

Combined Financial Statements and
Report of Independent Certified Public Accountants

**Goodwill Industries of North Georgia, Inc.
and Goodwill of North Georgia, Inc.**

June 30, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Goodwill Industries of North Georgia, Inc. and
Goodwill of North Georgia, Inc.:

Report on the financial statements

We have audited the accompanying combined financial statements of **Goodwill Industries of North Georgia, Inc. and Goodwill of North Georgia, Inc.** (collectively, the "Organization"), which comprise the combined statement of financial position as of June 30, 2019 and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Georgia, Inc. and Goodwill of North Georgia, Inc., as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other information

The uncombined statement of activities on page 24 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on 2018 summarized comparative information

We have previously audited the Organization's 2018 combined financial statements and we expressed an unmodified audit opinion on the respective financial statements in our report dated October 26, 2018. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Atlanta, GA
December 23, 2019

Combined statements of financial position

June 30,	2019	2018
	\$	\$
Assets:		
Cash and cash equivalents	1,687,000	4,575,000
Restricted cash	1,612,000	-
Accounts receivable, net of allowance for doubtful accounts	5,751,000	3,782,000
Inventory	1,656,000	1,273,000
Prepaid expenses	3,919,000	3,035,000
Investments	114,293,000	110,256,000
Property and equipment, net	83,983,000	79,399,000
Other non-current assets	727,000	878,000
Total assets	213,628,000	203,198,000
Liabilities:		
Accounts payable	6,208,000	3,529,000
Accrued liabilities and deferred rent	13,804,000	12,874,000
Deferred revenue	116,000	416,000
Workers compensation	1,977,000	2,801,000
Long-term debt	51,544,000	49,786,000
Accrued loss on interest rate swaps	1,970,000	1,151,000
Total liabilities	75,619,000	70,557,000
Net assets:		
Without donor restrictions	137,050,000	131,983,000
With donor restrictions	959,000	658,000
Total net assets	138,009,000	132,641,000
Total liabilities and net assets	213,628,000	203,198,000

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

Combined statements of activities

For the year ended June 30, 2019 (with comparative totals for the year ended June 30, 2018)	Without donor restrictions	With donor restrictions	2019 Total	2018 Total
	\$	\$	\$	\$
Support, revenue and gains:				
Support:				
Government grants	4,469,000	105,000	4,574,000	3,671,000
Contributions	1,671,000	164,000	1,835,000	744,000
United Way allocation	200,000	32,000	232,000	290,000
Total support	6,340,000	301,000	6,641,000	4,705,000
Revenue and gains:				
Store sales	127,896,000	-	127,896,000	123,947,000
Salvage	11,130,000	-	11,130,000	9,976,000
E-Commerce	332,000	-	332,000	-
Facility contracts	11,873,000	-	11,873,000	11,765,000
Vocational services	168,000	-	168,000	447,000
Investment income	6,481,000	38,000	6,519,000	8,033,000
Total revenue and gains	157,880,000	38,000	157,918,000	154,168,000
Net assets released from restrictions:				
Satisfaction of donor restrictions	38,000	(38,000)	-	-
Total support, revenue and gains	164,258,000	301,000	164,559,000	158,873,000

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

Combined statements of activities (cont'd)

For the year ended June 30, 2019 (with comparative totals for the year ended June 30, 2018)	Without donor restrictions	With donor restrictions	2019 Total	2018 Total
	\$	\$	\$	\$
Operating expenses:				
Program services:				
Stores	104,308,000	-	104,308,000	99,545,000
Collection and transportation of donated goods	12,078,000	-	12,078,000	11,395,000
Salvage	381,000	-	381,000	344,000
E-Commerce	123,000	-	123,000	-
Contracts	11,674,000	-	11,674,000	10,609,000
Vocational services	16,539,000	-	16,539,000	15,528,000
Total program services	145,103,000	-	145,103,000	137,421,000
Supporting services:				
General and administrative	11,903,000	-	11,903,000	11,717,000
Fundraising	1,362,000	-	1,362,000	1,379,000
Total supporting services	13,265,000	-	13,265,000	13,096,000
Total operating expenses	158,368,000	-	158,368,000	150,517,000
Other non-operating:				
(Gain) / Loss on disposal of property and equipment	5,000	-	5,000	(12,000)
(Gain) / Loss on interest rate sw aps mark-to-market valuation	818,000	-	818,000	(1,008,000)
Change in net assets	5,067,000	301,000	5,368,000	9,376,000
Net assets, beginning of year	131,983,000	658,000	132,641,000	123,265,000
Net assets, end of year	137,050,000	959,000	138,009,000	132,641,000

