17,519,613 for the years ended December 31, 2018 and 2017, 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 85.6% and 87.8% for the years ended December 31, 2018 and 2017, 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 consolidated 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 consolidated statements of activities. In-kind contributions, which primarily represent advertising, are reflected in the accompanying consolidated statements of activities and totaled \$126,832 and \$199,845 for the years ended December 31, 2018 and 2017, 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 consolidated statements of activities at their fair value. There were no professional services donated during the years ended December 31, 2018 and 2017.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*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 consolidated 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, 2018 and 2017. As a result, no provision or liability for income taxes has been included in the consolidated financial statements.

*Advertising* – The Organization expenses advertising expenses when they are incurred. Advertising expenses, net of donated services, totaled \$983,645 and \$688,159 for the years ended December 31, 2018 and 2017, 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 \$699,860 and \$440,279 for the years ended December 31, 2018 and 2017, 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 consolidated 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 consolidated 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 consolidated 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, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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 CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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

*Future Pronouncements (continued)* – In August 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides better guidance on determining whether a contribution is conditional. ASU 2018-08 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

### Note 2—Promises to give

Promises to give consisted of the following at December 31, 2018:

	Due in less than 1 year	Due in 1 - 5 years	Total
Pledges receivable	\$ 464,526	\$ 846,628	\$ 1,311,154
Less:			
Discount to net present value	-	(58,256)	(58,256)
Allowance for uncollectible pledges	-	(114,979)	(114,979)
Net pledges receivable	<u>\$ 464,526</u>	<u>\$ 673,393</u>	<u>\$ 1,137,919</u>

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

	Due in less than 1 year	Due in 1 - 5 years	Total
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 at December 31, 2018 and 2017 due in one to five years are discounted at 7%.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, based on the level of input utilized to measure fair value.



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

DECEMBER 31, 2018 AND 2017

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

Measurement at fair value on a recurring basis:

<u>Description</u>	<b>Fair Value Measurements at December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investments:				
Money market account	\$ 38,337	\$ -	\$ -	\$ 38,337
Common stocks	42,343	-	-	42,343
Mutual funds - small and mid cap growth	107,745	-	-	107,745
Mutual funds - other equity securities	262,508	-	-	262,508
Mutual funds - fixed income	224,547	-	-	224,547
	<u>\$ 675,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 675,480</u>

Assets held in deferred compensation plan:  
 Mutual funds

<u>Description</u>	<b>Fair Value Measurements at December 31, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Interest rate swap obligation payable	\$ -	\$ 174,477	\$ -	\$ 174,477

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

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 CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 4—Property and equipment

Property and equipment consists of the following at December 31:

	2018	2017
Land	\$ 5,896,598	\$ 5,635,510
Buildings and improvements	32,620,748	32,904,158
Land improvements	1,558,595	1,558,595
Leasehold improvements	1,470,491	1,265,239
Machinery and equipment	4,938,743	4,791,954
Furniture and fixtures	2,580,015	2,408,943
Computer equipment	1,317,461	1,270,545
Vehicles	1,805,276	1,805,276
Construction in progress	464,768	85,750
	52,652,695	51,725,970
Less accumulated depreciation	(19,972,192)	(18,045,460)
	<u>\$ 32,680,503</u>	<u>\$ 33,680,510</u>

As of December 31, 2018 and 2017, 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 July 31, 2020, with a variable interest rate which is LIBOR plus 1.75%. The interest rate at December 31, 2018 was 4.19%. The line of credit is secured by all assets. There was \$1,406,291 outstanding at December 31, 2018.

The Organization had a line of credit in the amount of \$1,500,000 that matured 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 was 4.75%. The line of credit is secured by all assets. There was \$1,325,762 outstanding at December 31, 2017. The line of credit was extended on January 25, 2018 and March 14, 2018.

The Organization has 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. There was no amount outstanding at December 31, 2018. The note is secured by real property.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 6—Notes payable

On March 14, 2018, the Organization refinanced substantially all its notes payable into one note payable.

