

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND COMPLIANCE

As of and for the Years Ended December 31, 2022 and 2021

And Report of Independent Auditor

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Report of Independent Auditor

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

Opinion

We have audited the accompanying consolidated financial statements of Goodwill Industries of Middle Georgia, Inc. (a nonprofit organization) and its consolidated affiliates (collectively, the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Account Principle

As discussed in Note 1 to the consolidated financial statements, the Organization changed its method of accounting for leases as of January 1, 2022, due to the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)*, as amended.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 June 6, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Augusta, Georgia
June 6, 2023

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

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,297,591	\$ 10,439,203
Certificates of deposit	9,515	9,510
Accounts receivable, net of allowance for doubtful accounts of approximately \$3,100,000 in 2022 and \$2,000,000 in 2021	3,985,138	3,907,199
Promises to give, net of allowance for uncollectible pledges	259,738	160,862
Inventories	5,429,874	4,859,222
Investments	524,772	640,309
Prepaid expenses	521,083	377,206
Total Current Assets	<u>18,027,711</u>	<u>20,393,511</u>
Assets limited as to use - cash and cash equivalents	<u>-</u>	<u>260</u>
Investments and Other Assets:		
Promises to give, less current portion, net of allowance for uncollectible pledges and discount	154,278	138,621
Assets held in deferred compensation plan	271,165	338,233
Interest-rate swap obligation receivable	177,278	-
Operating right-of-use assets	10,004,140	-
Finance right-of-use asset	10,553	-
Total Investments and Other Assets	<u>10,617,414</u>	<u>476,854</u>
Property and equipment, at cost, net	<u>38,868,388</u>	<u>35,555,223</u>
Total Assets	<u><u>\$ 67,513,513</u></u>	<u><u>\$ 56,425,848</u></u>

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 FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 3,201,516	\$ 2,621,290
Salaries and benefits payable	1,208,718	1,012,249
Payroll withholdings	61,667	72,382
Sales tax payable	171,304	167,332
Deferred revenue	491,424	393,917
Dues billed in advance	50,000	50,000
Current maturities of notes payable	18,337,027	973,686
Current portion of operating lease liability	1,155,116	-
Current portion of financing lease liability	5,276	-
Total Current Liabilities	<u>24,682,048</u>	<u>5,290,856</u>
Long-Term Liabilities:		
Notes payable, less current maturities, net of debt issuance costs	623,822	18,938,411
Interest-rate swap obligation payable	-	325,149
Deferred compensation plan assets payable	271,165	338,233
Operating lease liability, net of current portion	8,965,143	-
Financing lease liability, net of current portion	5,460	-
Total Long-Term Liabilities	<u>9,865,590</u>	<u>19,601,793</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	30,014,169	28,458,468
Designated by the board	500,000	500,000
With Donor Restrictions	2,451,706	2,574,731
Total Net Assets	<u>32,965,875</u>	<u>31,533,199</u>
Total Liabilities and Net Assets	<u><u>\$ 67,513,513</u></u>	<u><u>\$ 56,425,848</u></u>

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 ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Change in Net Assets Without Donor Restrictions:		
Revenue and Gains:		
Contributions of cash and other financial assets	\$ 369,274	\$ 333,372
Contributions of nonfinancial assets - other	86,315	116,801
Contributions of nonfinancial assets - donated goods	27,417,285	24,143,097
Forgiveness of Paycheck Protection Program loan	-	4,649,397
Retail sales, net of contributed revenue - donated goods	4,246,253	4,163,558
Government grants and performance contracts	302,811	343,757
Contract services	11,706,939	11,523,370
Staffing services	656,955	1,240,078
Education and hospitality	9,523,745	8,831,197
Change in fair value of derivatives	502,426	429,585
Investment return, net	(115,517)	81,823
Rental income	65,317	81,101
Other	176,373	199,030
Total Revenue and Gains Without Donor Restrictions	<u>54,938,176</u>	<u>56,136,166</u>
Net Assets Released From Restrictions:		
Satisfaction of program restrictions	<u>1,774,023</u>	<u>2,691,179</u>
Total Revenue, Gains, and Other Support Without Donor Restrictions	<u>56,712,199</u>	<u>58,827,345</u>
Expenses and Losses:		
Program Services:		
Sales and operations	19,710,950	18,344,265
Contract services	8,850,740	8,294,066
Career services	2,126,935	2,169,565
Staffing services	1,930,944	1,319,502
Education and hospitality	13,199,370	13,593,087
Total Program Services	<u>45,818,939</u>	<u>43,720,485</u>
Support Services:		
Management and general	9,077,424	7,769,983
Fundraising	260,135	220,684
Total Support Services	<u>9,337,559</u>	<u>7,990,667</u>
Total Expenses	<u>55,156,498</u>	<u>51,711,152</u>
Change in Net Assets Without Donor Restrictions	<u>1,555,701</u>	<u>7,116,193</u>
Change in Net Assets With Donor Restrictions:		
Contributions of cash and other financial assets	1,400,998	2,542,660
Contributions of nonfinancial assets - other	250,000	342,844
Net asset released from restrictions	<u>(1,774,023)</u>	<u>(2,691,179)</u>
Change in Net Assets With Donor Restrictions	<u>(123,025)</u>	<u>194,325</u>
Change in net assets	1,432,676	7,310,518
Net assets, beginning of year	<u>31,533,199</u>	<u>24,222,681</u>
Net assets, end of year	<u><u>\$ 32,965,875</u></u>	<u><u>\$ 31,533,199</u></u>

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, 2022

	Sales and Operations	Contract Services	Career Services	Education and Hospitality	Staffing Services	Total Program Services	Management and General	Fundraising	Total Expenses 2022	Total Expenses 2021
Salaries and contract labor	\$ 9,420,295	\$ 5,351,439	\$ 1,161,021	\$ 5,156,157	\$ 1,690,434	\$ 22,779,346	\$ 4,266,785	\$ 65,287	\$ 27,111,418	\$ 24,759,621
Employee fringe benefits	2,655,621	1,895,328	258,935	1,085,416	188,920	6,084,220	574,920	12,518	6,671,658	6,482,083
Professional fees and services	22,292	8,712	57,555	526,302	21,466	636,327	848,839	9,950	1,495,116	1,427,423
Transaction processing fees and bank charges	480,595	8,892	56	164,757	126	654,426	32,953	1,291	688,670	547,395
Operating supplies	591,212	678,199	44,959	885,726	261	2,200,357	83,721	1,821	2,285,899	2,215,934
Goods purchased for resale	1,023,295	118,117	-	2,320,815	-	3,462,227	-	-	3,462,227	2,940,979
Computer equipment and software	79,058	2,291	28,236	195,033	1,381	305,999	115,020	7,332	428,351	370,059
Postage and shipping	340,565	314	34	193	-	341,106	15,623	-	356,729	335,171
Facility rent	1,140,300	-	106,944	400,613	-	1,647,857	100	-	1,647,957	1,661,380
Commercial insurance	364,418	80,242	47,655	166,004	5,926	664,245	224,603	591	889,439	733,699
Interest	302,419	7,371	25,314	217,053	240	552,397	146,094	5,623	704,114	788,278
Taxes, licenses, and fees	163,759	6,861	13,204	32,454	-	216,278	28,578	-	244,856	260,104
Building and property maintenance	228,943	9,838	28,998	165,856	-	433,635	121,562	410	555,607	521,298
Utilities	1,138,433	42,614	62,734	346,342	1,288	1,591,411	150,961	-	1,742,372	1,590,249
Security services	38,644	41	6,829	91,772	-	137,286	17,380	525	155,191	170,028
Rental and maintenance of equipment	33,155	-	57	24,490	133	57,835	2,886	-	60,721	77,182
Advertising - recruitment	2,939	32	830	14,082	535	18,418	13,809	87	32,314	188,507
Advertising - promotion, including donated services	85,990	370	10,007	287,924	-	384,291	18,762	2,230	405,283	846,745
Outside printing services	6,449	-	988	35,109	-	42,546	1,856	3,103	47,505	50,626
Vehicles - consumable supplies	135,476	69,639	203	7,598	-	212,916	23,113	-	236,029	191,669
Vehicles - maintenance	111,078	22,456	1,000	1,381	-	135,915	11,699	-	147,614	145,335
Vehicles - leasing fees	195	-	-	-	-	195	-	-	195	308
Travel	47,294	28,225	52,804	78,285	8,303	214,911	163,819	7	378,737	303,518
Client transportation	-	-	1,075	-	-	1,075	-	-	1,075	2,148
Meetings and conferences	28,628	3,165	78,289	22,345	184	132,611	17,310	15,277	165,198	67,521
Events expense	-	-	-	-	-	-	-	6,272	6,272	15,933
Dues	4,069	375,531	4,820	22,551	270	407,241	237,271	899	645,411	682,512
Telephone and communications	177,713	34,782	42,531	85,865	3,540	344,431	73,633	40	418,104	570,574
Pre-employment screening tests	14,253	4,152	1,310	14,194	7,489	41,398	1,279	-	42,677	46,730
Employee relations	25,140	372	667	1,873	-	28,052	156,294	9,278	193,624	229,849
Employee uniforms	25,559	33,401	415	8,791	-	68,166	2,609	-	70,775	85,053
Bad debt (recoveries)	-	-	-	2,134	-	2,134	1,190,000	89,165	1,281,299	969,300
Miscellaneous	2,352	3,337	-	-	448	6,137	-	5,676	11,813	7,493
Depreciation	1,017,141	65,019	87,883	768,969	-	1,939,012	534,545	-	2,473,557	2,318,813
Tuition assistance	-	-	-	67,492	-	67,492	-	-	67,492	105,924
Amortization	3,670	-	1,582	1,794	-	7,046	-	-	7,046	-
Loss on disposal of property	-	-	-	-	-	-	1,400	-	1,400	-
Contributions to others	-	-	-	-	-	-	-	22,753	22,753	1,711
Total Expenses	\$ 19,710,950	\$ 8,850,740	\$ 2,126,935	\$ 13,199,370	\$ 1,930,944	\$ 45,818,939	\$ 9,077,424	\$ 260,135	\$ 55,156,498	\$ 51,711,152

