

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND COMPLIANCE

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

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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, 2019 and 2018, 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 Organization'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 Organization'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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 19 to the consolidated financial statements, as a result of the spread of COVID-19 in early 2020, economic uncertainties have arisen which are likely to negatively impact the operating results of the Organization. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

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 December 1, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

Augusta, Georgia
December 1, 2020

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 923,293	\$ 1,232,511
Certificates of deposit	9,486	9,352
Accounts receivable, net of allowance for doubtful accounts of approximately \$1,200,000 in 2019 and 2018	4,342,365	4,601,268
Promises to give, net of allowance for uncollectible pledges	341,338	464,526
Inventories	3,592,860	2,760,586
Investments	879,800	675,480
Prepaid expenses	233,757	457,550
Total Current Assets	<u>10,322,899</u>	<u>10,201,273</u>
Assets limited as to use - cash and cash equivalents	<u>5,400</u>	<u>44,208</u>
Investments and Other Assets:		
Promises to give, less current portion, net of allowance for uncollectible pledges and discount	413,004	673,393
Assets held in deferred compensation plan	<u>326,885</u>	<u>326,885</u>
Total Investments and Other Assets	<u>739,889</u>	<u>1,000,278</u>
Property and equipment, at cost, net	<u>31,802,512</u>	<u>32,680,503</u>
Total Assets	<u><u>\$ 42,870,700</u></u>	<u><u>\$ 43,926,262</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,530,637	\$ 1,765,610
Salaries and benefits payable	1,659,823	1,531,215
Payroll withholdings	16,583	21,625
Sales tax payable	118,946	118,686
Deferred revenue	608,755	327,239
Dues billed in advance	50,000	50,000
Current maturities of notes payable	<u>950,437</u>	<u>701,635</u>
Total Current Liabilities	<u>4,935,181</u>	<u>4,516,010</u>
Long-Term Liabilities:		
Line of credit agreement	1,460,949	1,406,291
Notes payable, less current maturities, net of debt issuance costs	20,126,032	21,065,567
Interest rate swap obligation payable	425,609	174,477
Deferred compensation plan assets payable	<u>326,885</u>	<u>326,885</u>
Total Long-Term Liabilities	<u>22,339,475</u>	<u>22,973,220</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	12,735,565	13,792,061
Designated by the Board	500,000	500,000
With Donor Restrictions	<u>2,360,479</u>	<u>2,144,971</u>
Total Net Assets	<u>15,596,044</u>	<u>16,437,032</u>
Total Liabilities and Net Assets	<u><u>\$ 42,870,700</u></u>	<u><u>\$ 43,926,262</u></u>

The accompanying notes to the consolidated financial statements are an integral part of these statements. 3

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Change in Net Assets Without Donor Restrictions:		
Revenue and Gains:		
Contributions	\$ 596,162	\$ 421,324
Contributed revenue - donated goods	18,739,784	17,682,548
Retail sales	3,353,098	2,874,665
Government grants and performance contracts	766,614	864,687
Contract services	11,675,747	11,244,548
Staffing services	1,604,919	2,280,233
Education and hospitality	9,130,197	7,438,121
Change in fair value of derivatives	(251,132)	(174,477)
Investment return, net	198,580	(21,969)
Rental income	292,930	317,486
Other	37,017	25,431
Total Revenue and Gains Without Donor Restrictions	46,143,916	42,952,597
Net Assets Released From Restrictions:		
Satisfaction of program restrictions	33,396	40,097
Total Revenue, Gains, and Other Support Without Donor Restrictions	46,177,312	42,992,694
Expenses and Losses:		
Program Services:		
Sales and operations	15,372,322	13,913,182
Contract services	9,152,488	8,454,366
Career services	3,004,940	2,142,985
Staffing services	2,344,981	3,314,863
Education and hospitality	9,835,994	9,492,882
Total Program Services	39,710,725	37,318,278
Support Services:		
Management and general	6,920,986	6,313,985
Fundraising	602,097	699,860
Total Support Services	7,523,083	7,013,845
Total Expenses	47,233,808	44,332,123
Change in Net Assets Without Donor Restrictions	(1,056,496)	(1,339,429)
Change in Net Assets With Donor Restrictions:		
Contributions	248,904	1,411,138
Net asset released from restrictions	(33,396)	(40,097)
Change in Net Assets With Donor Restrictions	215,508	1,371,041
Change in net assets	(840,988)	31,612
Net assets, beginning of year	16,437,032	16,405,420
Net assets, end of year	\$ 15,596,044	\$ 16,437,032

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

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Sales and Operations	Contract Services	Career Services	Education and Hospitality	Staffing Services	Total Program Services	Management and General	Fundraising	Total Expenses 2019	Total Expenses 2018
Salaries and contract labor	\$ 7,432,381	\$ 5,238,597	\$ 1,731,108	\$ 3,947,608	\$ 1,974,437	\$ 20,324,131	\$ 3,274,502	\$ 305,067	\$ 23,903,700	\$ 22,807,322
Employee fringe benefits	2,079,697	2,077,562	324,528	817,981	260,765	5,560,533	930,293	31,014	6,521,840	5,752,915
Professional fees and services	52,002	30,373	7,764	234,241	25,840	350,220	523,842	39,400	913,462	965,839
Transaction processing fees and bank charges	285,818	13,055	-	102,283	-	401,156	55,786	4,966	461,908	424,313
Operating supplies	397,897	859,654	180,488	551,752	384	1,990,175	88,768	733	2,079,676	1,885,317
Goods purchased for resale	472,825	146,649	-	1,443,309	-	2,062,783	-	-	2,062,783	1,575,902
Computer equipment and software	26,428	2,486	11,827	81,651	2,621	125,013	85,739	1,864	212,616	211,265
Postage and shipping	253,772	439	41	851	99	255,202	18,696	-	273,898	181,647
Facility rent	880,690	-	96,420	208,052	-	1,185,162	18,405	-	1,203,567	1,011,907
Commercial insurance	193,702	50,461	32,783	63,145	5,249	345,340	123,280	321	468,941	437,802
Interest	419,105	12,934	47,661	290,541	568	770,809	200,181	133	971,123	947,386
Taxes, licenses, and fees	138,535	7,981	8,849	41,954	40	197,359	23,881	-	221,240	180,855
Building and property maintenance	214,021	20,968	24,515	124,277	10	383,791	128,598	9	512,398	473,078
Utilities	985,838	42,495	101,712	258,004	732	1,388,781	121,220	-	1,510,001	1,387,337
Security services	28,832	170	5,679	63,020	683	98,384	14,715	300	113,399	108,913
Rental and maintenance of equipment	124,073	2,391	1,019	28,079	179	155,741	3,024	-	158,765	97,761
Advertising - recruitment	2,443	-	4,277	26,852	927	34,499	12,194	637	47,330	64,736
Advertising - promotion, including donated services	231,393	1,279	104,688	586,292	2,922	926,574	81,786	8,983	1,017,343	1,045,741
Outside printing services	12,531	69	1,024	25,391	184	39,199	14,664	1,349	55,212	32,847
Vehicles - consumable supplies	81,553	49,878	864	267	-	132,562	17,506	-	150,068	167,785
Vehicles - maintenance	83,781	32,577	-	469	-	116,827	6,321	-	123,148	121,847
Travel	75,361	28,787	50,502	112,055	31,977	298,682	188,213	1,300	488,195	483,114
Client transportation	-	23	-	-	-	23	-	-	23	1,074
Meetings and conferences	1,646	2,324	18,410	33,989	457	56,826	35,312	-	92,138	100,928
Events expense	-	-	-	-	-	-	-	73,843	73,843	63,105
Dues	4,846	388,182	5,792	30,022	2,045	430,887	228,115	3,802	662,804	608,096
Telephone and communications	132,317	39,254	64,944	76,554	7,301	320,370	108,172	-	428,542	394,367
Pre-employment screening tests	29,358	8,211	21,856	5,758	15,096	80,279	1,085	-	81,364	86,607
Employee relations	11,803	122	289	4,363	-	16,577	107,221	-	123,798	104,062
Employee uniforms	31,207	38,641	2,297	9,184	103	81,432	2,948	-	84,380	80,307
Bad debt (recoveries)	-	-	-	316	-	316	40,000	118,185	158,501	458,038
Miscellaneous	9,316	427	-	11,545	3,910	25,198	577	265	26,040	11,533
Depreciation	679,151	56,499	155,603	622,793	8,452	1,522,498	463,762	9,310	1,995,570	2,024,012
Tuition assistance	-	-	-	33,396	-	33,396	-	-	33,396	25,598
Contributions to others	-	-	-	-	-	-	2,180	616	2,796	8,767
Total expenses	\$ 15,372,322	\$ 9,152,488	\$ 3,004,940	\$ 9,835,994	\$ 2,344,981	\$ 39,710,725	\$ 6,920,986	\$ 602,097	\$ 47,233,808	\$ 44,332,123