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

Combined statement of functional expenses

For the year ended June 30, 2019	Program Services						Supporting Services			2019 Total	
	Stores	Collection and Transportation of Materials	Salvage	E-Commerce	Contracts	Vocational Services	Total Program Services	General and Administrative Expenses	Fundraising		Total Supporting Services
Salaries:											
Staff	15,288,000	427,000	-	46,000	2,284,000	7,651,000	25,696,000	6,529,000	775,000	7,304,000	33,000,000
Support	33,892,000	4,545,000	-	88,000	4,914,000	102,000	43,541,000	65,000	10,000	75,000	43,616,000
Consumers	-	-	-	-	-	968,000	968,000	-	(2,000)	(2,000)	966,000
Employee benefits	5,084,000	489,000	-	5,000	1,697,000	1,134,000	8,409,000	862,000	74,000	936,000	9,345,000
Workers compensation	1,823,000	189,000	-	-	116,000	61,000	2,189,000	(225,000)	3,000	(222,000)	1,967,000
Payroll taxes	3,644,000	371,000	-	10,000	523,000	540,000	5,088,000	386,000	45,000	431,000	5,519,000
Total payroll expense	59,731,000	6,021,000	-	149,000	9,534,000	10,456,000	85,891,000	7,617,000	905,000	8,522,000	94,413,000
Professional fees and contracted services	1,750,000	923,000	353,000	72,000	742,000	1,280,000	5,120,000	1,858,000	149,000	2,007,000	7,127,000
Retail and other operating supplies	3,149,000	166,000	-	(196,000)	602,000	140,000	3,861,000	104,000	5,000	109,000	3,970,000
Telephone and communications	720,000	128,000	-	3,000	49,000	301,000	1,201,000	155,000	5,000	160,000	1,361,000
Occupancy	25,462,000	2,695,000	24,000	-	80,000	1,892,000	30,153,000	425,000	-	425,000	30,578,000
Rental and maintenance of equipment	1,580,000	1,114,000	-	6,000	355,000	377,000	3,432,000	262,000	15,000	277,000	3,709,000
Printing, advertising and publications	1,949,000	71,000	1,000	1,000	29,000	702,000	2,753,000	291,000	223,000	514,000	3,267,000
Travel and agency vehicles	331,000	663,000	-	4,000	137,000	447,000	1,582,000	121,000	24,000	145,000	1,727,000
Merchant fees and other bank charges	2,224,000	-	-	82,000	22,000	-	2,328,000	187,000	-	187,000	2,515,000
Other expenses	708,000	32,000	3,000	1,000	38,000	316,000	1,098,000	407,000	35,000	442,000	1,540,000
Depreciation	4,591,000	265,000	-	1,000	86,000	628,000	5,571,000	476,000	1,000	477,000	6,048,000
Financing and start-up costs	2,113,000	-	-	-	-	-	2,113,000	-	-	-	2,113,000
Total other expense	44,577,000	6,057,000	381,000	(26,000)	2,140,000	6,083,000	59,212,000	4,286,000	457,000	4,743,000	63,955,000
Total expenses	104,308,000	12,078,000	381,000	123,000	11,674,000	16,539,000	145,103,000	11,903,000	1,362,000	13,265,000	158,368,000