Notes payable consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Note payable, due in monthly interest only installments through March 2019. Principal and interest payments beginning in April 2019 including interest of LIBOR plus 1.75%, through March 2023. Collateral is real estate and all other assets.	\$ 21,500,000	\$ -
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 was real estate. Refinanced March 14, 2018.	-	4,856,600
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
Note payable, due in monthly principal installments of \$13,177, including interest at LIBOR plus 2.15% through October 2020. Collateral was real estate. Refinanced March 14, 2018.	-	2,510,942
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 was real estate. Refinanced March 14, 2018.	-	1,846,268
Note payable, due in monthly installments of \$5,521, including interest at 2.00%, through February 2024. Collateral is real estate.	324,943	384,050
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 was 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.	9,859	11,373
	21,834,802	13,756,424
Less unamortized debt issuance costs	(67,600)	(46,107)
	21,767,202	13,710,317
Less current maturities	(701,635)	(236,335)
	<u>\$ 21,065,567</u>	<u>\$ 13,473,982</u>

Interest on the line of credit (see Note 5) and notes payable was expensed as incurred for the years ended December 31, 2018 and 2017.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 6—Notes payable (continued)

Aggregate maturities on the notes payable at December 31, 2018 are as follows:

2019	\$ 701,635
2020	950,065
2021	992,899
2022	1,037,306
2023	18,141,703
Thereafter	11,194
	<u>\$ 21,834,802</u>

The notes payable, along with the line of credit arrangements discussed in Note 5 are subject to certain covenants related to the consolidated financial statements, fixed charge coverage, and certain permitted indebtedness. At December 31, 2018 and 2017, management was not aware of any violations of these covenants.

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 fair value of the interest rate swap agreement at December 31, 2018 was a liability of \$174,477, and is included as a liability in the consolidated 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 a decrease in fair value of the interest rate swap agreement of \$174,477 for 2018. The maturity date of the swap agreement coincides to that of the note payable. A summary of the interest rate swap at December 31, 2018 and 2017 is in the table below:

Issuance	Start Date	Maturity	Fair Value at December 31, 2018	Fair Value at December 31, 2017
18038311SWNHG	3/14/2018	3/14/2023	\$ (174,477)	\$ -
			<u>\$ (174,477)</u>	<u>\$ -</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.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 7—Bonds payable

On March 14, 2018, the Organization refinanced its bonds payable into one note payable. Bonds payable consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
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 was real estate. Refinanced March 14, 2018.	\$ -	\$ 5,249,783
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 was real estate. Refinanced March 14, 2018.	-	1,430,278
	-	6,680,061
Less unamortized debt issuance costs	-	(47,974)
	-	6,632,087
Less current maturities	-	(80,562)
	<u>\$ -</u>	<u>\$ 6,551,525</u>

Interest expense on the bonds payable was \$65,158 and \$242,193 for the years ended December 31, 2018 and 2017, respectively.

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

### Note 8—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Scholarships and education initiatives	\$ 584,981	\$ 464,072
Hand Up campaign	1,539,690	289,558
Hispanic services	10,000	10,000
Other educational programs	10,300	10,300
	<u>\$ 2,144,971</u>	<u>\$ 773,930</u>

Net assets with donor restrictions consist of cash and investments at December 31, 2018 and 2017. No amounts are required to be held in perpetuity at December 31, 2018 and 2017.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 9—Assets limited as to use

At December 31, 2018 and 2017, assets were limited as to use for the following purposes:

	2018	2017
Student financial aid	\$ 44,208	\$ 8,204
Good Vocations	-	100,971
	<u>\$ 44,208</u>	<u>\$ 109,175</u>

### Note 10—Net assets released from restrictions

Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2018	2017
Purpose restrictions accomplished:		
Scholarships and education initiatives	\$ 25,097	\$ 121,413
Hospitality lab	15,000	10,000
Other programs	-	20,758
	<u>\$ 40,097</u>	<u>\$ 152,171</u>

### Note 11—Leases

The Organization leases real estate under operating lease commitments expiring in various years through 2028. Those leases generally contain renewal options for periods ranging from one to ten years and require the Organization to pay all executory costs such as taxes, maintenance, and insurance. Facility rental expense amounted to \$1,011,907 and \$1,046,684 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under the operating leases at December 31, 2018 are as follows:

2019	\$ 1,031,164
2020	610,419
2021	402,772
2022	410,032
2023	420,419
Thereafter	<u>1,732,042</u>
	<u>\$ 4,606,848</u>

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2018 AND 2017*

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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, 2018 and 2017 was \$241,165 and \$249,860, 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, 2018 and 2017. The fair value of the assets in the plan and related liability at December 31, 2018 and 2017 were \$326,885 and \$354,711, respectively.