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

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
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
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
Professional fees and services	68,109	23,051	3,848	193,867	27,527	316,402	511,093	138,344	965,839
Transaction processing fees and bank charges	275,283	10,190	-	62,376	25	347,874	73,334	3,105	424,313
Operating supplies	364,305	766,658	24,165	633,127	1,586	1,789,841	93,747	1,729	1,885,317
Goods purchased for resale	296,314	117,308	-	1,162,207	73	1,575,902	-	-	1,575,902
Computer equipment and software	12,917	5,187	15,924	60,030	5,293	99,351	105,410	6,504	211,265
Postage and shipping	161,477	354	15	811	10	162,667	18,750	230	181,647
Facility rent	800,981	-	106,118	86,688	-	993,787	18,120	-	1,011,907
Commercial insurance	185,549	47,265	35,876	61,675	5,231	335,596	101,921	285	437,802
Interest	414,246	12,653	26,997	293,475	546	747,917	199,441	28	947,386
Taxes, licenses, and fees	122,958	3,574	6,409	23,373	-	156,314	24,541	-	180,855
Building and property maintenance	227,118	36,745	25,495	73,379	-	362,737	110,341	-	473,078
Utilities	876,953	41,119	74,831	300,053	719	1,293,675	93,662	-	1,387,337
Security services	23,911	-	6,416	51,319	456	82,102	23,584	3,227	108,913
Rental and maintenance of equipment	71,441	3,543	378	13,583	384	89,329	7,477	955	97,761
Advertising - recruitment	2,837	60	1,751	14,719	1,273	20,640	42,850	1,246	64,736
Advertising - promotion, including donated services	335,258	390	2,141	657,512	3,888	999,189	20,815	25,737	1,045,741
Outside printing services	7,194	136	1,047	8,389	-	16,766	5,874	10,207	32,847
Vehicles - consumable supplies	91,648	50,603	1,572	697	-	144,520	23,265	-	167,785
Vehicles - maintenance	103,067	12,646	-	220	-	115,933	5,914	-	121,847
Travel	61,027	27,911	36,705	126,809	55,343	307,795	165,380	9,939	483,114
Client transportation	-	-	-	-	-	-	1,074	-	1,074
Meetings and conferences	1,594	3,024	15,889	39,600	4,701	64,808	36,120	-	100,928
Events expense	-	-	-	-	-	-	-	63,105	63,105
Dues	5,720	363,465	1,807	19,116	5,212	395,320	210,672	2,104	608,096
Telephone and communications	115,420	39,571	57,016	66,585	15,454	294,046	99,649	672	394,367
Pre-employment screening tests	25,218	9,563	1,370	20,569	26,879	83,599	3,008	-	86,607
Employee relations	7,706	113	319	1,439	-	9,577	91,986	2,499	104,062
Employee uniforms	31,326	30,900	949	11,081	1,794	76,050	4,257	-	80,307
Bad debt (recoveries)	-	-	-	230,150	50,000	280,150	110,577	67,311	458,038
Miscellaneous	1,453	27	-	5,170	2,277	8,927	2,142	464	11,533
Depreciation	663,129	65,190	96,890	646,648	12,206	1,484,063	529,004	10,945	2,024,012
Tuition assistance	-	-	-	25,598	-	25,598	-	-	25,598
Contributions to others	-	209	-	-	-	209	8,058	500	8,767
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

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

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (840,988)	\$ 31,612
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,995,570	2,024,012
Amortization of debt issuance costs	10,107	17,509
Inherent contribution received - Pinnacle Club	-	(195,765)
Unrealized (gain) loss on investments	(151,130)	79,587
Investment return, net	(53,190)	(57,134)
Change in interest rate swap obligation payable	251,132	174,477
Loss on refinancing debt	-	94,081
Bad debts, including promises to give	158,501	458,038
Change in assets and liabilities:		
Accounts receivable	100,402	(878,137)
Promises to give	383,577	(801,225)
Inventories	(832,274)	(642,914)
Prepaid expenses	223,659	(249,807)
Accounts payable	(234,973)	(57,821)
Salaries and benefits payable	128,608	43,899
Payroll withholdings	(5,042)	2,950
Sales tax payable	260	11,119
Deferred revenue	281,516	98,562
Net cash from operating activities	1,415,735	153,043
Cash flows from investing activities:		
Purchases of property and equipment	(1,918,885)	(851,164)
Proceeds from sale of property and equipment	801,306	-
Net cash from investing activities	(1,117,579)	(851,164)
Cash flows from financing activities:		
Payments on notes payable	(700,840)	(13,421,802)
Payments on bonds payable	-	(6,680,061)
Proceeds from the issuance of notes payable	-	21,500,000
Debt issuance costs	-	(84,929)
Net borrowings under line of credit agreement	54,658	80,529
Net cash from financing activities	(646,182)	1,393,737
Net change in cash and cash equivalents	(348,026)	695,616
Cash and cash equivalents, beginning of year	1,276,719	581,103
Cash and cash equivalents, end of year	\$ 928,693	\$ 1,276,719
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 959,056	\$ 927,551
Cash and cash equivalents are included in the Consolidated Statements of Financial Position as follows:		
Cash and cash equivalents	\$ 923,293	\$ 1,232,511
Cash and cash equivalents included in assets limited as to use	5,400	44,208
	\$ 928,693	\$ 1,276,719

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 35-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, LLC, 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 17).

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 ("U.S. 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 U.S. 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 2019 and 2018, 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, 2019 AND 2018

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

New Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This standard, along with all subsequent amendments to the ASU (collectively, “ASC 606”), creates a single framework for recognizing revenue from contracts with customers that fall within its scope of exchange transactions. There were no material impacts to the consolidated financial statements and underlying accounting as a result of this implementation, which has been applied retrospectively to the 2019 consolidated financial statements.

Management Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 – Revenue is 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.