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

Combined statement of functional expenses

For the year ended June 30, 2018	Program Services						Supporting Services			2018 Total	
	Stores	Collection and Transportation of Materials	Salvage	E-Commerce	Contracts	Vocational Services	Total Program Services	General and Administrative Expenses	Fundraising		Total Supporting Services
	\$	\$	\$		\$	\$	\$	\$	\$	\$	
Salaries:											
Staff	14,709,000	422,000	-	-	1,900,000	7,383,000	24,414,000	6,081,000	722,000	6,803,000	31,217,000
Support	30,995,000	4,546,000	-	-	4,399,000	126,000	40,066,000	35,000	9,000	44,000	40,110,000
Consumers	-	-	-	-	-	1,137,000	1,137,000	-	(4,000)	(4,000)	1,133,000
Employee benefits	4,668,000	464,000	-	-	1,563,000	1,328,000	8,023,000	797,000	88,000	885,000	8,908,000
Workers compensation	2,614,000	296,000	-	-	240,000	102,000	3,252,000	(279,000)	3,000	(276,000)	2,976,000
Payroll taxes	3,394,000	373,000	-	-	467,000	540,000	4,774,000	389,000	43,000	432,000	5,206,000
Total payroll expense	56,380,000	6,101,000	-	-	8,569,000	10,616,000	81,666,000	7,023,000	861,000	7,884,000	89,550,000
Professional fees and contracted services	2,759,000	545,000	312,000	-	773,000	639,000	5,028,000	2,130,000	267,000	2,397,000	7,425,000
Retail and other operating supplies	3,202,000	164,000	-	-	626,000	170,000	4,162,000	148,000	8,000	156,000	4,318,000
Telephone and communications	732,000	147,000	-	-	45,000	288,000	1,212,000	128,000	5,000	133,000	1,345,000
Occupancy	24,616,000	2,586,000	29,000	-	70,000	1,857,000	29,158,000	426,000	-	426,000	29,584,000
Rental and maintenance of equipment	1,171,000	755,000	-	-	326,000	249,000	2,501,000	183,000	27,000	210,000	2,711,000
Printing, advertising and publications	1,506,000	65,000	-	-	25,000	393,000	1,989,000	326,000	103,000	429,000	2,418,000
Travel and agency vehicles	350,000	699,000	-	-	64,000	442,000	1,555,000	99,000	20,000	119,000	1,674,000
Merchant fees and other bank charges	2,277,000	-	-	-	26,000	-	2,303,000	195,000	-	195,000	2,498,000
Other expenses	454,000	45,000	3,000	-	30,000	215,000	747,000	569,000	87,000	656,000	1,403,000
Depreciation	4,437,000	288,000	-	-	55,000	659,000	5,439,000	490,000	1,000	491,000	5,930,000
Financing and start-up costs	1,661,000	-	-	-	-	-	1,661,000	-	-	-	1,661,000
Total other expense	43,165,000	5,294,000	344,000	-	2,040,000	4,912,000	55,755,000	4,694,000	518,000	5,212,000	60,967,000
Total expenses	99,545,000	11,395,000	344,000	-	10,609,000	15,528,000	137,421,000	11,717,000	1,379,000	13,096,000	150,517,000

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

Combined statements of cash flows

For the years ended June 30	2019	2018
	\$	\$
Cash flows from operating activities:		
Cash received from customers	155,699,000	151,237,000
Employee compensation	(97,812,000)	(90,595,000)
Cash paid to vendors	(52,451,000)	(54,962,000)
Dividends and interest received	1,300,000	2,948,000
Interest paid	(1,942,000)	(1,816,000)
Net cash provided by operating activities	4,794,000	6,812,000
Cash flows from investing activities:		
Purchases of property and equipment	(10,208,000)	(2,675,000)
Proceeds from sale of property and equipment	31,000	28,000
Purchases of long-term investments	(109,557,000)	(391,615,000)
Proceeds from the sale or maturity of investments	111,950,000	394,454,000
Net cash (used in) / provided by investing activities	(7,784,000)	192,000
Cash flows from financing activities:		
Proceeds from issuance of debt	5,900,000	-
Payments on debt	(4,186,000)	(4,518,000)
Net cash provided by / (used in) financing activities	1,714,000	(4,518,000)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,276,000)	2,486,000
Cash, cash equivalents, and restricted cash, beginning of year	4,575,000	2,089,000
Cash, cash equivalents, and restricted cash, end of year	3,299,000	4,575,000
Supplemental disclosure information:		
Capitalized interest	102,000	44,000
Capital asset purchases in accounts payable	660,000	586,000