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, 2021

	Sales and Operations	Contract Services	Career Services	Education and Hospitality	Staffing Services	Total Program Services	Management and General	Fundraising	Total Expenses 2021
Salaries and contract labor	\$ 9,003,336	\$ 4,738,342	\$ 1,095,241	\$ 4,965,627	\$ 1,127,237	\$ 20,929,783	\$ 3,767,070	\$ 62,768	\$ 24,759,621
Employee fringe benefits	2,225,829	1,855,772	362,718	955,266	144,285	5,543,870	927,410	10,803	6,482,083
Professional fees and services	37,407	20,399	139,249	481,211	16,585	694,851	732,572	-	1,427,423
Transaction processing fees and bank charges	361,983	8,581	-	151,777	28	522,369	23,273	1,753	547,395
Operating supplies	584,944	680,773	35,676	769,483	266	2,071,142	143,967	825	2,215,934
Goods purchased for resale	819,660	170,923	-	1,950,396	-	2,940,979	-	-	2,940,979
Computer equipment and software	60,368	12,326	21,535	164,157	4,246	262,632	99,903	7,524	370,059
Postage and shipping	319,266	-	11	142	1	319,420	15,751	-	335,171
Facility rent	1,120,217	-	105,613	370,469	-	1,596,299	65,081	-	1,661,380
Commercial insurance	279,322	70,700	36,943	138,690	5,009	530,664	202,626	409	733,699
Interest	320,485	8,961	26,812	226,099	427	582,784	202,168	3,326	788,278
Taxes, licenses, and fees	186,690	4,285	11,629	26,144	37	228,785	31,319	-	260,104
Building and property maintenance	199,235	14,662	29,679	170,354	-	413,930	107,368	-	521,298
Utilities	1,075,997	33,298	57,012	298,062	866	1,465,235	125,014	-	1,590,249
Security services	33,791	90	20,536	95,336	614	150,367	19,661	-	170,028
Rental and maintenance of equipment	47,329	1,467	-	22,965	168	71,929	5,253	-	77,182
Advertising - recruitment	10,884	-	9,103	48,452	1,386	69,825	113,964	4,718	188,507
Advertising - promotion, including donated services	136,415	106	5,116	695,131	175	836,943	9,802	-	846,745
Outside printing services	12,967	29	2,616	25,678	-	41,290	7,838	1,498	50,626
Vehicles - consumable supplies	93,857	66,739	-	6,977	-	167,573	24,096	-	191,669
Vehicles - maintenance	117,846	14,892	-	9,229	-	141,967	3,368	-	145,335
Vehicles - leasing fees	-	-	-	308	-	308	-	-	308
Travel	53,593	24,650	28,552	82,211	6,913	195,919	107,041	558	303,518
Client transportation	-	-	2,148	-	-	2,148	-	-	2,148
Meetings and conferences	19,586	5,131	4,856	14,168	130	43,871	13,658	9,992	67,521
Events expense	-	-	-	-	-	-	-	15,933	15,933
Dues	10,704	420,023	2,679	24,091	130	457,627	224,833	52	682,512
Telephone and communications	196,900	32,958	73,617	111,486	4,655	419,616	150,928	30	570,574
Pre-employment screening tests	20,602	2,528	794	15,943	5,975	45,842	888	-	46,730
Employee relations	34,786	-	421	3,451	-	38,658	187,240	3,951	229,849
Employee uniforms	27,332	36,344	416	20,325	203	84,620	433	-	85,053
Bad debt (recoveries)	-	-	-	755,707	-	755,707	120,000	93,593	969,300
Miscellaneous	3,201	2,558	31	433	166	6,389	(1,370)	2,474	7,493
Depreciation	929,733	67,529	96,562	684,445	-	1,778,269	540,078	466	2,318,813
Tuition assistance	-	-	-	308,874	-	308,874	(202,950)	-	105,924
Contributions to others	-	-	-	-	-	-	1,700	11	1,711
Total Expenses	\$ 18,344,265	\$ 8,294,066	\$ 2,169,565	\$ 13,593,087	\$ 1,319,502	\$ 43,720,485	\$ 7,769,983	\$ 220,684	\$ 51,711,152

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,432,676	\$ 7,310,518
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	2,473,557	2,318,813
Amortization of debt issuance costs	17,634	17,635
Amortization of lease right-of-use assets	1,583,955	-
Land contribution	(240,000)	(328,114)
Equipment contribution	(10,000)	-
Unrealized (gain) loss on investments	129,273	(48,345)
Investment return, net	(13,736)	(38,403)
Change in interest rate swap obligation	(502,427)	(429,585)
Gain on forgiveness of Paycheck Protection Program loan	-	(4,598,000)
Bad debts, including promises to give	1,281,299	969,300
Change in assets and liabilities:		
Accounts receivable	(1,359,238)	144,002
Promises to give	(114,533)	140,828
Inventories	(570,652)	(1,161,015)
Prepaid expenses	(271,018)	(44,642)
Accounts payable	580,226	(292,418)
Salaries and benefits payable	196,469	88,878
Payroll withholdings	(10,715)	(21,997)
Sales tax payable	3,972	38,800
Deferred revenue	97,507	(143,339)
Operating lease liability	(1,334,528)	-
Net cash flows from operating activities	<u>3,369,721</u>	<u>3,922,916</u>
Cash flows from investing activities:		
Purchases of property and equipment	(5,557,022)	(4,858,963)
Loss on sale of property and equipment	20,300	27,732
Net cash flows from investing activities	<u>(5,536,722)</u>	<u>(4,831,231)</u>
Cash flows from financing activities:		
Payments on notes payable	(968,882)	(1,124,483)
Payments on finance lease obligation	(5,989)	-
Net cash flows from financing activities	<u>(974,871)</u>	<u>(1,124,483)</u>
Net change in cash and cash equivalents	(3,141,872)	(2,032,798)
Cash and cash equivalents, beginning of year	10,439,463	12,472,261
Cash and cash equivalents, end of year	<u>\$ 7,297,591</u>	<u>\$ 10,439,463</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 686,161</u>	<u>\$ 759,895</u>
Cash and cash equivalents are included in the consolidated statements of financial position as follows:		
Cash and cash equivalents	\$ 7,297,591	\$ 10,439,203
Cash and cash equivalents included in assets limited as to use	-	260
	<u>\$ 7,297,591</u>	<u>\$ 10,439,463</u>

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

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 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.

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 2022 and 2021, 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.

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.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

Change in Accounting Principle and Adoption of New Accounting Pronouncement – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (“ROU”) assets and lease liabilities for operating leases on the balance sheet.