Recognition of Program Service Revenues – Program service revenues are recorded at the time of sale. All performance obligations are considered met at the time of sale except in the case of advance payments for Pinnacle Club membership dues, which are recorded as deferred revenue until the performance obligation has been met. Sales tax collected from customers as part of the sale, is excluded from revenue and the obligation is included in taxes payable until the taxes are remitted to the state.

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, 2019, the Organization had no amounts on deposit 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, 2019 and 2018, 18% and 27%, respectively, of contribution revenue included as contributions in the consolidated statements 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, 2019 AND 2018

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 as of December 31, 2019 and 2018.

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 inventories 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 online sales requiring additional time to be posted, management changed its estimate of inventory during 2019. The inventory turnover rate is ten weeks and eight weeks for the years ended December 31, 2019 and 2018, 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 \$10,107 and \$17,509 and accumulated amortization was \$30,861 and \$20,574 as of and for the years ended December 31, 2019 and 2018, respectively. The use of the straight-line method is not materially different from the interest method for the years ended December 31, 2019 and 2018. 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, 2019 AND 2018

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.

Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Furniture and fixtures	5 - 10 years
Computer equipment	3 - 5 years
Vehicles	5 years

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 Club membership dues collected for future periods.

Retail Sales – Retail sales totaled \$22,092,882 and \$20,557,213, for the years ended December 31, 2019 and 2018, respectively. Retail sales are presented in the consolidated statements of activities net of donated goods of \$18,739,784 and \$17,682,548 for the years ended December 31, 2019 and 2018, 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 84.1% and 85.6% for the years ended December 31, 2019 and 2018, 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 \$150,105 and \$126,832 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018.

Income Taxes – The Organization qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Club qualifies as a private social club under Section 501(c)(7) of the Code. Therefore, the Organization is exempt from federal income taxes under 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.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018. 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 of \$150,105 and \$126,832, totaled \$914,568 and \$983,645 for the years ended December 31, 2019 and 2018, 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 \$602,097 and \$699,860 for the years ended December 31, 2019 and 2018, 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 fair value measurement and disclosure guidance, which provides a framework for measuring fair value under U.S. GAAP. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

Future Pronouncements – In February 2016, 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, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Promises to give

Promises to give consisted of the following at December 31, 2019:

	Due in Less than 1 Year	Due in 1 - 5 Years	Total
Pledges receivable	\$ 341,338	\$ 560,118	\$ 901,456
Less:			
Discount to net present value	-	(33,769)	(33,769)
Allowance for uncollectible pledges	-	(113,345)	(113,345)
Net pledges receivable	<u>\$ 341,338</u>	<u>\$ 413,004</u>	<u>\$ 754,342</u>

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>

Note 3—Fair value measurements

The Organization has adopted the provision of FASB ASC 820, *Fair Value Measurements and Disclosures*, which requires fair value measurement be classified and disclosed in one of the following three categories:

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 U.S. 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.

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

DECEMBER 31, 2019 AND 2018

Note 3—Fair value measurements (continued)

The tables below summarize the valuation of the Organization's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018, based on the level of input utilized to measure fair value.

Measurement at fair value on a recurring basis:

Fair Value Measurements at December 31, 2019				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market account	\$ 40,881	\$ -	\$ -	\$ 40,881
Common stocks	63,059	-	-	63,059
Mutual funds - small and mid cap growth	144,882	-	-	144,882
Mutual funds - other equity securities	391,476	-	-	391,476
Mutual funds - fixed income	239,502	-	-	239,502
	<u>\$ 879,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879,800</u>
Assets held in deferred compensation plan:				
Mutual funds	<u>\$ 326,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,885</u>
Interest rate swap obligation payable	<u>\$ -</u>	<u>\$ (425,609)</u>	<u>\$ -</u>	<u>\$ (425,609)</u>
Fair Value Measurements at December 31, 2018				
	Level 1	Level 2	Level 3	Total
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>\$ 326,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,885</u>
Interest rate swap obligation payable	<u>\$ -</u>	<u>\$ (174,477)</u>	<u>\$ -</u>	<u>\$ (174,477)</u>

All assets and liabilities 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, 2019 AND 2018

Note 4—Property and equipment, net

Property and equipment, net consists of the following at December 31:

	2019	2018
Land	\$ 5,896,598	\$ 5,896,598
Buildings and improvements	32,871,731	32,620,748
Land improvements	1,558,595	1,558,595
Leasehold improvements	1,768,584	1,470,491
Machinery and equipment	5,267,251	4,938,743
Furniture and fixtures	2,854,987	2,580,015
Computer equipment	1,404,911	1,317,461
Vehicles	1,808,002	1,805,276
Construction in progress	318,948	464,768
	53,749,607	52,652,695
Less accumulated depreciation	(21,947,095)	(19,972,192)
	<u>\$ 31,802,512</u>	<u>\$ 32,680,503</u>

As of December 31, 2019 and 2018, 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. Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,995,570 and \$2,024,012, respectively.

Note 5—Lines of credit

The Organization has a line of credit in the amount of \$1,500,000, maturing on July 31, 2021, with a variable interest rate which is LIBOR plus 1.75%. The interest rate at December 31, 2019 and 2018 was 3.49% and 4.19%, respectively. The line of credit is secured by all assets. There was \$1,460,949 and \$1,406,291 outstanding at December 31, 2019 and 2018, respectively.

The Organization has a guidance, non-revolving line of credit in the amount of \$1,000,000 with an interest rate of LIBOR plus 1.75% maturing July 31, 2021. There was no amount outstanding at December 31, 2019 and 2018. The note is secured by real property.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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:

	2019	2018
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.	\$ 20,861,306	\$ 21,500,000
Note payable, due in monthly installments of \$5,521, including interest at 2.00%, through February 2024. Collateral is real estate.	264,641	324,943
Note payable, due in weekly installments of \$55, including interest at 9.90%, through December 2022. Collateral is equipment.	7,835	9,859
	21,133,782	21,834,802
Less unamortized debt issuance costs	(57,313)	(67,600)
	21,076,469	21,767,202
Less current maturities	(950,437)	(701,635)
	<u>\$ 20,126,032</u>	<u>\$ 21,065,567</u>

Interest on the line of credit (see Note 5) and notes payable was expensed as incurred for the years ended December 31, 2019 and 2018.

Aggregate maturities on the notes payable at December 31, 2019 are as follows:

2020	\$ 950,437
2021	992,899
2022	1,037,729
2023	18,141,703
2024	11,014
	<u>\$ 21,133,782</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, 2019 and 2018, management was not aware of any violations of these covenants.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6—Notes payable (continued)

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, 2019 and 2018 respectively, was a liability of \$425,609 and \$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 \$251,132 and \$174,477 for 2019 and 2018 respectively. The maturity date of the swap agreement coincides to that of the note payable. A summary of the interest rate swap at December 31, 2019 and 2018 is in the table below:

<u>Issuance</u>	<u>Start Date</u>	<u>Maturity</u>	<u>Fair Value at December 31, 2019</u>	<u>Fair Value at December 31, 2018</u>
18038311SWNHG	March 14, 2018	March 14, 2023	\$ (425,609)	\$ (174,477)
			<u>\$ (425,609)</u>	<u>\$ (174,477)</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.

Note 7—Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Scholarships and education initiatives	\$ 640,337	\$ 584,981
Hand Up campaign	1,699,842	1,539,690
Hispanic services	10,000	10,000
Other educational programs	10,300	10,300
	<u>\$ 2,360,479</u>	<u>\$ 2,144,971</u>

Net assets with donor restrictions consist of cash and investments at December 31, 2019 and 2018. No amounts are required to be held in perpetuity at December 31, 2019 and 2018.