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

Notes to combined financial statements

1 Summary of Significant Accounting Policies

Organization

Goodwill Industries of North Georgia, Inc. and Goodwill of North Georgia, Inc. are controlled by the same management group and oversight is provided by the same board of directors. The financial position, results of operations and cash flows for the organizations are presented on a combined basis in these financial statements.

The combined organization, Goodwill Industries of North Georgia, Inc. and Goodwill of North Georgia, Inc. (collectively, the Organization) is funded, in part, by contracts with various Federal, State of Georgia and other nonprofit agencies. These contracts are generally fees for services performed and require the Organization to perform specific services to eligible populations. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the contracts. As of June 30, 2019, the Organization operates 64 retail locations across North Georgia which sells donated goods. Additionally, the Organization manages several facility maintenance programs. Revenues in excess of expenses from these businesses are used to fund mission activities, career centers and operational expenses of the Organization.

Basis of Financial Statement Presentation

The combined financial statements include the accounts of Goodwill Industries of North Georgia, Inc. and Goodwill of North Georgia, Inc. and these entities are combined as they are under common management. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The combined financial statements of the Organization have been prepared on the accrual basis of accounting.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets available for use in general operations. The only limits on net assets without donor restrictions are those resulting from the nature of the Organization and its purposes.

Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor which can be fulfilled by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. If a donor-imposed restriction expires in the same reporting period that the contribution was made, such contribution is reported as support without donor restrictions in the combined statement of activities. The net assets with a donor-imposed restriction that are perpetual in nature are subject to the general provisions of the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Donor restricted funds that are to be maintained in perpetuity are classified as net assets with donor restrictions. The income from these funds is expendable to support operations.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers investments with maturities of three months or less to be cash equivalents except for highly liquid investments that are held specifically for reinvestment on a long term basis.

Restricted Cash

Unspent proceeds from debt issuance are recorded as restricted cash in the combined statement of financial position. As payments are made on the related project, the Organization authorizes the release of funds from restriction.

Cash, cash equivalents, and restricted cash presented in the combined statement of cash flows are as follows:

For the year ended June 30,	2019
	\$
Cash and cash equivalents	1,687,000
Restricted cash	1,612,000
Cash, cash equivalents, and restricted cash	3,299,000

Allowance for Doubtful Accounts

Accounts receivable are stated at the amount the Organization expects to collect and do not bear interest. The collectability of accounts receivable is regularly evaluated based on a combination of factors such as customer credit-worthiness, past transaction history with the customer, aging, current economic conditions and changes in customer payment trends. The Organization records a general reserve based on the aging of customer accounts. If it is determined that a customer may be unable to fully meet its financial obligation, such as in the case of a bankruptcy filing or other material events impacting its business, a specific reserve for bad debt is recorded to reduce the related receivable to the amount expected to be recovered.

Changes in the Organization's allowance for doubtful accounts are as follows:

For the year ended June 30,	2019
	\$
Beginning balance	97,000
Bad debt expense	214,000
Write-off of uncollectible accounts	(2,000)
Recovery of uncollectible accounts	-
Ending balance	309,000

Inventory

The Organization receives contributions of goods that are processed and sold in its retail thrift operations. The contributed goods and salvage of unsalable product have been reflected in the accompanying combined financial statements at the lower of cost or market. The Organization considers the costs associated with preparing the contributed goods for sale, including labor and associated costs to collect, transport, and process the goods. The Organization uses a computational approximation method to calculate the value of inventory at year end. Cost for contributed inventory is estimated at 15% of the generated sales value for three weeks immediately following fiscal year end, and salvage is the value of shipments for the two weeks following the fiscal year end that reflect a bale date of June 30 or prior.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statement of financial position. Realized and unrealized gains and losses are included in the combined statement of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or law.