The Organization adopted these ASUs effective January 1, 2022 using the modified retrospective approach. As a result of adopting these ASUs, the Organization recorded ROU assets and lease liabilities of \$11,227,161 and \$11,100,025, respectively. Adoption of the new standard did not materially impact the Company’s net income and had no impact on cash flows.

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, 2022, the Organization had approximately \$6,829,878 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, 2022 and 2021, 47% and 76%, 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, 2022 AND 2021

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

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

The Organization uses the allowance method to account for uncollectible accounts receivable. Management reviews accounts receivable on an individual basis and establishes an allowance as needed. Management has established an allowance for doubtful accounts receivable of approximately \$3,100,000 and \$2,000,000 as of December 31, 2022 and 2021, respectively.

Contributions – Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met, and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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

Inventories – Inventories consist of donated and purchased 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. The inventory turnover rate was 10 weeks for both the years ended December 31, 2022 and 2021.

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 obtaining notes payable. These costs are being amortized on the straight-line method over the life of the related debt. Debt issuance costs amortization expense was \$17,634 and \$17,635 and accumulated amortization was \$83,765 and \$66,131 as of and for the years ended December 31, 2022 and 2021, respectively. The use of the straight-line method is not materially different from the interest method for the years ended December 31, 2022 and 2021. Debt issuance costs, net of accumulated amortization, are included as a reduction to the carrying amount of the related notes payable on the consolidated statements of financial position.

Paycheck Protection Program Loan – The Organization has elected to use FASB ASC 470, Debt, (debt model), to record the loan received under the Paycheck Protection Program (the "PPP"). Under the debt model, the PPP loan has been classified based on the contractual repayment terms.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 \$31,663,538 and \$28,306,655 for the years ended December 31, 2022 and 2021, respectively. Retail sales are presented in the consolidated statements of activities net of donated goods of \$27,417,285 and \$24,143,097 for the years ended December 31, 2022 and 2021, 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 approximately 86% and 85% for the years ended December 31, 2022 and 2021, 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, inventory, and property and equipment in the consolidated statements of financial position. In-kind advertising are reflected in the accompanying consolidated statements of activities. 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.

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, 2022 AND 2021

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 74-10, *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, 2022 and 2021. 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 \$86,315 and \$78,868, totaled \$351,282 and \$955,584 for the years ended December 31, 2022 and 2021, 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 \$260,135 and \$220,684 for the years ended December 31, 2022 and 2021, respectively. Fundraising expenses are included in a separate column on the consolidated statements of functional expenses.

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.

New Accounting Pronouncements – In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU are intended to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. This update is effective for years beginning after June 15, 2021. The adoption did not have a significant impact of the consolidated financial statements, with the exception of increased information disclosed in Note 12.

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

DECEMBER 31, 2022 AND 2021

Note 2—Promises to give

Promises to give consisted of the following at December 31, 2022:

	Due in Less than 1 Year	Due in 1 - 5 Years	Total
Pledges receivable	\$ 259,738	\$ 260,040	\$ 519,778
Less:			
Discount to net present value	-	(16,137)	(16,137)
Allowance for uncollectible pledges	-	(89,625)	(89,625)
Net pledges receivable	<u>\$ 259,738</u>	<u>\$ 154,278</u>	<u>\$ 414,016</u>

Promises to give consisted of the following at December 31, 2021:

	Due in Less than 1 Year	Due in 1 - 5 Years	Total
Pledges receivable	\$ 160,862	\$ 227,098	\$ 387,960
Less:			
Discount to net present value	-	(10,683)	(10,683)
Allowance for uncollectible pledges	-	(77,794)	(77,794)
Net pledges receivable	<u>\$ 160,862</u>	<u>\$ 138,621</u>	<u>\$ 299,483</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, 2022 AND 2021

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, 2022 and 2021, 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, 2022				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market account	\$ 260,166	\$ -	\$ -	\$ 260,166
Common stocks	74,152	-	-	74,152
Mutual funds - small and mid cap growth	77,199	-	-	77,199
Mutual funds - other equity securities	113,256	-	-	113,256
	<u>\$ 524,772</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,772</u>
Assets held in deferred compensation plan:				
Mutual funds	<u>\$ 271,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,165</u>
Interest-rate swap obligation receivable	<u>\$ -</u>	<u>\$ 177,278</u>	<u>\$ -</u>	<u>\$ 177,278</u>

Fair Value Measurements at December 31, 2021				
	Level 1	Level 2	Level 3	Total
Investments:				
Money market account	\$ 250,069	\$ -	\$ -	\$ 250,069
Common stocks	113,831	-	-	113,831
Mutual funds - small and mid cap growth	113,362	-	-	113,362
Mutual funds - other equity securities	163,047	-	-	163,047
	<u>\$ 640,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 640,309</u>
Assets held in deferred compensation plan:				
Mutual funds	<u>\$ 338,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,233</u>
Interest-rate swap obligation payable	<u>\$ -</u>	<u>\$ (325,149)</u>	<u>\$ -</u>	<u>\$ (325,149)</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, 2022 AND 2021

Note 4—Property and equipment, net

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

	2022	2021
Land	\$ 8,853,376	\$ 8,440,401
Buildings and improvements	34,195,171	34,317,945
Land improvements	1,497,395	1,497,395
Leasehold improvements	3,024,339	2,992,774
Machinery and equipment	6,012,643	5,810,423
Furniture and fixtures	3,880,005	3,798,523
Computer equipment	2,386,395	1,925,057
Vehicles	2,265,906	2,351,303
Construction in progress	5,050,387	461,929
	67,165,617	61,595,750
Less accumulated depreciation	(28,297,229)	(26,040,527)
	<u>\$ 38,868,388</u>	<u>\$ 35,555,223</u>

As of December 31, 2022 and 2021, 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, 2022 and 2021 was \$2,473,557 and \$2,318,813, respectively.

Note 5—Lines of credit

The Organization has a line of credit in the amount of \$1,500,000, maturing on September 30, 2023, with a variable interest rate which is Bloomberg Short Term Bank Yield Index plus 1.75%. The interest rate at December 31, 2022 and 2021 was 6.11% and 1.83%, respectively. The line of credit is secured by all assets. There was \$0-outstanding at December 31, 2022 and 2021.

The Organization has a guidance, non-revolving line of credit in the amount of \$1,000,000 with a variable interest rate maturing September 30, 2023. There was no amount outstanding at December 31, 2022 and 2021. The note is secured by real property.

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

DECEMBER 31, 2022 AND 2021

Note 6—Notes payable

Notes payable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Note payable, due in monthly interest-only installments through June 2023. Principal and interest payments beginning in April 2019 including interest of LIBOR plus 1.75%, through June 2023. Collateral is real estate and all other assets.	\$ 18,323,290	\$ 19,283,239
Small Business Economic Injury Disaster Loan (Goodwill Works Foundation, Inc.), due in monthly installments through May 2051. Principal and interest payments beginning in May 2021 includes interest at 2.75%.	147,968	150,900
Small Business Economic Injury Disaster Loan (Goodwill Industries of Middle Georgia, Inc.), due in monthly installments through April 2051. Principal and interest payments beginning in April 2021 includes interest at 2.75%.	<u>494,000</u>	<u>500,000</u>
	18,965,258	19,934,139
Less unamortized debt issuance costs	<u>(4,409)</u>	<u>(22,042)</u>
	18,960,849	19,912,097
Less current maturities	<u>(18,337,027)</u>	<u>(973,686)</u>
	<u>\$ 623,822</u>	<u>\$ 18,938,411</u>

Interest on the lines of credit (see Note 5) and notes payable was expensed as incurred for the years ended December 31, 2022 and 2021.

Aggregate maturities on the notes payable at December 31, 2022 are as follows:

2023	\$ 18,337,027
2024	14,509
2025	14,966
2026	15,437
2027	15,923
Thereafter	<u>567,396</u>
	<u>\$ 18,965,258</u>

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 6—Notes payable (continued)

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, 2022 and 2021, management was not aware of any violations of these covenants.