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

During the year ended December 31, 2018, the Organization received \$319,197 for staffing and custodial services from a Company of which a key employee is a member of the Organization's Board of Directors. There were no payments received from this Company during the year ended December 31, 2017.

The Organization has an agreement with a Board member to lease retail space. Lease expense for each of the years ended December 31, 2018 and 2017 was \$129,288 and \$149,268, respectively.

### **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, 2018 or 2017. Total contribution expense for the years ended December 31, 2018 and 2017 was \$94,687 and \$92,230, respectively.

### **Note 15—Major customers**

For both the years ended December 31, 2018 and 2017, one customer, the United States Department of Defense, accounted for approximately 22% of the Organization's total revenue, gains, and other support, net of contribution revenue. At December 31, 2018 and 2017, accounts receivable from one customer, the United States Department of Defense, accounted for approximately 43% and 38%, 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 CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

### Note 17—Liquidity and availability of resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows:

	<b>2018</b>
Cash and cash equivalents	\$ 1,232,511
Certificates of deposit	9,352
Accounts receivable, net of allowance for doubtful accounts of approximately \$1,200,000	4,601,268
Investments	675,480
	<u>\$ 6,518,611</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of sales and operations, contract services, career services, education and hospitality, staffing services, fundraising, and management and general expenses to be general expenditures. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$1,500,000 with \$93,709 available at December 31, 2018, and a guidance line of credit - non-revolving in the amount of \$1,000,000, which it could draw upon.

### Note 18—Business combination

On August 1, 2018, the Organization acquired The Pinnacle Club, Inc. (the "Club"), a 501(c)(7) private social club through Helms College, LLC entering into a long-term management agreement with the Club to expand the applied learning opportunities of Helms College students. The following table summarizes the amount of assets acquired and liabilities recognized at the acquisition date.

Financial assets	\$ 160,625
Accounts receivable, net of allowance for doubtful accounts of approximately \$21,000	73,907
Inventories	19,018
Property and equipment, at cost, net	172,841
Accounts payable and accrued expenses	(180,626)
Dues billed in advance	(50,000)
Total identifiable net assets	<u>195,765</u>
Inherent contribution received	<u>(195,765)</u>
	<u>\$ -</u>

On the consolidated statement of activities, the inherent contribution received is recorded as the excess of fair value of net assets acquired of the Club and is included in contributions as an increase in unrestricted net assets.



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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*DECEMBER 31, 2018 AND 2017*

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### **Note 19—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.

*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.

### **Note 20—Subsequent events**

The Organization has evaluated subsequent events through May 21, 2019, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued. As of this date, there were no material subsequent events requiring adjustment to or disclosure in the consolidated financial statements for the year ended December 31, 2018.

## **SUPPLEMENTARY INFORMATION**

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

*DECEMBER 31, 2018*

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
<b>ASSETS</b>								
Current Assets:								
Cash	\$ 861,712	\$ 13,733	\$ -	\$ -	\$ 218,042	\$ 139,024	\$ -	\$ 1,232,511
Certificates of deposit	-	-	-	-	9,352	-	-	9,352
Accounts receivable, net of allowance for doubtful accounts	696,314	1,535,101	1,988,157	237,887	17,838	125,971	-	4,601,268
Promises to give, net of allowance for doubtful accounts	-	-	-	-	464,526	-	-	464,526
Inventories	2,635,397	125,189	-	-	-	-	-	2,760,586
Investments	675,480	-	-	-	-	-	-	675,480
Prepaid expenses	260,143	114,594	70,143	5,191	7,479	-	-	457,550
Total Current Assets	5,129,046	1,788,617	2,058,300	243,078	717,237	264,995	-	10,201,273
Assets limited as to use	-	44,208	-	-	-	-	-	44,208
Investments and Other Assets:								
Investment in subsidiaries	(16,533,505)	-	-	-	-	-	16,533,505	-
Promises to give, less current portion, net of allowance for doubtful accounts and discount	-	-	-	-	673,393	-	-	673,393
Assets held in deferred compensation plan	326,885	-	-	-	-	-	-	326,885
Total Investments and Other Assets	(16,206,620)	-	-	-	673,393	-	16,533,505	1,000,278
Property and equipment, at cost, net	32,261,596	397,168	-	-	21,739	-	-	32,680,503
<b>Total Assets</b>	<b>\$ 21,184,022</b>	<b>\$ 2,229,993</b>	<b>\$ 2,058,300</b>	<b>\$ 243,078</b>	<b>\$ 1,412,369</b>	<b>\$ 264,995</b>	<b>\$ 16,533,505</b>	<b>\$ 43,926,262</b>