Property and Equipment

Property and equipment are stated at cost and the capitalization threshold is \$2,000. Depreciation of equipment and leasehold improvements is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of typical depreciable lives is as follows:

	Years
Land improvements	5 - 27.5
Building	27.5
Leasehold improvements	Term of lease
Equipment & furniture	3 - 12
Material handling equipment	3 - 6
Computer & peripheral equipment	3
Software	3 - 7
Fleet vehicles and transportation equipment	2 - 10

Accounting for the Impairment of Long-Lived Assets

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the year ended June 30, 2019, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Workers Compensation Liability

The Organization is partially self-insured for workers compensation claims up to the first \$500,000 on each accident. The organization estimates the potential projected liability, as shown in the combined statements of financial position, by calculating an average of several loss development factors obtained from several sources, including the current carrier and applying the factor to the accumulated incurred claims for each claim year.

Support and Revenue

Unconditional promises to give and contributions received are recorded as support without donor restrictions in the absence of donor restrictions. Contributions received are recorded as support with donor restrictions depending on the existence and/or nature of donor restrictions. The Organization records gifts of land, buildings and equipment as support without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. 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 to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. When donor imposed restrictions are met in the same reporting period, the contributions are reported as support without donor restrictions.

Service contracts are received from various federal, state and local governments, governmental agencies and other not-for-profit organizations. These programs are considered exchange transactions and are therefore recorded as revenue without donor restrictions. Expenditures of government service contract funds are for the purposes specified by the funding source.

Goodwill recognizes revenue from commercial contracts in the period service is provided or goods are shipped. Revenue from the sale of goods received as in-kind contributions are recorded as revenue without donor restrictions in the period the sale is made. Revenue from government contracts is recognized when allowable and reimbursable expenditures are incurred, and upon meeting the legal or contractual requirements of the funding source.

Donated services received that either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, are recorded as revenue and expense at their estimated fair value. There were \$56,000 in contributed services received during the year ended June 30, 2019.

Amounts received in exchange transactions in advance of being earned are accounted for as deferred revenue. At the time that such amounts have been earned, revenue is recorded in the combined statement of activities.

Government and Other Grants

The Organization receives numerous grants from governmental agencies and certain foundations that are considered contributions under US GAAP. The Organization recognizes income from these grants as revenue and support only to the extent that expenditures have been made for the purposes specified by the grant agreement.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation expense is allocated to each program in proportion to the direct cost of the program.

Prior Year Summarized Information

The combined statement of activities include certain prior year summarized comparative information in total but not by asset class. The combined statement of functional expenses and all footnote disclosures omit information as of and for the year ended June 30, 2018. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such summarized information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Tax Exempt Status

The Organization is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

FASB Accounting Standards Codification ("ASC") 740, Income Taxes, establishes the criterion that an individual tax position has to meet for some or all of the benefits of that position to be recognized in the Organization's combined financial statements.

Under ASC 740, the Organization is required to determine that the relevant tax authority would more likely than not sustain its tax position following an IRS audit. The Organization has adopted the provisions of ASC 740 and has applied this criterion to all tax positions for which the statute of limitations remains open. Tax years open to examination by tax authorities under the statute of limitations include fiscal 2016 through 2019. The Organization has determined that its tax positions satisfy the more likely than not criterion and that no provision for income taxes is required as of June 30, 2019 for uncertain tax positions.

Advertising

Advertising costs are expensed as incurred. For the year ended June 30, 2019, advertising expense was \$2,140,000, and is included within printing, advertising and publications on the combined statement of functional expenses.