Note 8—Assets limited as to use

At December 31, 2019 and 2018, assets were limited as to use for the following purposes:

	<u>2019</u>	<u>2018</u>
Student financial aid	\$ 5,400	\$ 44,208

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9—Net assets released from restrictions

Net assets were released from donor restrictions during 2019 and 2018 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2019	2018
Purpose restrictions accomplished:		
Scholarships and education initiatives	\$ 33,396	\$ 25,097
Hospitality lab	-	15,000
	<u>\$ 33,396</u>	<u>\$ 40,097</u>

Note 10—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 \$1,203,567 and \$1,011,907 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under the operating leases at December 31, 2019 are as follows:

2020	\$ 1,201,568
2021	983,725
2022	995,049
2023	991,587
2024	939,150
Thereafter	<u>2,382,320</u>
	<u>\$ 7,493,399</u>

Note 11—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 6% of gross wages. Total contribution expense for the years ended December 31, 2019 and 2018 was \$270,697 and \$241,165, 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, 2019 and 2018. The fair value of the assets in the plan and related liability at both December 31, 2019 and 2018 was \$326,885.

Note 12—Related party transactions

During the years ended December 31, 2019 and 2018, the Organization received \$218,791 and \$319,197, respectively, for staffing and custodial services from a Company of which a key employee is a member of the Organization's Board of Directors.

The Organization has an agreement with a Board member to lease retail space. Lease expense for each of the years ended December 31, 2019 and 2018 was \$129,288.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 13—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% 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. At December 31, 2019 and 2018, there was \$96,581 and \$-0-, respectively, due to be paid to the CEO. Total contribution expense for the years ended December 31, 2019 and 2018 was \$96,581 and \$94,687, respectively.

Note 14—Major customers

For the years ended December 31, 2019 and 2018, one customer, the United States Department of Defense, accounted for approximately 25% and 22%, respectively, of the Organization's total revenue, gains, and other support, net of contribution revenue. At December 31, 2019 and 2018, accounts receivable from one customer, the United States Department of Defense, accounted for approximately 33% and 43%, respectively, of the Organization's net accounts receivable.

Note 15—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.

Note 16—Liquidity and availability of resources

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

	2019	2018
Cash and cash equivalents	\$ 923,293	\$ 1,232,511
Certificates of deposit	9,486	9,352
Accounts receivable, net of allowance for doubtful accounts of approximately \$1,200,000	4,342,365	4,601,268
Investments	879,800	675,480
	<u>\$ 6,154,944</u>	<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 \$39,051 available at December 31, 2019, and a guidance, non-revolving line of credit in the amount of \$1,000,000, which it could draw upon.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 17—Business combination

On August 1, 2018, the Organization acquired the Club, a 501(c)(7) private social club through Helms College, LLC. The Organization entered 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		195,765
Inherent contribution received		(195,765)
	\$	-

On the consolidated statements 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.

Note 18—Department of Education/concentration of risk

The Organization participates in the student financial assistance programs administered by the Department of Education. To participate, the Organization must demonstrate that it is financially responsible.

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 19—Subsequent events

The Organization has evaluated subsequent events through December 1, 2020, which represents the date the consolidated financial statements were available to be issued. As a result of the spread of COVID-19, there have been mandates from federal, state, and local authorities requiring forced closures of non-essential retailers, which have begun to negatively impact Goodwill's business and the extent to which the Organization's future operations are impacted will depend on future developments that are highly uncertain. The Organization's retail stores closed operations in March 2020 and reopened in May 2020.

In response to this uncertainty, the Organization secured financing through the Payroll Protection Program of the Coronavirus Aid, Relief, and Economic Security Act, Goodwill Industries received \$4,598,000 and Good Vocations received \$1,154,000. The Organization also received the Economic Injury Disaster Loan from the Small Business Administration, Goodwill Industries received \$500,000 and Goodwill Works Foundation, Inc. received \$150,000. Management has initiated several cost containment measures to reduce operating expenses and preserve cash flow during this time. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its ultimate financial impact, any significant reduction in customer visits to, and spending at, Goodwill stores caused by COVID-19 would result in a loss of sales and profits and other material adverse effects.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 19—Subsequent events (continued)

Subsequent to the financial statement date, the Organization extended their line of credit agreement to July 31, 2021, as reflected in Note 5.

In January 2020, the Organization entered in to an agreement to lease a retail store in Milledgeville, Georgia. The lease commenced on April 1, 2020 and expires on March 31, 2030. The monthly lease payment is \$9,707. In July 2020, the Organization opened a new retail training store on Columbia Street in Milledgeville, Georgia.

In June 2020, the Organization entered in to an agreement to lease a warehouse and retail store. The lease commenced on Jun 30, 2020 and expires on July 31, 2025. The monthly lease payment is \$18,900.

In September 2020, the Organization opened a new retail training store and outlet on Wrightsboro Road in Augusta, Georgia. Also in September 2020, the Organization opened Edgar's Above Broad in Augusta, Georgia. The Organization modified the Club's lease agreement to include the 3rd floor space and terrace. The lease commenced on April 1, 2020 and expires on March 31, 2030. The monthly lease payment for the 3rd floor space and terrace is \$16,559.

In November of 2020, the Small Business Administration forgave the Good Vocations \$1,154,000 Payroll Protection Program loan. The Organization recognized revenue upon receipt of forgiveness.

Also in November 2020, the Organization sold property located adjacent to the Augusta campus and received proceeds from the sale of \$390,000.

In December of 2020, the Organization received a grant without donor restrictions in the amount of \$10,000,000.

SUPPLEMENTARY INFORMATION

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

DECEMBER 31, 2019

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 600,370	\$ 32,127	\$ -	\$ -	\$ 270,914	\$ 19,882	\$ -	\$ 923,293
Certificates of deposit	-	-	-	-	9,486	-	-	9,486
Accounts receivable, net of allowance for doubtful accounts	772,316	1,747,164	1,405,667	142,979	170,515	103,724	-	4,342,365
Promises to give, net of allowance for uncollectible pledges	-	-	-	-	341,338	-	-	341,338
Inventories	3,472,213	120,647	-	-	-	-	-	3,592,860
Investments	879,800	-	-	-	-	-	-	879,800
Prepaid expenses	125,264	100,392	-	1,155	6,946	-	-	233,757
Total Current Assets	5,849,963	2,000,330	1,405,667	144,134	799,199	123,606	-	10,322,899
Assets limited as to use - cash and cash equivalents	-	5,400	-	-	-	-	-	5,400
Investments and Other Assets:								
Investment in subsidiaries	(18,646,811)	-	-	-	-	-	18,646,811	-
Promises to give, less current portion, net of uncollectible pledges and discount	-	-	-	-	413,004	-	-	413,004
Assets held in deferred compensation plan	326,885	-	-	-	-	-	-	326,885
Total Investments and Other Assets	(18,319,926)	-	-	-	413,004	-	18,646,811	739,889
Property and equipment, at cost, net	31,178,114	618,337	-	-	6,061	-	-	31,802,512
Total Assets	\$ 18,708,151	\$ 2,624,067	\$ 1,405,667	\$ 144,134	\$ 1,218,264	\$ 123,606	\$ 18,646,811	\$ 42,870,700