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

DECEMBER 31, 2018

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>								
Current Liabilities:								
Accounts payable	\$ 891,345	\$ 270,481	\$ 598,580	\$ -	\$ 5,204	\$ -	\$ -	\$ 1,765,610
Salaries and benefits payable	1,225,585	-	272,537	33,093	-	-	-	1,531,215
Payroll withholdings	13,989	-	-	7,636	-	-	-	21,625
Sales tax payable	99,124	19,562	-	-	-	-	-	118,686
Deferred revenue	94,998	218,731	-	-	13,510	-	-	327,239
Dues billed in advance	-	-	-	-	-	50,000	-	50,000
Current maturities of notes payable	701,635	-	-	-	-	-	-	701,635
Intercompany (receivable) payable	(12,842,754)	18,565,107	(5,023,955)	(108,034)	(805,359)	214,995	-	-
Total Current Liabilities	(9,816,078)	19,073,881	(4,152,838)	(67,305)	(786,645)	264,995	-	4,516,010
Long-term Liabilities:								
Line of credit agreement	1,406,291	-	-	-	-	-	-	1,406,291
Notes payable, less current maturities, net of debt issuance costs	21,065,567	-	-	-	-	-	-	21,065,567
Interest rate swap obligation payable	174,477	-	-	-	-	-	-	174,477
Deferred compensation plan assets payable	326,885	-	-	-	-	-	-	326,885
Total Long-term Liabilities	22,973,220	-	-	-	-	-	-	22,973,220
Net Assets:								
Without donor restrictions:								
Undesignated	7,526,880	(16,843,888)	6,211,138	310,383	54,043	-	16,533,505	13,792,061
Designated by the Board	500,000	-	-	-	-	-	-	500,000
With donor restrictions	-	-	-	-	2,144,971	-	-	2,144,971
Total Net Assets	8,026,880	(16,843,888)	6,211,138	310,383	2,199,014	-	16,533,505	16,437,032
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,184,022</b>	<b>\$ 2,229,993</b>	<b>\$ 2,058,300</b>	<b>\$ 243,078</b>	<b>\$ 1,412,369</b>	<b>\$ 264,995</b>	<b>\$ 16,533,505</b>	<b>\$ 43,926,262</b>

**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**CONSOLIDATING 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 subsidiaries	(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**  
**CONSOLIDATING 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:							
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
Current maturities of notes payable	236,335	-	-	-	-	-	236,335
Current maturities of bonds payable	80,562	-	-	-	-	-	80,562
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:							
Without donor restrictions:							
Undesignated	10,251,761	(15,107,092)	4,815,151	650,517	64,578	14,456,575	15,131,490
Designated by the Board	500,000	-	-	-	-	-	500,000
With donor restrictions	-	-	-	-	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

## CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
<b>Change in Net Assets Without Donor Restrictions</b>								
Revenue and Gains:								
Contributions	\$ 76,658	\$ 136,374	\$ -	\$ -	\$ 793,958	\$ 195,765	\$ (781,431)	\$ 421,324
Contributed revenue - donated goods	17,682,548	-	-	-	-	-	-	17,682,548
Retail sales, net of contributed revenue - donated goods	2,874,665	-	-	-	-	-	-	2,874,665
Government grants and performance contracts	864,687	-	-	-	-	-	-	864,687
Contract services	1,333,476	134,797	9,859,741	-	-	-	(83,466)	11,244,548
Staffing services	-	-	-	2,987,850	-	-	(707,617)	2,280,233
Education and hospitality	75,318	6,992,614	-	-	-	504,985	(134,796)	7,438,121
Change in fair value of derivatives	(174,477)	-	-	-	-	-	-	(174,477)
Investment return, net	(22,337)	-	-	-	368	-	-	(21,969)
Management fee	1,719,032	700,973	-	-	-	-	(2,420,005)	-
Rental income	317,486	-	-	-	-	-	-	317,486
Other	22,557	2,651	-	-	-	223	-	25,431
Loss on affiliates	(2,076,930)	-	-	-	-	-	2,076,930	-
<b>Total Revenue and Gains Without Donor Restrictions</b>	<b>22,692,683</b>	<b>7,967,409</b>	<b>9,859,741</b>	<b>2,987,850</b>	<b>794,326</b>	<b>700,973</b>	<b>(2,050,385)</b>	<b>42,952,597</b>
Net assets released from restrictions:								
Satisfaction of program restrictions	-	-	-	-	40,097	-	-	40,097
Total net assets released from restriction	-	-	-	-	40,097	-	-	40,097
<b>Total Revenue, Gains, and Other Support Without Donor Restrictions</b>	<b>22,692,683</b>	<b>7,967,409</b>	<b>9,859,741</b>	<b>2,987,850</b>	<b>834,423</b>	<b>700,973</b>	<b>(2,050,385)</b>	<b>42,992,694</b>
Expenses:								
Program Services:								
Sales and operations	14,244,636	-	-	-	-	-	(331,454)	13,913,182
Contract services	1,883,111	-	6,744,722	-	-	-	(173,467)	8,454,366
Career services	2,169,796	-	-	-	-	-	(26,811)	2,142,985
Staffing services	-	-	-	3,327,984	-	-	(13,121)	3,314,863
Education and hospitality	-	9,744,303	-	-	-	-	(251,421)	9,492,882
<b>Total Program Services</b>	<b>18,297,543</b>	<b>9,744,303</b>	<b>6,744,722</b>	<b>3,327,984</b>	<b>-</b>	<b>-</b>	<b>(796,274)</b>	<b>37,318,278</b>
Support Services:								
Management and general	7,120,021	-	1,719,032	-	-	700,973	(3,226,041)	6,313,985
Fundraising	-	-	-	-	844,958	-	(145,098)	699,860
<b>Total Support Services</b>	<b>7,120,021</b>	<b>-</b>	<b>1,719,032</b>	<b>-</b>	<b>844,958</b>	<b>700,973</b>	<b>(3,371,139)</b>	<b>7,013,845</b>
<b>Total Expenses</b>	<b>25,417,564</b>	<b>9,744,303</b>	<b>8,463,754</b>	<b>3,327,984</b>	<b>844,958</b>	<b>700,973</b>	<b>(4,167,413)</b>	<b>44,332,123</b>

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

*YEAR ENDED DECEMBER 31, 2018*

	<b>Goodwill Industries</b>	<b>Helms, LLC</b>	<b>Good Vocations</b>	<b>Goodwill Staffing Services</b>	<b>Goodwill Works Foundation, Inc.</b>	<b>The Pinnacle Club, Inc.</b>	<b>Eliminations</b>	<b>Total</b>
Change in Net Assets Without Donor Restrictions	\$ (2,724,881)	\$ (1,776,894)	\$ 1,395,987	\$ (340,134)	\$ (10,535)	\$ -	\$ 2,117,028	\$ (1,339,429)
<b>Change in Net Assets With Donor Restrictions</b>								
Contributions	-	40,098	-	-	1,411,138	-	(40,098)	1,411,138
Net asset released from restrictions	-	-	-	-	(40,097)	-	-	(40,097)
Change in Net Assets with Donor Restrictions	-	40,098	-	-	1,371,041	-	(40,098)	1,371,041
Change in Net Assets	(2,724,881)	(1,736,796)	1,395,987	(340,134)	1,360,506	-	2,076,930	31,612
Net assets, beginning of year	10,751,761	(15,107,092)	4,815,151	650,517	838,508	-	14,456,575	16,405,420
Net assets, end of year	<u>\$ 8,026,880</u>	<u>\$ (16,843,888)</u>	<u>\$ 6,211,138</u>	<u>\$ 310,383</u>	<u>\$ 2,199,014</u>	<u>\$ -</u>	<u>\$ 16,533,505</u>	<u>\$ 16,437,032</u>