Concentration of Credit Risk

Cash and cash equivalents consist primarily of demand deposits at financial institutions. The credit risk is the amount on deposit in excess of federally insured limits.

Related Party Transactions

The Organization incurred \$178,000 of membership dues to Goodwill Industries International, Inc., a national affiliate, during the year ended June 30, 2019.

New Accounting Pronouncements

In 2019, the Organization adopted Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers (Topic 606)*." This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The Organization adopted this ASU using the modified retrospective approach and applied this ASU only to contracts not completed as of July 1, 2018, which resulted in an immaterial adjustment to net assets.

A description of the Organization's revenue streams accounted for under ASC 606 follows:

Store Sales - Store sales consist of the sale of donated goods and new goods, and the sale of each individual item is recorded at the point of sale, the point at which the performance obligation for each individual item sold is met. Store sales do not include sales tax, because the organization is a pass-through conduit for collecting and remitting sales taxes. Returns are not allowed within our stores. Store merchandise are priced as marked or labeled. In store discounts are given only on Tuesdays for seniors (50% off) and for the color-of-the-week (50% off).

Revenue from gift card sales are recognized upon gift card redemption at the point of sale for an individual item, the point at which the performance obligation is met. Redemption typically occurs within one year of issuance. The Organization's gift cards expire within five years. Based on historical redemption rates, an immaterial and relatively stable percentage of gift cards will never be redeemed, referred to as "breakage." Estimated breakage revenue is recognized over time in proportion to actual gift card redemptions.

E-commerce merchandise are priced as advertised online including shipping charges. Salvage, facility service, and vocational service prices are based on agreements with the customer and determined ahead of the time in which goods are shipped or services are provided to the customer. No discounts exist for any of these revenue streams.

Salvage – Salvage revenue consists of donated goods that were unable to be sold in our retail stores and are sold on the after-retail market. Salvage is bundled, and each individual bundle has a separate performance obligation. Salvage is sold FOB shipping at pricing determined by existing customer agreements, and revenue from each individual bundle is recorded when the bundle is shipped to the customer.

E-commerce - E-commerce sales consist of sales of donated books on Amazon, donated jewelry on ShopGoodwill.com, and shipping revenue. E-commerce sales are sold FOB shipping and therefore, sales are recorded when the goods are shipped, the point at which the performance obligation for each individual item is met.

Facility Contracts - These services are primarily government service under the AbilityOne program and private commercial contracts with other not-for-profit entities. Services include janitorial, landscape maintenance, and warehouse management. Services are ongoing as defined by the contract, and performance obligations under each contract are defined in terms of various performance indicators including but not limited to hours worked and units produced. Goodwill invoices the customers receiving the services monthly based on the appropriate performance indicators, and records revenue as the services are performed.

Vocational Service – Vocational services are services provided by Goodwill to other organizations or private individuals for the purpose of training individuals for the purpose of permanent employment. Performance obligations under each contract are defined in terms of various performance indicators. Revenue for these services are recorded when the service has been provided as determined by the satisfactory completion of the defined performance indicators.

2 Liquidity and Availability of Resources

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

For the year ended June 30,	2019
	\$
Cash and cash equivalents	1,687,000
Accounts receivable, net of allowance for doubtful accounts	5,598,000
Investments	92,546,000
	<u>99,831,000</u>

The organization has \$99,831,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of substantially cash of \$1,687,000, accounts receivable of \$5,598,000, and investments of \$92,546,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The organization invests cash in excess of daily requirements in investments described in Note 5. These investments are traded in active markets and could be expected to be sold without an expected substantial loss of value. In the event of an unanticipated liquidity need, the organization could sell these investments and have cash within two business days.