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

DECEMBER 31, 2019

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Accounts payable	\$ 886,648	\$ 213,774	\$ 429,104	\$ -	\$ 1,111	\$ -	\$ -	\$ 1,530,637
Salaries and benefits payable	1,370,396	-	269,588	19,839	-	-	-	1,659,823
Payroll withholdings	15,693	-	890	-	-	-	-	16,583
Sales tax payable	101,818	17,128	-	-	-	-	-	118,946
Deferred revenue	193,924	413,581	-	-	1,250	-	-	608,755
Dues billed in advance	-	-	-	-	-	50,000	-	50,000
Current maturities of notes payable	950,437	-	-	-	-	-	-	950,437
Line of credit agreement	1,460,949	-	-	-	-	-	-	1,460,949
Intercompany (receivable) payable	(13,158,738)	20,693,354	(6,522,411)	57,336	(1,143,147)	73,606	-	-
Total Current Liabilities	(8,178,873)	21,337,837	(5,822,829)	77,175	(1,140,786)	123,606	-	6,396,130
Long-Term Liabilities:								
Notes payable, less current maturities, net of debt issuance costs	20,126,032	-	-	-	-	-	-	20,126,032
Interest rate swap obligation payable	425,609	-	-	-	-	-	-	425,609
Deferred compensation plan assets payable	326,885	-	-	-	-	-	-	326,885
Total Long-Term Liabilities	20,878,526	-	-	-	-	-	-	20,878,526
Net Assets (Deficit):								
Without donor restrictions:								
Undesignated	5,508,498	(18,713,770)	7,228,496	66,959	(1,429)	-	18,646,811	12,735,565
Designated by the Board	500,000	-	-	-	-	-	-	500,000
With donor restrictions	-	-	-	-	2,360,479	-	-	2,360,479
Total Net Assets (Deficit)	6,008,498	(18,713,770)	7,228,496	66,959	2,359,050	-	18,646,811	15,596,044
Total Liabilities and Net Assets	\$ 18,708,151	\$ 2,624,067	\$ 1,405,667	\$ 144,134	\$ 1,218,264	\$ 123,606	\$ 18,646,811	\$ 42,870,700

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
ASSETS								
Current Assets:								
Cash and cash equivalents	\$ 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 uncollectible pledges	-	-	-	-	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 - cash and cash equivalents	-	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 uncollectible pledges 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
Total Assets	\$ 21,184,022	\$ 2,229,993	\$ 2,058,300	\$ 243,078	\$ 1,412,369	\$ 264,995	\$ 16,533,505	\$ 43,926,262

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
LIABILITIES AND NET ASSETS								
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 (Deficit):								
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 (Deficit)	8,026,880	(16,843,888)	6,211,138	310,383	2,199,014	-	16,533,505	16,437,032
Total Liabilities and Net Assets	\$ 21,184,022	\$ 2,229,993	\$ 2,058,300	\$ 243,078	\$ 1,412,369	\$ 264,995	\$ 16,533,505	\$ 43,926,262

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
Change in Net Assets Without Donor Restrictions								
Revenue and Gains:								
Contributions	\$ 64,290	\$ 218,771	\$ -	\$ -	\$ 861,729	\$ 22	\$ (548,650)	\$ 596,162
Contributed revenue - donated goods	18,732,920	-	-	-	-	6,864	-	18,739,784
Retail sales, net of contributed revenue - donated goods	3,353,098	-	-	-	-	-	-	3,353,098
Government grants and performance contracts	766,614	-	-	-	-	-	-	766,614
Contract services	1,324,124	46	10,398,906	-	-	-	(47,329)	11,675,747
Staffing services	-	-	-	2,108,496	-	-	(503,577)	1,604,919
Education and hospitality	1,358,087	6,631,045	-	-	-	1,310,878	(169,813)	9,130,197
Change in fair value of derivatives	(251,132)	-	-	-	-	-	-	(251,132)
Investment return, net	198,082	-	-	-	498	-	-	198,580
Management fee	1,981,886	1,317,764	-	-	-	-	(3,299,650)	-
Rental income	292,930	-	-	-	-	-	-	292,930
Other	34,312	1,850	855	-	-	-	-	37,017
Loss on affiliates	(2,113,306)	-	-	-	-	-	2,113,306	-
Total Revenue and Gains Without Donor Restrictions	25,741,905	8,169,476	10,399,761	2,108,496	862,227	1,317,764	(2,455,713)	46,143,916
Net assets released from restrictions:								
Satisfaction of program restrictions	-	-	-	-	33,396	-	-	33,396
Total Revenue, Gains, and Other Support Without Donor Restrictions	25,741,905	8,169,476	10,399,761	2,108,496	895,623	1,317,764	(2,455,713)	46,177,312
Expenses:								
Program Services:								
Sales and operations	15,587,502	-	-	-	-	-	(215,180)	15,372,322
Contract services	1,880,973	-	7,400,517	-	-	-	(129,002)	9,152,488
Career services	3,011,070	-	-	-	-	-	(6,130)	3,004,940
Staffing services	-	-	-	2,351,920	-	-	(6,939)	2,344,981
Education and hospitality	-	10,073,600	-	-	-	-	(237,606)	9,835,994
Total Program Services	20,479,545	10,073,600	7,400,517	2,351,920	-	-	(594,857)	39,710,725
Support Services:								
Management and general	7,455,742	-	1,981,886	-	-	1,317,764	(3,834,406)	6,920,986
Fundraising	-	-	-	-	951,095	-	(348,998)	602,097
Total Support Services	7,455,742	-	1,981,886	-	951,095	1,317,764	(4,183,404)	7,523,083
Total Expenses	27,935,287	10,073,600	9,382,403	2,351,920	951,095	1,317,764	(4,778,261)	47,233,808
Change in Net Assets Without Donor Restrictions	(2,193,382)	(1,904,124)	1,017,358	(243,424)	(55,472)	-	2,322,548	(1,056,496)

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

YEAR ENDED DECEMBER 31, 2019

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
Change in Net Assets With Donor Restrictions:								
Contributions	\$ 175,000	\$ 34,242	\$ -	\$ -	\$ 248,904	\$ -	\$ (209,242)	\$ 248,904
Net asset released from restrictions	-	-	-	-	(33,396)	-	-	(33,396)
Change in Net Assets with Donor Restrictions	175,000	34,242	-	-	215,508	-	(209,242)	215,508
Change in net assets (deficit)	(2,018,382)	(1,869,882)	1,017,358	(243,424)	160,036	-	2,113,306	(840,988)
Net assets (deficit), beginning of year	8,026,880	(16,843,888)	6,211,138	310,383	2,199,014	-	16,533,505	16,437,032
Net assets (deficit), end of year	<u>\$ 6,008,498</u>	<u>\$ (18,713,770)</u>	<u>\$ 7,228,496</u>	<u>\$ 66,959</u>	<u>\$ 2,359,050</u>	<u>\$ -</u>	<u>\$ 18,646,811</u>	<u>\$ 15,596,044</u>

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
Change in Net Assets Without Donor Restrictions								
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	-
Total Revenue and Gains Without Donor Restrictions	22,692,683	7,967,409	9,859,741	2,987,850	794,326	700,973	(2,050,385)	42,952,597
Net assets released from restrictions:								
Satisfaction of program restrictions	-	-	-	-	40,097	-	-	40,097
Total Revenue, Gains, and Other Support Without Donor Restrictions	22,692,683	7,967,409	9,859,741	2,987,850	834,423	700,973	(2,050,385)	42,992,694
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
Total Program Services	18,297,543	9,744,303	6,744,722	3,327,984	-	-	(796,274)	37,318,278
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
Total Support Services	7,120,021	-	1,719,032	-	844,958	700,973	(3,371,139)	7,013,845
Total Expenses	25,417,564	9,744,303	8,463,754	3,327,984	844,958	700,973	(4,167,413)	44,332,123
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)

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

YEAR ENDED DECEMBER 31, 2018

	Goodwill Industries	Helms, LLC	Good Vocations	Goodwill Staffing Services	Goodwill Works Foundation, Inc.	The Pinnacle Club, Inc.	Eliminations	Total
Change in Net Assets With Donor Restrictions								
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 (deficit)	(2,724,881)	(1,736,796)	1,395,987	(340,134)	1,360,506	-	2,076,930	31,612
Net assets (deficit), beginning of year	10,751,761	(15,107,092)	4,815,151	650,517	838,508	-	14,456,575	16,405,420
Net assets (deficit), 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>

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, 2019 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 December 1, 2020.