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	Eliminations	Total
<b>Change in Net Assets Without Donor Restrictions</b>							
Revenue and Gains:							
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 affiliates	(2,026,922)	-	-	-	-	2,026,922	-
Total Revenue and Gains Without Donor Restrictions	22,607,199	5,305,347	8,760,525	3,875,983	438,728	(1,292,369)	39,695,413
Net assets released from restrictions:							
Satisfaction of program restrictions	65,357	-	-	-	86,814	-	152,171
Total net assets released from restriction	65,357	-	-	-	86,814	-	152,171
Total Revenue, Gains, and Other Support Without Donor Restrictions	22,672,556	5,305,347	8,760,525	3,875,983	525,542	(1,292,369)	39,847,584
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
Total Program Services	17,820,937	7,461,812	6,137,139	3,794,496	-	(1,246,467)	33,967,917
Support Services:							
Management and general	6,168,573	-	1,545,701	-	-	(2,013,809)	5,700,465
Fundraising	-	-	-	-	561,584	(121,305)	440,279
Total Support Services	6,168,573	-	1,545,701	-	561,584	(2,135,114)	6,140,744
Total Expenses	23,989,510	7,461,812	7,682,840	3,794,496	561,584	(3,381,581)	40,108,661

**GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES**  
**CONSOLIDATING 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 Net Assets Without Donor Restrictions	\$ (1,316,954)	\$ (2,156,465)	\$ 1,077,685	\$ 81,487	\$ (36,042)	\$ 2,089,212	\$ (261,077)
<b>Change in Net Assets With Donor Restrictions</b>							
Contributions	79,591	48,056	-	-	431,299	(62,290)	496,656
Net asset released from restrictions	(65,357)	-	-	-	(86,814)	-	(152,171)
Change in Net Assets with Donor Restrictions	14,234	48,056	-	-	344,485	(62,290)	344,485
Change in Net Assets	(1,302,720)	(2,108,409)	1,077,685	81,487	308,443	2,026,922	83,408
Net assets, beginning of year	12,054,481	(12,998,683)	3,737,466	569,030	530,065	12,429,653	16,322,012
Net assets, end of year	<u>\$ 10,751,761</u>	<u>\$ (15,107,092)</u>	<u>\$ 4,815,151</u>	<u>\$ 650,517</u>	<u>\$ 838,508</u>	<u>\$ 14,456,575</u>	<u>\$ 16,405,420</u>

## **COMPLIANCE SECTION**

**Report of Independent Auditor on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Consolidated 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 consolidated financial statements of Goodwill Industries of Middle Georgia, Inc. and its consolidated affiliates (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2018 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 21, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated 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 21, 2019

## **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 consolidated 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, 2018. 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, 2018.

### **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 2018-001 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 21, 2019

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Contract or Project Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>SNAP Cluster</b>			
<b>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b>			
Passed through			
Goodwill Industries of North Georgia (GING)			
Supplemental Nutrition Assistance Program (State Administrative Match)	10.561	42700-040-64295	\$ 11,796
		Total SNAP Cluster	11,796
<b>Pilot Projects to Reduce Dependency and Increase Work Requirements</b>			
Passed through			
South Carolina Department of Social Services (SCDSS)			
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400017075	19,009
		Total CFDA #10.596	19,009
<b>Total U.S. Department of Agriculture</b>			<b>30,805</b>
<b>U.S. Department of Labor</b>			
<b>Senior Community Service Employment Program</b>			
Passed through			
Goodwill International, Inc			
Supportive Services for South Carolina Senior Residents	17.235	Agreement 07-01-2017	130,035
Supportive Services for South Carolina Senior Residents	17.235	Agreement 07-01-2018	125,154
		Total CFDA #17.235	255,189
<b>WIOA Cluster</b>			
Passed through			
Middle Georgia Regional Commission			
WIOA Adult Program	17.258	07/01/01 - onward	16,589
WIOA Youth Activities	17.259	04/01/01 - onward	32,558
WIOA Dislocated Worker Formula Grants	17.278	07/01/10 - onward	16,412
		Total WIOA Cluster	65,559
<b>Total U.S. Department of Labor</b>			<b>320,748</b>
<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 10-01-2017	61,260
Supportive Services for Veteran Families (SSVF) Program	64.033	MOA 10-01-2018	15,921
		Total CFDA #64.033	77,181
<b>Total U.S. Department of Veteran Affairs</b>			<b>77,181</b>
<b>U.S. Department of Education</b>			
<b>Student Financial Assistance Cluster</b>			
Direct			
Student Financial Assistance Cluster -			
Federal Supplemental Educational Opportunity	84.007		16,302
Federal Supplemental Educational Opportunity Administrative Allowance	84.007		1,079
Federal Work Study Program	84.033		4,290
Federal Work Study Program Administrative Allowance	84.033		226
Federal Pell Grant Program	84.063		1,134,144
Federal Pell Grant Program Administrative Allowance	840.63		1,380
Federal Direct Student Loan Program	84.268		2,177,156
		Total Student Financial Assistance Cluster	3,334,577
<b>Rehabilitation Services-Vocational Rehabilitation Grants to States</b>			
Passed through			
Georgia Vocational Rehabilitation Agency			
Vocational Rehabilitation	84.126	MOU Step & Services Agreement	433,433
		Total CFDA #93.556	433,433
<b>Total U.S. Department of Education</b>			<b>3,768,010</b>
<b>Total</b>			<b>\$ 4,196,744</b>