3 Accounts receivable, net of allowance for doubtful accounts

The Organization's Accounts receivable, net of allowance for doubtful accounts were comprised of the following at June 30, 2019:

For the year ended June 30,	2019
	\$
Grants and contracts receivable	2,874,000
Salvage receivable	2,360,000
Contributions receivable	627,000
Notes receivable	199,000
Allowance for doubtful accounts	(309,000)
Ending balance	<u>5,751,000</u>

These receivables are due as follows at June 30:

For the year ended June 30,	2019
	\$
Due in less than one year	5,598,000
Due in one to five years	153,000
Total	5,751,000

4 Property and Equipment

Property and equipment consisted of the following:

June 30, 2019	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Land	19,625,000	-	19,625,000
Land Improvements	3,805,000	(545,000)	3,260,000
Building	44,417,000	(8,670,000)	35,747,000
Leasehold Improvements	30,609,000	(21,267,000)	9,342,000
Machinery and equipment	6,985,000	(4,533,000)	2,452,000
Material handling and equipment	4,050,000	(3,240,000)	810,000
Computer and software	5,083,000	(4,098,000)	985,000
Furniture and fixtures	6,937,000	(3,440,000)	3,497,000
Fleet vehicles and transportation equipment	3,886,000	(3,204,000)	682,000
Capitalized interest	1,499,000	(561,000)	938,000
Construction in progress	6,645,000	-	6,645,000
Total	133,541,000	(49,558,000)	83,983,000

Depreciation expense for the year ended June 30, 2019 totaled \$6,048,000. The amount of capitalized interest costs for the year ended June 30, 2019 totaled \$102,000.

5 Investments

The Organization's investment portfolio is managed by a professional investment management group where funds are invested based on investment objectives determined by the Organization. Fiduciary oversight of the portfolios is provided by the Organization's Investment Committee which periodically reviews and approves the Organization's investment policy statement.

Consistent with the investment policy statement, the investment objective is to maintain and grow the purchasing power of the principal of these assets over the long term, while maintaining adequate liquidity in order to meet all reasonably anticipated cash flow needs over the short to intermediate term.

The Organization's spending policy provides an annual draw from the Investment Fund of up to 2.5% of the rolling average of the previous three completed fiscal year ending values of the fund. Additional spending can be approved by the Investment Committee should short term cash needs arise or it is determined to be in the best interest of the Organization to fund specific growth initiatives.

The Organization's investment portfolio is managed by a professional investment management group where funds are invested based on investment objectives determined by the Organization. Investments consisted of the following:

June 30, 2019	Fair Value
	\$
Unrestricted funds	
Cash and cash equivalents	165,000
Pooled, Common and Collective Fund	41,431,000
Equities	6,685,000
Mutual Funds	44,265,000
Private equity	14,944,000
Private debt	795,000
Hedge fund	5,350,000
Permanently restricted funds	
Cash and cash equivalents	658,000
Total Investments	114,293,000

Investment income consisted of the following:

For the year ended June 30,	2019
	\$
Interest and dividends, net of administrative fees of \$266,000	1,034,000
Realized gain	4,953,000
Unrealized gain	532,000
Total	6,519,000

6 Endowment

The Organization has interpreted UPMIFA as requiring the preservation of the original dollar value of gifts donated absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization appropriates the investment earnings for expenditure when the income is earned.

The following amounts consist of donor-restricted funds designated by the Investment Committee of the board as endowments. Income from donor-restricted endowments are restricted for specific purposes. Donor restricted endowment funds are not available for general expenditure.

Due to the limited dollar value of the endowment, vs funds in the overall investment portfolio, the greater of the weighted average income from the total portfolio or the weighted average prime rate for the fiscal year, is used to assign the income on the endowment available for spending. The spending is consistent with the donor restrictions.