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
December 1, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries of Middle Georgia, Inc.'s and its combined affiliates (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. 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, 2019.

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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003 that we consider to be significant deficiencies.

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
December 1, 2020

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Contract or Project Number	Federal Expenditures
U.S. Department of Agriculture			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Passed through			
Goodwill Industries of North Georgia (GING)			
Supplemental Nutrition Assistance Program (State Administrative Match)	10.561	42700-040-64295	\$ 11,279
Supplemental Nutrition Assistance Program (State Administrative Match)	10.561	42700-040-79034	61,206
		Total SNAP Cluster	<u>72,485</u>
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP			
Passed through			
South Carolina Department of Social Services (SCDSS)			
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400017075	(2,086)
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400019675	5,694
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400022482	2,745
		Total CFDA #10.596	<u>6,353</u>
Total U.S. Department of Agriculture			<u>78,838</u>
U.S. Department of Labor			
Senior Community Service Employment Program			
Passed through			
Goodwill International, Inc			
Supportive Services for South Carolina Senior Residents	17.235	Agreement 07-01-2018	98,709
Supportive Services for South Carolina Senior Residents	17.235	Agreement 07-01-2019	52,413
		Total CFDA #17.235	<u>151,122</u>
WIOA Cluster			
Passed through			
Middle Georgia Regional Commission			
WIOA Adult Program	17.258	Agreement 07-01-2018	76,388
WIOA Youth Activities	17.259	Agreement 07-01-2018	19,604
WIOA Dislocated Worker Formula Grants	17.278	Agreement 07-01-2018	64,195
		Total WIOA Cluster	<u>160,187</u>
Total U.S. Department of Labor			<u>311,309</u>
U.S. Department of Veterans Affairs			
VA Supportive Services for Veteran Families Program			
Passed through			
CSRA Economic Opportunity Authority, Inc.			
Supportive Services for Veteran Families (SSVF) Program	64.033	MOA 10-01-2018	54,989
Supportive Services for Veteran Families (SSVF) Program	64.033	MOA 10-01-2019	15,677
		Total CFDA #64.033	<u>70,666</u>
Total U.S. Department of Veteran Affairs			<u>70,666</u>

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Contract or Project Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
Direct			
Federal Supplemental Educational Opportunity	84.007		\$ 11,868
Federal Work Study Program	84.033		20,971
Federal Pell Grant Program	84.063		1,425,440
Federal Pell Grant Admin	84.063		1,580
Federal Direct Student Loan Program	84.268		2,269,080
Total Student Financial Assistance Cluster			<u>3,728,939</u>
Rehabilitation Services-Vocational Rehabilitation Grants to States			
Passed through			
Georgia Vocational Rehabilitation Agency			
Vocational Rehabilitation	84.126	42700-610-0000023470	<u>294,406</u>
		Total CFDA #93.556	<u>294,406</u>
Total U.S. Department of Education			<u>4,023,345</u>
U.S. Department of Health and Human Services			
TANF Cluster			
Temporary Assistance for Needy Families			
Passed through			
Georgia Department of Human Services/DFCS			
Temporary Assistance to Needy Families (Applicant Job Search)	93.558	42700-040-NS-20-026	<u>2,228</u>
		Total TANF Cluster	<u>2,228</u>
Total U.S. Department of Health and Human Services			<u>2,228</u>
		Total	<u>4,486,386</u>

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Goodwill Industries of Middle Georgia, Inc. and Affiliates (the “Organization”) and is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

Note 2—Summary of significant accounting policies

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

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

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

Note 3—Subrecipients

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2019.

Note 4—Noncash awards

The Organization did not receive noncash federal awards during the year ended December 31, 2019.

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, 2019

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 ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to combined financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ 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)?

☒ 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?

☒ yes ☐ no

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

None.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

Section III. Federal Awards Findings and Questioned Costs

Finding 2019-001

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

CRITERIA:

In accordance with 34 CFR 668.22, a school is required to determine the earned and unearned Title IV aid a student has earned as of the date the student ceased attendance based on the amount of time the student spent in attendance. The institution must return the amount of Title IV funds for which it is responsible as soon as possible, but no later than 45 days after it determines, or should have determined, that the student withdrew.

CONDITION:

We obtained a listing of all students who withdrew from the school during the year. We compared this listing to the listing of students who received federal aid during the school year. This resulted in one hundred and five (105) students who withdrew from the College during the year who had been awarded federal financial aid. We also noted students who were not on the list of withdrawn students who appeared to have withdrawn as they were listed as dropped on the detail of students who received aid during the year. We sampled eleven (11) of the students on the withdrawn list and six (6) students who were not on the withdrawn list but noted as dropped. Our testing of these seventeen (17) students resulted in the following findings:

- We noted eight (8) of the sampled students completed more than 60% of the term, thus no refund was required.
- We noted two (2) of the sampled students did not receive aid for the term in which the students withdrew, thus no refund was required.
- We noted eight (8) of the sampled students completed less than 60% of the term in which they received federal aid, thus requiring a refund. Of these 8 refunds, four (4) were returned after the 45 day requirement. These returns were made 49, 88, 137, and 204 days after the student was determined to be withdrawn.
- We noted two (2) students who withdrew during a term had subsequently received aid for the following term in which the student was not enrolled. This aid, which consisted of \$3,134 unsubsidized loans and \$2,031 Pell grant, was received 30 days and 109 days after the students withdrew. The unallowable aid was not returned until both students were sampled in the audit.
- We noted one (1) return calculation used the incorrect Pell amount received. The incorrect amount resulted in a shortage of \$232 that was not returned
- We noted two (2) return calculations used the incorrect Institutional charges when determining the amount of federal funds the College should return. The incorrect charges had no effect on the results of the return calculations.

QUESTION COSTS:

\$5,397 – calculated as the two refunds that were not submitted to the Dept. of Education until auditor's inquiry in addition to the amount refunded based on using the incorrect amount of aid drawn.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

Section III. Federal Awards Findings and Questioned Costs (continued)

CAUSE:

The College has contracted with a third party to process the returns of aid when a student withdraws. The College provides the third party contractor with the information needed to calculate the return, which includes the student's transcripts, AR Ledger, attendance record, and withdrawal form. We noted this information appears to be uploaded to the contractor in a timely manner. However, there is no follow-up to ensure the return calculations are completed. There is also no review to ensure the calculations are completed accurately.

EFFECTS:

Federal Aid refunds are inaccurate, as well as required refunds are not submitted or not submitted in a timely manner as required.