See Notes to the Schedule of Expenditures of Federal Awards.



# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2018

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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 consolidated 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, 2018.

### Note 4—Non-cash awards

The Organization did not receive non-cash federal awards during the year ended December 31, 2018.

### 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, 2018

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

#### Consolidated Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes      X   none reported

Noncompliance material to consolidated financial statements noted?

\_\_\_\_\_ yes      X   no

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      X   no
- Significant deficiency(ies) identified?   X   yes    \_\_\_\_\_ 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 Consolidated Financial Statements

None.

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

#### **Finding 2018-001**

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

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

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED DECEMBER 31, 2018*

---

### **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 established policies and procedures regarding the verification of information for students selected by the Department of Education for verification. Out of a sample of forty (40) students who received federal student financial aid, ten (10) 2017/18 FAFSAs and four (4) 2018/19 FAFSAs were selected by the Secretary for verification. For one (1) of the 2018/19 FAFSAs, the College could not provide support indicating verification was performed. This resulted in the College not accurately verifying all required items on the FAFSA.

### **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**

\$1,950 calculated as the amount of aid applied to the student prior to the satisfactory completion of the verification process.

### **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 implement a Verification Checklist to ensure receipt and use of acceptable documentation required to complete the verification process for students selected for verification. Verification performed prior to October 1, 2018 will be reviewed by two Financial Aid Managers using the Verification Checklist. Signatures of both verification reviewers will be required on the Verification Checklist to attest to accurate verification. For awards generated after October 1, 2018, Campus Ivy will perform verification. A subsequent review of the Campus Ivy Verification/C Code Processing Log will be performed by a Financial Aid Manager using the Verification Checklist to attest to accurate verification.

# GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2018

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

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 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.

### **Current Status**

Finding not fully corrected in the current year. See repeat finding at 2018-001.



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 2018-001**

**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 College will implement a Verification Checklist to ensure receipt and use of acceptable documentation required to complete the verification process for students selected for verification. Verification performed prior to October 1, 2018 will be reviewed by two Financial Aid Managers using the Verification Checklist. Signatures of both verification reviewers will be required on the Verification Checklist to attest to accurate verification. For awards generated after October 1, 2018, Campus Ivy will perform verification. A subsequent review of the Campus Ivy Verification/C Code Processing Log will be performed by a Financial Aid Manager using the Verification Checklist to attest to accurate verification.

Implementation Date: May 1, 2019

Contact Person: Gerri Bogan, Financial Aid Manager, (706) 854-4706.

Tim Ligon, Chief Financial Officer

A blue ink signature of Tim Ligon, consisting of a stylized 'T' followed by a cursive 'L' and 'L'.

Date

The date "5/1/19" written in blue ink.

Gary Markowitz, Senior Vice President of Education

A blue ink signature of Gary Markowitz, featuring a stylized 'G' and 'M'.

Date

The date "5-1-19" written in blue ink.

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