On March 14, 2018, the Organization entered into an interest-rate swap agreement for the purpose of fixing a portion of the interest rate. The interest-rate swap has a notional amount of \$11,500,000 with a maturity date of June 14, 2023. On April 13, 2020, 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 \$9,291,000 with a maturity date of March 14, 2023. The fair value of the interest-rate swap agreements at December 31, 2022 and 2021, was an asset of \$177,278 and a liability of \$325,149, respectively, and is 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 an increase in fair value of the interest-rate swap agreement of \$502,427 for 2022. For 2021, there was a increase in fair value of the interest-rate swap agreement of \$429,585. The maturity date of the swap agreement coincides to that of the note payable. A summary of the interest-rate swap at December 31, 2022 and 2021 is in the table below:

<u>Issuance</u>	<u>Start Date</u>	<u>Maturity</u>	<u>Fair Value at December 31, 2022</u>	<u>Fair Value at December 31, 2021</u>
18038311SWNHG	March 14, 2018	March 14, 2023	\$ 93,756	\$ (328,976)
18038311SWNHG	June 14, 2020	June 14, 2023	83,521	3,827
			<u>\$ 177,278</u>	<u>\$ (325,149)</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.

PPP Loan – On April 20, 2020, the Organization received loan proceeds of approximately \$4,598,000 under the PPP for Goodwill Industries of Middle Georgia, Inc. On April 21, 2020, the Organization received PPP loan proceeds of approximately \$1,154,000 under the PPP for Good Vocations, Inc. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expense of the qualifying business. The PPP loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The interest rate on the PPP loan is 1% per annum and no payments of principal and interest are due during the six-month period beginning on the date of the PPP loan (“Deferral Period”). Beginning one month following the expiration of the Deferral Period and continuing monthly until 24 months from the date of the PPP loan, the Organization is obligated to make monthly payments of principal and interest to the lender with respect to any unforgiven portion of the PPP loan. The Organization is permitted to prepay the PPP loan at any time without penalty. The Organization applied for forgiveness for both the PPP loans with the Small Business Administration (“SBA”), and both loans have been fully forgiven. See Note 16.

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

DECEMBER 31, 2022 AND 2021

Note 7—Net assets with donor restrictions

Net assets with donor restrictions at December 31 were available for the following purposes:

	2022	2021
Scholarships and education initiatives	\$ 237,916	\$ 174,102
Hand Up campaign	2,128,478	2,331,829
Hispanic services	10,000	10,000
Other educational programs	20,687	10,300
HCE programs	43,625	47,500
Other programs	11,000	1,000
	<u>\$ 2,451,706</u>	<u>\$ 2,574,731</u>

Net assets with donor restrictions consist of cash and investments at December 31, 2022 and 2021. No amounts are required to be held in perpetuity at December 31, 2022 and 2021.

Note 8—Assets limited as to use

At December 31 assets were limited as to use for the following purposes:

	2022	2021
Student financial aid	<u>\$ -</u>	<u>\$ 260</u>

Note 9—Net assets released from restrictions

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2022	2021
Purpose restrictions accomplished:		
Hand Up Campaign	\$ 1,702,127	\$ -
Scholarships and education initiatives	-	523,230
Helms Career Education ("HCE") tuition	18,875	-
CARES Higher Education Emergency Relief Fund ("HEERF")	50,908	2,155,289
Other programs	2,113	12,660
	<u>\$ 1,774,023</u>	<u>\$ 2,691,179</u>

Note 10—Leases

The Organization leases certain retail space, warehouses, distribution centers, and equipment. The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

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

DECEMBER 31, 2022 AND 2021

Note 10—Leases (continued)

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain Organization lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable. As most of the Organization's leases do not provide an implicit rate, management uses the Organization's incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. As of December 31, 2022, the Organization has an additional operating lease that has not yet commenced of approximately \$1,756,127. Lease payments will begin January 1, 2023. The Organization does not have any material sublease activities.

Practical Expedients Elected:

- The Organization elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.
- The Organization has elected the practical expedient not to recognize leases with terms of 12 months or less on the consolidated statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, short-term lease expense for the period does not reflect the ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended December 31, 2022.

Future minimum lease payments under the operating leases at December 31, 2022 are as follows:

<u>Years Ending December 31:</u>	<u>Operating</u>	<u>Financing</u>
2023	\$ 1,487,644	\$ 5,276
2024	1,457,493	4,449
2025	1,439,286	1,011
2026	1,488,968	-
2027	1,517,221	-
Thereafter	4,177,831	-
Total lease payments	11,568,442	10,736
Less interest	(1,448,184)	(356)
Present value of lease liabilities	<u>\$ 10,120,259</u>	<u>\$ 10,380</u>

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

DECEMBER 31, 2022 AND 2021

Note 10—Leases (continued)

Required supplemental information relating to our leases for the year ended December 31, 2022 is as follows:

Operating:

Operating leases, included in operating expenses	\$ 1,577,106
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Finance:

Amortization of assets, included in depreciation and amortization	6,849
Interest, included in interest expense	446
Net operating and finance lease cost	<u>\$ 1,584,401</u>

Cash flow information:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows from operating leases	\$ 1,334,528
Operating cash flows from finance leases	416
Financing cash flows from finance leases	6,028

Lease assets obtained in exchange for lease liabilities:

Operating leases	11,083,102
Finance leases	16,923

Lease Term and Discount Rate:

(in years)

Weighted-average remaining lease term - operating leases	7.69
Weighted-average remaining lease term - finance leases	2.06
Weighted-average discount rate - operating leases	3.51%
Weighted-average discount rate - finance leases	3.26%

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, 2022 and 2021 was \$352,181 and \$286,523, 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 two participants at December 31, 2022 and 2021, respectively. The fair value of the assets in the plan and related liability at December 31, 2022 and 2021 was \$271,165 and \$350,519, respectively.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 12—Contributions of nonfinancial assets

For the years ended December 31, contributed nonfinancial assets recognized with the consolidated statements of activities included:

	2022	2021
Contributed nonfinancial assets at year-end:		
Donated goods	\$ 27,417,285	\$ 24,143,097
Donated land	240,000	328,114
In-kind advertising	86,315	78,868
Professional services	-	14,700
Donated equipment	10,000	37,933
Total contributed nonfinancial assets	<u>\$ 27,753,600</u>	<u>\$ 24,602,712</u>

Donated Goods – The Organization receives a variety of clothing, furniture, electronics, and other household goods to be sold at its retail locations, either online or through salvage sales. Donated goods are not accepted with any explicit donor restrictions. The proceeds from the sale of donated goods are used for both program services and supporting services. The Organization recognizes the fair value of donated goods based on the retail sales price less the cost of the retail sales.

Donated Land – When the legal titles to land are transferred to the Organization, the Organization records the fair market value of the asset as contribution revenue. The contributed land was utilized for the education and career services program. In valuing the contributed land, the Organization estimated the fair value on the basis of recent comparable sales prices in the surrounding real estate market.

In-Kind Advertising – The Organization receives in-kind advertising for recruitment and education programs. Contributed advertising is valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

Professional Services – The Organization only recognizes contributed services when the donated services require specialized skills and the Organization would have purchased the services if they had not been donated. The services received are primarily related to architectural services for the expansion of Helms college. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

Donated equipment – The contributed equipment was utilized for the education and career services program. The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Note 13—Related party transactions

During the years ended December 31, 2022 and 2021, the Organization received \$-0- and \$31,487, respectively, for staffing and custodial services from a company of which a key employee is a member of the Organization's Board.

The Organization had an agreement with a Board member to lease retail space. Lease expense for each of the years ended December 31, 2022 and 2021 was \$-0- and \$142,430, respectively.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 14—Employment agreement

During March 2010, the Organization entered into an employment agreement with its existing chief executive officer (“CEO”). As a result, the CEO will retain his current position through December 2025 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, 2022 and 2021, there was \$-0- due to be paid to the CEO. Total contribution expense for the years ended December 31, 2022 and 2021 was \$110,688 and \$104,422, respectively.

Note 15—Major customers

For the years ended December 31, 2022 and 2021, one customer, the United States Department of Defense, accounted for approximately 20% of the Organization’s total revenue, gains, and other support, net of contribution revenue. At December 31, 2022 and 2021, accounts receivable from one customer, the United States Department of Defense, accounted for approximately 48% and 37%, respectively, of the Organization’s net accounts receivable.

Note 16—Commitments and contingencies

Federal, State, and Local Awards – 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.

PPP Loans – The Organization received two loans under the PPP, which was established under the CARES Act and administered by the SBA. The loans received during 2020 were for an amount of \$4,598,000 for Goodwill Industries of Middle Georgia, Inc. and \$1,154,000 for Good Vocations, Inc. The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account current business activity and ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loans and the forgiveness of the PPP loans is dependent on the Organization having initially qualified for the PPP loans and qualifying for the forgiveness of such PPP loans based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loans. There is no assurance the Organization’s obligation under the PPP loans will be forgiven. If the PPP loans are not forgiven, the Organization will need to repay the PPP loans over the applicable repayment period, commencing after the applicable deferral period.