RECOMMENDATIONS:

We recommend the College develop and implement policies, procedures and controls to ensure that Title IV return calculations are reviewed for correct inputs of information and that all returns calculated are returned to the Dept. of Education within the required time

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

Management concurs with the finding. The College will implement a secondary review process for the Return of Title IV Calculations performed by the third-party servicer. The process will provide internal control and ensure responsibility for accurate calculations and timely return of funds rests with the secondary reviewer rather than the third-party servicer.

Finding 2019-002

Federal Agency:	Department of Education
Federal Program:	Student Financial Aid Cluster – Federal Direct Student Loans
CFDA:	# 84.268
Compliance Requirement:	Special Tests and Provisions - Enrollment Reporting
Type of Finding:	Significant Deficiency in Internal Controls over Compliance

CRITERIA:

The Code of Federal Regulations, 34 CFR 685.309 (b) requires Schools to certify and report the enrollment status of students who receive Title IV aid to the National Student Loan Data System (NSLDS). Enrollment status changes for students must be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date. Enrollment information must be reported whenever a student's attendance pattern changes. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

This enrollment information is merged to the NSLDS database and reported to the guarantors, lenders, and servicers of student loans. A student's enrollment status determines deferment eligibility, grace periods, and repayment schedules, as well as the government's payment of interest subsidies. As such, NSLDS records must be accurately matched with enrollment records. Schools must continually review, update, and verify student enrollment statuses and other information.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

Section III. Federal Awards Findings and Questioned Costs (continued)

CONDITION:

From the seventeen (17) students sampled and tested for Return of Title IV Funds in finding 2019-001 above, we reviewed the student's Enrollment Data as updated to the NSLDS system per the NSLDS web-site. Of the 17 withdrawn students sampled, we noted a delay in reporting the withdrawn status for four (4) of the sampled students. The status change was reported 62, 84, 222, and 332 days after the student was determined to be withdrawn. The two (2) most delinquent status changes were not reported until the student was selected for audit testing.

In addition, we also noted discrepancies between the student's withdrawal date and the effective date reported to the NSLDS for two (2) sampled students. The withdrawal effective dates were reported as 13 and 14 days after the students' actual withdrawal. Both effective dates were reported as the date the withdrawal forms were completed and not the student's last day of attendance.

QUESTION COSTS:

None noted.

CAUSE:

The College has contracted with a third party to report student status changes to the NSLDS based on information obtained from the Registrar's system that is updated by Registrar personnel. This system also allows the Student Financial Aid ("SFA") personnel to manually update status changes. According to SFA staff, they have experienced system problems that affected the status of students. However, there is no follow-up to ensure the status changes are uploaded to the NSLDS in a timely manner.

EFFECTS:

Inaccurate and delayed submission of student enrollment status information affects the determinations that lenders and servicers of student loans make related to in-school status, grace periods, repayment schedules, and deferments. It also affects the federal government's payment of interest subsidies.

RECOMMENDATIONS:

We recommend the College implement a review process to 1) ensure that errors in the Registrar's system are corrected in a timely manner and 2) student statuses for those who withdraw or graduate are reported within the required timeframe.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

Management concurs with the finding. The College will implement a process of reporting graduation statuses at the conclusion of each term to the Financial Aid Office for manual system upload to the third-party servicer for subsequent transmission to NSLDS. In addition, bi-weekly reports listing the last date of attendance for drops/withdrawals, leave of absences, and standard periods of non-enrollment will be submitted to the Financial Aid Office for manual system upload to the third-party servicer for subsequent transmission to NSLDS. As an internal control, monthly the Financial Aid Manager will compare NSLDS status reports to ensure timely reporting of enrollment changes. The College also has approval to replace its Student Information System. Data conversion will begin Fall 2020. This will reduce erroneous and untimely enrollment reporting and eliminate manual system uploads.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

Section III. Federal Awards Findings and Questioned Costs (continued)

Finding 2019-003

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

CRITERIA:

Each year, based on the maximum Pell Grant established by Congress, ED provides to institutions Payment and Disbursement Schedules for determining Pell awards. The Payment and Disbursement Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, Expected Family Contribution, and Cost of Attendance. Once the annual award is determined, the institution must calculate the payment for the payment periods. For credit-hour term based programs, the term is the payment period. For clock hour programs which are less than an academic year in length, the calculation for the payment period prorates a student's Scheduled award based on the lesser of the number of clock hours in the payment period as compared to the clock hours in the defined academic year, or the number of weeks of instructional time in the payment period as compared to the weeks of instructional time in the academic year.

CONDITION:

From the sample of forty (40) students who received federal financial aid, there were twenty-three (23) students who received Pell who were enrolled in a term program and sixteen (16) students who received Pell who were enrolled in a clock hour program. The School's standard academic year is three terms and 900 credit hours. Review of the sampled students' Pell awards noted the following exceptions:

- Three students enrolled in term programs were disbursed Pell based on two (2) terms rather than three (3). The annual Pell award was divided into 2 payment periods resulting in an overpayment for those payment periods.
- One of these students also received Pell for a third payment term in the amount of one-fourth of the annual award.
- One student enrolled in a term program received Pell grant funds based on full-time enrollment. The student was only enrolled half time, resulting in an overpayment.
- One student enrolled in a clock hour program that is less than an academic year received Pell grant funds based on a full academic year.
- For another student, Pell grant funds were calculated using the student's 18/19 Expected Family Contribution ("EFC") rather than the 19/20 EFC.

QUESTION COSTS:

\$5,345 – calculated as overpayments of Pell made to the sampled students in error.

CAUSE:

The School relies on a third party contractor to process aid based on inputs from the Student Financial Aid Office. There are no controls in place to ensure the aid is processed correctly.

EFFECTS:

Students may receive more aid than they are entitled to receive.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2019

Section III. Federal Awards Findings and Questioned Costs (continued)

RECOMMENDATIONS:

The use of a third party contractor does not alleviate the School of ensuring aid is packaged correctly. We recommend the College develop and implement policies, procedures and controls to ensure awards are made in compliance with the federal requirements.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

Management concurs with the finding. The Financial Aid Office will implement a review process of Pell Grant awards approved by the third-party servicer. The review process will occur prior to disbursement and immediately following changes in enrollment status. The process will provide internal control and ensure responsibility for accurate Pell Grant awards rests with the Financial Aid Office rather than the third-party servicer.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEAR ENDED DECEMBER 31, 2019

The Department of Education issued regulations on July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These disclosures are not required by accounting principles generally accepted in the United States of America but are intended for the use by the Department of Education and to ensure compliance with Federal Title IV regulations.