Presently, the SBA and other government communications have indicated that all loans in excess of \$2 million will be subject to audit and that those audits could take up to seven years to complete. If the SBA determines the PPP loan was not properly obtained and/or expenditures supporting forgiveness were not appropriate, the Organization would need to repay some or all of the Goodwill Industries of Middle Georgia, Inc.’s PPP loan and record additional expense which could have a material, adverse effect on our business, financial condition, and results of operations in a future period.

The Organization received forgiveness for the Good Vocations PPP loan during 2020 and recognized \$1,154,000 of income from forgiveness of the PPP loan on the 2020 consolidated statement of activities. On June 9, 2021, the SBA had forgiven the Goodwill Industries of Middle Georgia, Inc. PPP loan in full. As a result, the Organization recognized \$4,649,397 of income from forgiveness of the PPP loan on the consolidated statement of activities during the year ended December 31, 2021.

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 16—Commitments and contingencies (continued)

Construction Commitment – On December 2021, the Organization entered into an agreement for construction services for the expansion of Helms College and additional work at the Augusta Campus location. This expansion will be funded with a portion of a donation received in 2020. The agreement totals approximately \$4,272,000 with \$453,678 outstanding as of December 31, 2022.

Note 17—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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,297,591	\$ 10,439,203
Certificates of deposit	9,515	9,510
Accounts receivable, net of allowance for doubtful accounts of approximately \$3,100,000 and \$2,000,000 in 2022 and 2021, respectively	3,985,138	3,907,199
Investments	524,772	640,309
	<u>\$ 11,817,016</u>	<u>\$ 14,996,221</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 \$1,500,000 available at December 31, 2022, and a guidance, non-revolving line of credit in the amount of \$1,000,000, which it could draw upon.

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 it is financially responsible.

Concentration of Risk – The Organization's tuition related accounts receivable is 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 June 6, 2023, in connection with the preparation of these consolidated financial statements, which is the date the consolidated financial statements were available to be issued. As of this date, there were no material subsequent events requiring adjustment to or disclosure in the consolidated financial statements for the year ended December 31, 2022, except as noted below.

As disclosed in Note 10, the Organization entered into a new operating lease agreement for a retail store in North Augusta, South Carolina. The lease is effective January 1, 2023, and expires on December 31, 2032. The monthly lease payment is \$18,505.

Subsequent to December 31, 2022, Management is in the restructuring process with a lender to extend the terms including repayment dates for the \$18,323,290 note payable. See Note 6.

SUPPLEMENTARY INFORMATION

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

DECEMBER 31, 2022

	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	\$ 206,535	\$ 528,458	\$ -	\$ -	\$ 6,508,503	\$ 54,095	\$ -	\$ 7,297,591
Certificates of deposit	-	-	-	-	9,515	-	-	9,515
Accounts receivable, net of allowance for doubtful accounts	114,851	1,692,620	1,926,142	77,796	-	173,729	-	3,985,138
Promises to give, net of allowance for uncollectible pledges	-	-	-	-	259,738	-	-	259,738
Inventories	5,210,052	219,822	-	-	-	-	-	5,429,874
Investments	524,772	-	-	-	-	-	-	524,772
Prepaid expenses	450,922	67,162	-	-	2,999	-	-	521,083
Total Current Assets	6,507,132	2,508,062	1,926,142	77,796	6,780,755	227,824	-	18,027,711
Investments and Other Assets:								
Investment in subsidiaries	(27,861,177)	-	-	-	-	-	27,861,177	-
Promises to give, less current portion, net of uncollectible pledges and discount	-	-	-	-	154,278	-	-	154,278
Assets held in deferred compensation plan	271,165	-	-	-	-	-	-	271,165
Interest-rate swap obligation receivable	177,278	-	-	-	-	-	-	177,278
Operating right-of-use assets	7,202,275	2,801,865	-	-	-	-	-	10,004,140
Finance right-of-use asset	10,553	-	-	-	-	-	-	10,553
Total Investments and Other Assets	(20,199,906)	2,801,865	-	-	154,278	-	27,861,177	10,617,414
Property and equipment, at cost, net	38,512,729	355,659	-	-	-	-	-	38,868,388
Total Assets	\$ 24,819,955	\$ 5,665,586	\$ 1,926,142	\$ 77,796	\$ 6,935,033	\$ 227,824	\$ 27,861,177	\$ 67,513,513

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

DECEMBER 31, 2022

	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	\$ 2,547,571	\$ 10,000	\$ 603,997	\$ -	\$ -	\$ 39,948	\$ -	\$ 3,201,516
Salaries and benefits payable	981,717	-	205,647	21,354	-	-	-	1,208,718
Payroll withholdings	61,524	-	-	143	-	-	-	61,667
Sales tax payable	147,643	23,661	-	-	-	-	-	171,304
Deferred revenue	117,898	344,860	-	-	-	28,666	-	491,424
Dues billed in advance	-	-	-	-	-	50,000	-	50,000
Current maturities of notes payable	18,333,792	-	-	-	3,235	-	-	18,337,027
Current portion of operating lease liability	855,822	299,294	-	-	-	-	-	1,155,116
Current portion of financing lease liability	5,276	-	-	-	-	-	-	5,276
Intercompany (receivable) payable	(17,585,821)	30,135,866	(12,288,388)	196,158	(567,025)	109,210	-	-
Total Current Liabilities	5,465,422	30,813,681	(11,478,744)	217,655	(563,790)	227,824	-	24,682,048
Long-Term Liabilities:								
Notes payable, less current maturities, net of debt issuance costs	479,089	-	-	-	144,733	-	-	623,822
Deferred compensation plan assets payable	271,165	-	-	-	-	-	-	271,165
Operating lease liability, net of current portion	6,391,920	2,573,223	-	-	-	-	-	8,965,143
Financing lease liability, net of current portion	5,460	-	-	-	-	-	-	5,460
Total Long-Term Liabilities	7,147,634	2,573,223	-	-	144,733	-	-	9,865,590
Net Assets (Deficit):								
Without Donor Restrictions:								
Undesignated	11,706,899	(27,721,318)	13,404,886	(139,859)	4,902,384	-	27,861,177	30,014,169
Designated by the board	500,000	-	-	-	-	-	-	500,000
With Donor Restrictions	-	-	-	-	2,451,706	-	-	2,451,706
Total Net Assets (Deficit)	12,206,899	(27,721,318)	13,404,886	(139,859)	7,354,090	-	27,861,177	32,965,875
Total Liabilities and Net Assets (Deficit)	\$ 24,819,955	\$ 5,665,586	\$ 1,926,142	\$ 77,796	\$ 6,935,033	\$ 227,824	\$ 27,861,177	\$ 67,513,513

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

DECEMBER 31, 2021

	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	\$ 824,645	\$ 1,030,314	\$ -	\$ -	\$ 8,272,270	\$ 311,974	\$ -	\$ 10,439,203
Certificates of deposit	-	-	-	-	9,510	-	-	9,510
Accounts receivable, net of allowance for doubtful accounts	77,340	2,124,154	1,470,381	45,561	9,396	180,367	-	3,907,199
Promises to give, net of allowance for uncollectible pledges	-	-	-	-	160,862	-	-	160,862
Inventories	4,634,704	224,518	-	-	-	-	-	4,859,222
Investments	640,309	-	-	-	-	-	-	640,309
Prepaid expenses	273,216	98,159	-	-	5,831	-	-	377,206
Total Current Assets	6,450,214	3,477,145	1,470,381	45,561	8,457,869	492,341	-	20,393,511
Assets limited as to use - cash and cash equivalents	-	260	-	-	-	-	-	260
Investments and Other Assets:								
Investment in subsidiaries	(24,146,018)	-	-	-	-	-	24,146,018	-
Promises to give, less current portion, net of uncollectible pledges and discount	-	-	-	-	138,621	-	-	138,621
Assets held in deferred compensation plan	338,233	-	-	-	-	-	-	338,233
Total Investments and Other Assets	(23,807,785)	-	-	-	138,621	-	24,146,018	476,854
Property and equipment, at cost, net	35,106,198	449,025	-	-	-	-	-	35,555,223
Total Assets	\$ 17,748,627	\$ 3,926,430	\$ 1,470,381	\$ 45,561	\$ 8,596,490	\$ 492,341	\$ 24,146,018	\$ 56,425,848

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

DECEMBER 31, 2021

	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	\$ 1,756,882	\$ 275,099	\$ 589,309	\$ -	\$ -	\$ -	\$ -	\$ 2,621,290
Salaries and benefits payable	846,208	-	143,183	22,858	-	-	-	1,012,249
Payroll withholdings	69,778	-	2,604	-	-	-	-	72,382
Sales tax payable	134,575	32,757	-	-	-	-	-	167,332
Deferred revenue	123,611	270,306	-	-	-	-	-	393,917
Dues billed in advance	-	-	-	-	-	50,000	-	50,000
Current maturities of notes payable	970,451	-	-	-	3,235	-	-	973,686
Intercompany (receivable) payable	(14,201,004)	27,374,655	(11,385,841)	142,334	(2,372,485)	442,341	-	-
Total Current Liabilities	(10,299,499)	27,952,817	(10,650,745)	165,192	(2,369,250)	492,341	-	5,290,856
Long-Term Liabilities:								
Notes payable, less current maturities, net of debt issuance costs	18,790,745	-	-	-	147,666	-	-	18,938,411
Interest-rate swap obligation payable	325,149	-	-	-	-	-	-	325,149
Deferred compensation plan assets payable	338,233	-	-	-	-	-	-	338,233
Total Long-Term Liabilities	19,454,127	-	-	-	147,666	-	-	19,601,793
Net Assets (Deficit):								
Without Donor Restrictions:								
Undesignated	8,093,999	(24,026,387)	12,121,126	(119,631)	8,243,343	-	24,146,018	28,458,468
Designated by the Board	500,000	-	-	-	-	-	-	500,000
With Donor Restrictions	-	-	-	-	2,574,731	-	-	2,574,731
Total Net Assets (Deficit)	8,593,999	(24,026,387)	12,121,126	(119,631)	10,818,074	-	24,146,018	31,533,199
Total Liabilities and Net Assets	\$ 17,748,627	\$ 3,926,430	\$ 1,470,381	\$ 45,561	\$ 8,596,490	\$ 492,341	\$ 24,146,018	\$ 56,425,848

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

YEAR ENDED DECEMBER 31, 2022

	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 of cash and other financial assets	\$ 3,485,454	\$ -	\$ -	\$ -	\$ 517,738	\$ -	\$ (3,633,918)	\$ 369,274
Contributions of nonfinancial assets - other	60,295	24,520	-	-	1,500	-	-	86,315
Contributions of nonfinancial assets - donated goods	27,417,285	-	-	-	-	-	-	27,417,285
Retail sales, net of contributed revenue - donated goods	4,246,253	-	-	-	-	-	-	4,246,253
Government grants and performance contracts	591,044	-	-	-	-	-	(288,233)	302,811
Contract services	506,192	-	11,502,422	-	-	-	(301,675)	11,706,939
Staffing services	-	-	-	1,910,716	-	-	(1,253,761)	656,955
Education and hospitality	30,000	8,202,322	-	-	-	1,291,423	-	9,523,745
Change in fair value of derivatives	502,426	-	-	-	-	-	-	502,426
Investment return, net	(115,517)	-	-	-	-	-	-	(115,517)
Management fee	2,275,504	1,295,114	-	-	-	-	(3,570,618)	-
Rental income	63,755	1,562	-	-	-	-	-	65,317
Other	138,692	33,990	-	-	-	3,691	-	176,373
Loss on affiliates	(3,715,159)	-	-	-	-	-	3,715,159	-
Total Revenue and Gains Without Donor Restrictions	35,486,224	9,557,508	11,502,422	1,910,716	519,238	1,295,114	(5,333,046)	54,938,176
Net Assets Released from Restrictions:								
Satisfaction of program restrictions	-	-	-	-	1,774,023	-	-	1,774,023
Total Revenue, Gains, and Other Support Without Donor Restrictions	35,486,224	9,557,508	11,502,422	1,910,716	2,293,261	1,295,114	(5,333,046)	56,712,199
Expenses:								
Program Services:								
Sales and operations	20,843,671	-	-	-	-	-	(1,132,721)	19,710,950
Contract services	947,485	-	7,943,158	-	-	-	(39,903)	8,850,740
Career services	2,417,628	-	-	-	-	-	(290,693)	2,126,935
Staffing services	-	-	-	1,930,944	-	-	-	1,930,944
Education and hospitality	-	13,370,838	-	-	-	-	(171,468)	13,199,370
Total Program Services	24,208,784	13,370,838	7,943,158	1,930,944	-	-	(1,634,785)	45,818,939
Support Services:								
Management and general	9,434,774	-	2,275,504	-	-	1,295,114	(3,927,968)	9,077,424
Fundraising	-	-	-	-	5,583,312	-	(5,323,177)	260,135
Total Support Services	9,434,774	-	2,275,504	-	5,583,312	1,295,114	(9,251,145)	9,337,559
Total Expenses	33,643,558	13,370,838	10,218,662	1,930,944	5,583,312	1,295,114	(10,885,930)	55,156,498
Change in Net Assets Without Donor Restrictions	1,842,666	(3,813,330)	1,283,760	(20,228)	(3,290,051)	-	5,552,884	1,555,701

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

YEAR ENDED DECEMBER 31, 2022

	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	\$ 1,770,234	\$ 118,399	\$ -	\$ -	\$ 1,350,090	\$ -	\$ (1,837,725)	\$ 1,400,998
Contributions of nonfinancial assets	-	-	-	-	250,000	-	-	250,000
Net asset released from restrictions	-	-	-	-	(1,774,023)	-	-	(1,774,023)
Change in Net Assets with Donor Restrictions	<u>1,770,234</u>	<u>118,399</u>	<u>-</u>	<u>-</u>	<u>(173,933)</u>	<u>-</u>	<u>(1,837,725)</u>	<u>(123,025)</u>
Change in net assets (deficit)	3,612,900	(3,694,931)	1,283,760	(20,228)	(3,463,984)	-	3,715,159	1,432,676
Net assets (deficit), beginning of year	<u>8,593,999</u>	<u>(24,026,387)</u>	<u>12,121,126</u>	<u>(119,631)</u>	<u>10,818,074</u>	<u>-</u>	<u>24,146,018</u>	<u>31,533,199</u>
Net assets (deficit), end of year	<u>\$ 12,206,899</u>	<u>\$ (27,721,318)</u>	<u>\$ 13,404,886</u>	<u>\$ (139,859)</u>	<u>\$ 7,354,090</u>	<u>\$ -</u>	<u>\$ 27,861,177</u>	<u>\$ 32,965,875</u>

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

YEAR ENDED DECEMBER 31, 2021

	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	\$ 2,015,044	\$ 14,581	\$ -	\$ -	\$ 602,161	\$ -	\$ (2,298,414)	\$ 333,372
Contributions of nonfinancial assets	52,053	64,748	-	-	-	-	-	116,801
Forgiveness of Paycheck Protection Program loan	4,649,397	-	-	-	-	-	-	4,649,397
Contributed revenue - donated goods	24,143,097	-	-	-	-	-	-	24,143,097
Retail sales, net of contributed revenue - donated goods	4,163,558	-	-	-	-	-	-	4,163,558
Government grants and performance contracts	343,757	-	-	-	-	-	-	343,757
Contract services	500,057	-	11,949,736	-	-	-	(926,423)	11,523,370
Staffing services	-	-	-	1,240,078	-	-	-	1,240,078
Education and hospitality	250,120	7,588,413	-	-	-	1,236,509	(243,845)	8,831,197
Change in fair value of derivatives	429,585	-	-	-	-	-	-	429,585
Investment return, net	81,823	-	-	-	-	-	-	81,823
Management fee	2,311,788	1,242,671	-	-	-	-	(3,554,459)	-
Rental income	81,101	-	-	-	-	-	-	81,101
Other	163,292	29,569	-	-	7	6,162	-	199,030
Loss on affiliates	(2,632,635)	-	-	-	-	-	2,632,635	-
Total Revenue and Gains Without Donor Restrictions	36,552,037	8,939,982	11,949,736	1,240,078	602,168	1,242,671	(4,390,506)	56,136,166
Net Assets Released from Restrictions:								
Satisfaction of program restrictions	-	-	-	-	2,691,179	-	-	2,691,179
Total net assets released from restriction Without Donor Restrictions	36,552,037	8,939,982	11,949,736	1,240,078	3,293,347	1,242,671	(4,390,506)	58,827,345
Expenses:								
Program Services:								
Sales and operations	18,823,873	-	-	-	-	-	(479,608)	18,344,265
Contract services	1,037,972	-	7,321,691	-	-	-	(65,597)	8,294,066
Career services	2,209,488	-	-	-	-	-	(39,923)	2,169,565
Staffing services	-	-	-	1,319,970	-	-	(468)	1,319,502
Education and hospitality	-	13,787,092	-	-	-	-	(194,005)	13,593,087
Total Program Services	22,071,333	13,787,092	7,321,691	1,319,970	-	-	(779,601)	43,720,485
Support Services:								
Management and general	8,379,531	-	2,311,788	-	-	1,242,671	(4,164,007)	7,769,983
Fundraising	-	-	-	-	2,881,955	-	(2,661,271)	220,684
Total Support Services	8,379,531	-	2,311,788	-	2,881,955	1,242,671	(6,825,278)	7,990,667
Total Expenses	30,450,864	13,787,092	9,633,479	1,319,970	2,881,955	1,242,671	(7,604,879)	51,711,152
Change in Net Assets Without Donor Restrictions	6,101,173	(4,847,110)	2,316,257	(79,892)	411,392	-	3,214,373	7,116,193