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$	-
2	Other net assets with donor restrictions (not perpetually restricted):		
a.	Annuities with donor restrictions	\$	-
b.	Term endowments		-
c.	Life income funds (trusts)		-
d.	Total annuities, term endowments and life income funds with donor restrictions	\$	-

Property, Plant, and Equipment, net

3	Pre-implementation property, plant, and equipment, net (PP&E, net)		
a.	Ending balance of last financial statements submitted to the Department of Education (December 31, 2018 financial statement)	\$	32,680,503
b.	Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards		-
c.	Less subsequent depreciation and disposals		(2,796,876)
d.	Balance Pre-implementation property, plant, and equipment, net		29,883,627
4	Debt Financed Post-implementation property, plant, and equipment, net Long-lived assets acquired with debt subsequent to December 31, 2018:		
a.	Equipment		
b.	Land improvements		-
c.	Building		-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months		-
5	Construction in progress - acquired subsequent to December 31, 2018		634,818
6	Post-implementation property, plant and equipment, net, acquired without debt:		
a.	Long-lived assets acquired without use of debt subsequent to December 31, 2018		1,284,067
7	Total Property, Plant, and Equipment, net - December 31, 2019	\$	31,802,512

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEAR ENDED DECEMBER 31, 2019

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
a.	Ending balance of last financial statements submitted to the Department of Education (December 31, 2018):	\$ 23,173,493
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.	-
c.	Less subsequent debt repayments	(690,733)
d.	Balance Pre-implementation Debt	22,482,760
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	-
b.	Land improvements	-
c.	Buildings	-
10	Construction in progress (CIP) financed with short term debt	-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	54,658
		\$ 22,537,418
12	Terms of current year debt and line of credit for CIP additions:	

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.	N/A	N/A	N/A	N/A

Lease right-of-use assets and liabilities

13 ASU 2016-02 has not been implemented as of December 31, 2019.

Unsecured related party receivables

14	Secured and unsecured related party receivables	\$ -
15	Unsecured related party receivables	\$ -

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEAR ENDED DECEMBER 31, 2019

Financial Responsibility Supplemental Schedule				
	Primary Reserve Ratio:			
		Expendable Net Assets:		
1	Statement of Financial Position - Net assets without donor restrictions (SFP), page 3	Net assets without donor restrictions		\$ 13,235,565
2	SFP page 3 - Net assets with donor restrictions	Net assets with donor restrictions		2,360,479
3	Supplemental Disclosure (SD) line 19: Unsecured related party receivable and Related part note disclosure (note 12)	Secured and Unsecured related party receivable	\$ -	
4	SD line 19: Unsecured related party receivable and Related part note disclosure (note 12)	Unsecured related party receivable		-
5	SD line 7: Property, plant and equipment, net (PP&E net)	Property, plant and equipment, net (includes Construction in progress) - Total	31,802,512	
6	SD line 3d: PP&E net	Property, plant and equipment pre-implementation		29,883,627
7	None noted	Property, plant and equipment post-implementation with outstanding debt for original purchase		-
8	SD Line 6a: PP&E net	Property, plant and equipment post-implementation without outstanding debt for original purchase		1,284,067
9	None noted	Construction in progress		634,818
10	None noted	Lease right-of-use asset, net - Total*	-	
11	None noted	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)		-
12	None noted	Lease right-of-use asset, post-implementation		-
13	None noted	Intangible assets		-
14	None noted	Post-employment and pension liabilities		-
15	SD lines 8d, 9a-c, 10: Note Payable and Line of Credit for long-term purposes (both current and long term)	Long-term debt - for long term purposes	22,482,760	
16	SD line 8d: Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for CIP	Long-term debt - for long term purposes pre-implementation		22,482,760
17	None noted	Long-term debt - for long term purposes post-implementation		-
18	None noted	Line of Credit for Construction in progress		-
19	None noted	Lease right-of-use asset liability*	-	
20	None noted	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)		-
21	None noted	Post-implementation right-of-use asset liability		-
22	None noted	Annuities, term endowments and life income with donor restrictions	-	
23	None noted	Annuities with donor restrictions		-
24	None noted	Term endowments with donor restrictions		-
25	None noted	Life income funds with donor restrictions		-
26	None noted	Net assets with donor restrictions: restricted in perpetuity		-
		Total Expenses and Losses:		
27	Statement of Activities (SOA) page 4 - Total Expenses, (Total from Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Activities		47,233,808
28	None noted	Non-Operating and Net Investment (loss)		-
29	None noted	Net investment losses		-
30	None noted	Pension -related changes other than net periodic costs		-
	Equity Ratio:			
		Modified Net Assets:		
31	SFP page 3: Net Assets without Donor Restrictions	Net assets without donor restrictions		13,235,565
32	SFP page 3: Total Net Assets with Donor Restriction	Net assets with donor restrictions		2,360,479
33	None noted	Intangible assets		-
34	None noted	Intangible assets		-
35	SFP page 30: Contribution receivable, net and Related Parties note disclosure	Secured and Unsecured related party receivables - Total	\$ -	
36	SFP page 30: Contribution receivable, net and Related party note disclosure	Unsecured related party receivables		-

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

YEAR ENDED DECEMBER 31, 2019

Financial Responsibility Supplemental Schedule				
		Modified Assets:		
37	SFP page 3- Total assets	Total assets		42,870,700
38	None noted	Lease right-of-use asset pre-implementation		-
39	None noted	Pre-implementation right-of-use asset liability		-
40	None noted	Intangible assets		-
41	SD Line 19: Related party receivables and Related party note disclosure	Secured and Unsecured related party receivables	\$ -	
42	SD Line 20: Related party receivables and Related party note disclosure	Unsecured related party receivables		-
	Net Income Ratio:			
43	SOA page 4: Change in Net Assets Without Donor Restrictions	Change in Net Assets Without Donor Restrictions		(1,056,496)
44	SOA page 4: (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	Total Revenues and Gains		46,177,312
	*The Organization has not adopted ASU 2016-02 as of December 31, 2019.			

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2019

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

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 - Questioned Costs were computed as the amount of federal student financial assistance that was disbursed to the student whose FAFSA was not verified.

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.

Current Status

Finding fully corrected in the current year.



Uniform Guidance - Single Audit Report Corrective Action Plan

Fiscal Year Ended December 31, 2019

Audit Finding Number: Finding 2019-001

Auditee's Response: The College concurs with Finding 2019-001.

Correction Action Plan: The College will implement a secondary review process for the Return of Title IV Calculations performed by the third-party servicer. The process will provide internal control and ensure responsibility for accurate calculations and timely return of funds rests with the secondary reviewer rather than the third-party servicer.

Responsible Person, Title: Robie Mills, Student Accounts Manager

Anticipated Completion Date: September 1, 2020

Audit Finding Number: Finding 2019-002

Auditee's Response: The College concurs with Finding 2019-002.

Correction Action Plan: The College will implement a process of reporting graduation statuses at the conclusion of each term to the Financial Aid Office for manual system upload to the third-party servicer for subsequent transmission to NSLDS. In addition, bi-weekly reports listing the last date of attendance for drops/withdrawals, leave of absences, and standard periods of non-enrollment will be submitted to the Financial Aid Office for manual system upload to the third-party servicer for subsequent transmission to NSLDS. As an internal control, monthly the Financial Aid Manager will compare NSLDS status reports to ensure timely reporting of enrollment changes. The College has approval to replace its Student Information System; data conversion will begin Fall 2020. This will reduce erroneous and untimely enrollment reporting and eliminate manual system uploads.

Responsible Person, Title: Freda Gaines, Registrar

Responsible Person, Title: Gerri Bogan, Financial Aid Manager

Anticipated Completion Date: September 1, 2020

Audit Finding Number: Finding 2019-003

Auditee's Response: The College concurs with Finding 2019-003.

Correction Action Plan: The Financial Aid Office will implement a review process of Pell Grant awards approved by the third-party servicer. The review process will occur prior to disbursement and immediately following changes in enrollment status. The process will provide internal control and ensure responsibility for accurate Pell Grant awards rests with the Financial Aid Office rather than the third-party servicer.

Responsible Person, Title: Gerri Bogan, Financial Aid Manager

Responsible Person, Title: Angela Bussey, Financial Aid Advisor

Anticipated Completion Date: September 1, 2020

Dr. Gary A. Markowitz, Senior Vice President of Education