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

YEAR ENDED DECEMBER 31, 2021

	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	\$ 453,634	\$ 2,294,367	\$ 1,000	\$ -	\$ 375,397	\$ -	\$ (581,738)	\$ 2,542,660
Contributions of nonfinancial assets	-	-	-	-	342,844	-	-	342,844
Net asset released from restrictions	-	-	-	-	(2,691,179)	-	-	(2,691,179)
Change in Net Assets with Donor Restrictions	<u>453,634</u>	<u>2,294,367</u>	<u>1,000</u>	<u>-</u>	<u>(1,972,938)</u>	<u>-</u>	<u>(581,738)</u>	<u>194,325</u>
Change in net assets (deficit)	6,554,807	(2,552,743)	2,317,257	(79,892)	(1,561,546)	-	2,632,635	7,310,518
Net assets (deficit), beginning of year	<u>2,039,192</u>	<u>(21,473,644)</u>	<u>9,803,869</u>	<u>(39,739)</u>	<u>12,379,620</u>	<u>-</u>	<u>21,513,383</u>	<u>24,222,681</u>
Net assets (deficit), end of year	<u>\$ 8,593,999</u>	<u>\$ (24,026,387)</u>	<u>\$ 12,121,126</u>	<u>\$ (119,631)</u>	<u>\$ 10,818,074</u>	<u>\$ -</u>	<u>\$ 24,146,018</u>	<u>\$ 31,533,199</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 financial statements of Goodwill Industries of Middle Georgia, Inc. and its consolidated affiliates (the "Organization"), (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022 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 June 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Augusta, Georgia
June 6, 2023

Report of Independent Auditor on Compliance for Each Major Federal 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

Opinion on Each Major Federal Program

We have audited Goodwill Industries of Middle Georgia, Inc.'s and its combined affiliates (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Goodwill Industries of Middle Georgia, Inc. and its affiliates complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 Bekaert LLP

Augusta, Georgia
June 6, 2023

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Program or Cluster Title	Federal ALN 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	42700-040-0000103325	\$ 73,096
Supplemental Nutrition Assistance Program (State Administrative Match)	10.561	42700-040-0000107811	6,733
		Total SNAP Cluster	79,829
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	4400027404	16,610
Supplemental Nutrition Assistance Program Emp & Training	10.596	4400030840	5,543
		Total ALN #10.596	22,153
Total U.S. Department of Agriculture			101,982
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 10-01-2020 and 2022	92,671
		Total ALN #64.033	92,671
Total U.S. Department of Veteran Affairs			92,671
U.S. Department of Education			
Student Financial Assistance Cluster			
Direct			
Federal Supplemental Educational Opportunity	84.007		43,606
Federal Pell Grant Program	84.063		549,253
Federal Direct Student Loan Program	84.268		793,469
		Total Student Financial Assistance Cluster	1,386,328
Rehabilitation Services-Vocational Rehabilitation Grants to States			
Passed through			
Georgia Vocational Rehabilitation Agency			
Vocational Rehabilitation	84.126	41200-610-SA-FY22-010182	28,282
Vocational Rehabilitation	84.126	41200-610-SA-FY22-010182	21,383
		Total ALN #84.126	49,665
Education Stabilization Fund			
Direct			
COVID-19: Higher Education Emergency Relief Fund - Student Aid Portion	84.425E		939,920
COVID-19: Higher Education Emergency Relief Fund - Institutional Portion	84.425F		50,909
		Total ALN #84.425	990,829
Total U.S. Department of Education			2,426,822
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	42700-040C-NS22-0000000621	10,525
Temporary Assistance to Needy Families (Applicant Job Search)	93.558	42700-040C-NS23-01182	22,275
		Total TANF Cluster	32,800
Total U.S. Department of Health and Human Services			32,800
		Total	\$ 2,654,275

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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% 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, 2022.

Note 4—Noncash awards

The Organization did not receive noncash federal awards during the year ended December 31, 2022.

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
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Note 7—Higher Education Emergency Relief Fund

The Coronavirus Aid, Relief, and Economic Security Act created a Higher Education Emergency Relief Fund (“HEERF”) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the America Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award and a student aid award.

The following cumulative amounts have been awarded as HEERF as of December 31, 2022:

	Student Portion	Institutional Portion	Total
HEERF I	\$ 301,498	\$ 301,497	\$ 602,995
HEERF II	301,498	776,109	1,077,607
HEERF III	941,704	941,703	1,883,407
	<u>\$ 1,544,700</u>	<u>\$ 2,019,309</u>	<u>\$ 3,564,009</u>

The Organization expended the following funds for the year ended December 31, 2022:

	Student Portion	Institutional Portion	Total
HEERF I	\$ -	\$ 50,909	\$ 50,909
HEERF II	11,200	-	11,200
HEERF III	928,720	-	928,720
	<u>\$ 939,920</u>	<u>\$ 50,909</u>	<u>\$ 990,829</u>

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

YEAR ENDED DECEMBER 31, 2022

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

Noncompliance material to combined financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

 X yes no

Major Programs:

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

CFDA #

Name of Federal Program

84.007, 84.063, 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 X 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 (CONTINUED)

YEAR ENDED DECEMBER 31, 2022

Section III – Federal Awards Findings and Questioned Costs

Finding 2022-001

Federal Agency:	Department of Education
Federal Program:	Student Financial Aid Cluster – Federal Direct Student Loans
ALN:	# 84.268
Compliance Requirement:	Special Tests and Provisions - Enrollment Reporting
Type of Finding:	Compliance Finding, Material Weakness in Internal Controls over Compliance
Repeat Finding:	Yes – 2021-001, 2020-001, 2019-002

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.

CONDITION:

From a sample of forty (40) students who received Pell and/or Direct loans during the year, a review of each sampled student’s Enrollment Data as updated to the NSLDS system per the NSLDS web-site noted the following:

- Four (4) students withdrew from the School but were not reported to the NSLDS as withdrawn within the 60 days required. The students were not reported prior to the NSLDS outage beginning in July 2022.
- Four (4) students graduated from the School but were not reported to the NSLDS as graduated with the 60 days required. The students were not reported prior to the NSLDS outage beginning in July 2022.
- Twelve (12) began attending the School in 2022, but were not reported prior to the NSLDS outage beginning in July 2022.

QUESTION COSTS:

None noted.

CAUSE:

The School did not implement the corrective action plan from the prior year audit until February 2023. Further, the NSLDS was down from July 2022 to February 2023 and as such, the new policies did not fully take effect until after the year-end.

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

YEAR ENDED DECEMBER 31, 2022

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

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:

The School should implement internal control procedures that will educate key process owners (including the registrar office) of the enrollment reporting compliance requirements per the Code of Federal Regulations, 34 CFR 685.309 (b). The School should then implement internal control procedures to first ensure that errors in the Registrar's system are corrected in a timely manner, and second to ensure that changes in the student statuses are reported within the required timeframe.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

Management concurs with the finding. As noted by the auditors, a corrective action plan was established to ensure that timely enrollment data be coordinated between the Registrar's Office and the Financial Aid Office. This plan was developed in August 2022 along with additional corrective actions efforts to ensure that admission and financial aid data was internally audited prior to enrolling a student. As the audit was conducted, it was evident that the corrective action could not be examined for effectiveness and accuracy as the students examined were from periods prior to the implementation of the corrective action plan and then, as noted by the auditors, the government's NSLDS was not working from July 2022-February 2023, so records could not be shared. The corrective action plan was implemented when the NSLDS became available to submit reports in February 2023.

Additionally, the Helms College Registrar, Director of Education and Compliance and Financial Aid Manager will complete free enrollment reporting training courses offered by the National Student Clearinghouse and continue to submit the enrollment status reports to the National Student Clearinghouse according to the required reporting schedule.

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

YEAR ENDED DECEMBER 31, 2022

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, 2021 consolidated financial statement)	\$	26,290,166
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		(2,377,066)
d.	Balance pre-implementation property, plant, and equipment, net		23,913,100
4	Debt financed post-implementation property, plant, and equipment, net long-lived assets acquired with debt subsequent to December 31, 2021:		
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		5,050,387
6	Post-implementation property, plant, and equipment, net, acquired without debt:		
a.	Long-lived assets, net, acquired without use of debt subsequent to December 31, 2018		9,904,901
7	Total property, plant, and equipment, net December 31, 2022	\$	38,868,388

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

YEAR ENDED DECEMBER 31, 2022

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, 2021):	\$ 19,261,197
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	(942,316)
d.	Balance Pre-implementation Debt	<u>\$ 18,318,881</u>
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	-
		<u>\$ 18,318,881</u>
12	Non-allowable debt for operations	<u>\$ 641,968</u>
13	Terms of current year debt and line of credit for CIP additions:	

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

Lease right-of-use assets and liabilities

14	ASU 2016-02 implemented effective January 1, 2022. Right of use assets as of balance sheet date December 31, 2022	\$ 10,014,693
15	Lease right-of-use assets - Pre-implementation Right of use assets as of balance sheet date December 31, 2022 excluding leases entered into before Dec 15, 2018 (grandfather option of leases not chosen)	-
16	Lease right-of-use assets - Post-implementation Right of use assets as of balance sheet date December 31, 2022 excluding leases entered into on or after Dec 15, 2018	10,014,693
17	Lease right-of-use liability Lease liabilities as of balance sheet dated December 31, 2022	10,130,995
18	Lease right-of-use liability - Pre-implementation Lease liabilities as of balance sheet dated December 31, 2022 excluding leases entered into before Dec 15, 2018 (grandfathering of leases not chosen)	-
19	Lease right-of-use liability - Post-implementation Lease liabilities as of balance sheet date December 31, 2022 excluding leases entered into on or after Dec 15, 2018	10,130,995

Unsecured related party receivables

20	Secured and unsecured related party receivables	<u>\$ -</u>
21	Unsecured related party receivables	<u>\$ -</u>

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

YEAR ENDED DECEMBER 31, 2022

Financial Responsibility Supplemental Schedule			
	Primary Reserve Ratio:	Expendable Net Assets:	
1	Consolidated Statement of Financial Position - Net assets without donor restrictions (SFP), page 3	Net assets without donor restrictions	\$ 30,463,261
2	SFP page 3 - Net assets with donor restrictions	Net assets with donor restrictions	2,502,614
3	Supplemental Disclosure (SD) line 15: Unsecured related party receivable and Related part note disclosure (note 12)	Secured and unsecured related party receivable	\$ -
4	SD line 16: 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	38,868,388
6	SD line 3d: PP&E net	Property, plant, and equipment pre-implementation	23,913,100
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	9,904,901
9	None noted	Construction in progress	5,050,387
10	SFP page 3: Lease right-of-use asset	Lease right-of-use asset, net - Total*	10,014,693
11	None noted	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	-
12	SFP page 3: Lease right-of-use asset	Lease right-of-use asset, post-implementation	10,014,693
13	None noted	Intangible assets	-
14	None noted	Postemployment 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	18,318,881
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	18,318,881
17	None noted	Long-term debt - for long term purposes post-implementation	-
18	None noted	Line of Credit for Construction in progress	-
19	SFP page 4: Lease right-of-use asset liability (both current and long term)	Lease right-of-use asset liability*	10,130,995
20	None noted	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)	-
21	SFP page 4: Lease right-of-use asset liability (both current and long term)	Post-implementation right-of-use asset liability	10,130,995
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 Expendable Net Assets	36,445,770
		Expenses and Losses:	
27	Consolidated Statement of Activities (SOA) page 4 - Total Expenses, (Total from Consolidated Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Consolidated Statement of Activities	55,156,498
28	None noted	Nonoperating and net investment (loss)	-
29	None noted	Net investment losses	-

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

YEAR ENDED DECEMBER 31, 2022

Financial Responsibility Supplemental Schedule				
30	None noted	Pension-related changes other than net periodic costs		-
		Total Expenses and Losses		55,156,498
	Equity Ratio:			
		Modified Net Assets:		
31	SFP page 3: Net Assets without Donor Restrictions	Net assets without donor restrictions		30,463,261
32	SFP page 3: Total Net Assets with Donor Restriction	Net assets with donor restrictions		2,502,614
33	None noted	Intangible assets		-
34	None noted	Intangible assets		-
35	None noted	Secured and unsecured related party receivables - Total	-	
36	None noted	Unsecured related party receivables		-
		Total Modified Net Assets		32,965,875
		Modified Assets:		
37	SFP page 3 - Total assets	Total assets		67,513,513
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	None noted	Secured and unsecured related party receivables	-	
42	None noted	Unsecured related party receivables		-
		Total Modified Assets		67,513,513

GOODWILL INDUSTRIES OF MIDDLE GEORGIA, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2021

Findings 2021-001, 2020-001, 2019-02

Federal Agency:	Department of Education
Federal Program:	Student Financial Aid Cluster – Federal Direct Student Loans
CFDA:	# 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions - Enrollment Reporting
Type of Finding:	Material Weakness in Internal Controls over Compliance

CURRENT STATUS:

Repeat finding. See finding 2022-001

Finding 2021-002, 2020-002, 2019-003

Federal Agency:	Department of Education
Federal Program:	Student Financial Aid Cluster
CFDA:	# 84.007, 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

CURRENT STATUS:

Finding corrected in the current year.

Finding 2021-003

Federal Agency:	Department of Education
Federal Program:	Student Financial Aid Cluster
CFDA:	# 84.007, 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

CURRENT STATUS:

Finding corrected in the current year.

Finding 2021-004

Federal Agency:	Department of Education
Federal Program:	Student Financial Aid Cluster
ALN:	# 84.007, 84.063, 84.268
Compliance Requirement:	Special Tests and Provisions – Gramm-Leach-Bliley Act
Type of Finding:	Compliance Finding; Significant Deficiency in Internal Controls over Compliance

CURRENT STATUS:

Finding corrected in the current year.

Finding 2021-005

Federal Agency:	Department of Education
Federal Program:	Covid-19 Education Stabilization Fund
ALN:	# 84.425
Compliance Requirement:	Reporting
Type of Finding:	Compliance Finding; Significant Deficiency in Internal Controls over Compliance

CURRENT STATUS:

Finding corrected in the current year.



Uniform Guidance – Single Audit Report Corrective Action Plan

Fiscal Year Ended December 31, 2022

Audit Finding Number: 2022-001-Enrollment Reporting:

Management concurs with the finding. As noted by the auditors, a corrective action plan was established to ensure that timely enrollment data be coordinated between the Registrar's Office and the Financial Aid Office. This plan was developed in August 2022 along with additional corrective actions efforts to ensure that admission and financial aid data was internally audited prior to enrolling a student. As the audit was conducted, it was evident that the corrective action could not be examined for effectiveness and accuracy as the students examined were from periods prior to the implementation of the corrective action plan and then, as noted by the auditors, the government's NSLDS was not working from July 2022-February 2023, so records could not be shared. The corrective action plan was implemented when the HSLDS became available to submit reports in February 2023.

Additionally, the Helms College Registrar, Director of Education and Compliance and Financial Aid Manager will complete free enrollment reporting training courses offered by the National Student Clearinghouse, and continue to submit the enrollment status reports to the National Student Clearinghouse according to the required reporting schedule.

A handwritten signature in black ink, appearing to read 'Luke Schultheis', followed by the date '6/13/23' written in the same ink.

Luke Schultheis, Executive Vice President of Education