Endowment Net Asset Composition by Type of Fund at June 30, 2019	Net Assets without Donor Restriction	Net Assets with Donor Restriction	Total
	\$	\$	\$
Donor-restricted endowment funds	-	658,000	658,000

Changes in Endowment Net Assets For the Year Ended June 30, 2019	Net Assets without Donor Restriction	Net Assets with Donor Restriction	Total
	\$	\$	\$
Net assets as of June 30, 2018	-	658,000	658,000
Investment income	-	38,000	38,000
Appropriation of endowment earnings for expenditure	-	(38,000)	(38,000)
Net assets as of June 30, 2019	-	658,000	658,000

7 Debt

Long-term debt consisted of the following at June 30, 2019:

For the year ended June 30	2019
	\$
Series 2008 Development Authority of Cherokee County Revenue Bond due in annual increments of \$240,000 commencing August 1, 2014 through 2033. Interest is set weekly at the current tax exempt variable demand rate as established by the remarketing agent and paid monthly (bond interest rate of .49% plus line of credit fee of 1.1% for a total of 1.97% at June 30, 2019).	3,536,000
Series 2009 Development Authority of Gwinnett County Revenue Bond due in annual increments of \$250,000 commencing February 1, 2015 through 2034. Interest is set weekly at the current tax exempt variable demand rate as established by the remarketing agent and paid monthly (bond interest rate of 2.1% plus line of credit fee of 1.15% for a total of 1.92% at June 30, 2019).	3,688,000
Series 2009 West Georgia Joint Development Authority Bond due in monthly increments of approximately \$16,000 commencing November 1, 2014 through September 1, 2034 and a final payment of approximately \$15,000 on October 1, 2034. Interest is set and paid monthly equal to the sum of 68% of 30 day LIBOR plus 65% of 2.25% (1.4625%). (Interest rate was 3.10% at June 30, 2019).	2,864,000
Series 2010 Development Authority of Fulton County Revenue Bond due in monthly increments of approximately \$29,000 commencing January 1, 2015 through November 1, 2034 and a final payment of approximately \$31,000 on December 1, 2034. Interest is set and paid monthly equal to 67% of the sum of 30 day LIBOR plus 2.25%. (Interest rate was 3.81% at June 30, 2019).	5,375,000
Series 2011 Development Authority of Floyd County Revenue Bond payable in equal annual increments of approximately \$194,000 commencing July 1, 2014 through July 1, 2029 and a final payment of approximately \$194,000 on July 1, 2030. Interest is set and paid monthly equal to 77% of the sum of 30 day LIBOR plus 2.15%. (Interest rate was 4.29% at June 30, 2019).	2,227,000
Series 2011 Development Authority of Forsyth County Revenue Bond payable in equal annual increments of approximately \$288,000 commencing July 1, 2014 through July 1, 2029 and a final payment of approximately \$288,000 on July 1, 2030. Interest is set and paid monthly equal to 77% of the sum of 30 day LIBOR plus 2.15%. (Interest rate was 4.29% at June 30, 2019).	3,306,000
Series 2012 Development Authority of Fulton County Revenue Bond due in monthly increments of approximately \$18,000 commencing December 1, 2017 increasing annually through November 1, 2037. Interest is set and paid monthly equal to 78% of the sum of 30 day LIBOR plus 1.1825%. (Interest rate was 3.05% at June 30, 2018).	5,588,000
2014 Commercial loan in monthly increments of \$83,33 plus accrued interest commencing February 23, 2016. Interest rate adjusts monthly based on 30 day LIBOR plus a spread of 1.25%. Interest rate was 3.69% as of June 30, 2019.	9,541,000
2014 Commercial loan due in monthly increments of \$31,034 plus accrued interest commencing October 21, 2014 through May 21, 2024. Interest rate adjusts monthly based on 30 day LIBOR plus a spread of 1.1%. Interest rate was 3.54% as of June 30, 2019.	1,831,000
2016 Commercial loan due in monthly increments of \$68,939 plus accrued interest commencing February 20, 2016 through January 20, 2028. Interest rate adjusts monthly based on 30 day LIBOR plus a spread of 1.125%. Interest rate was 3.56% as of June 30, 2019.	7,688,000
2018 Commercial loan due in monthly increments of \$32,778 plus accrued interest commencing August 11, 2018 through July 11, 2034. Interest rate adjusts monthly based on 30 day LIBOR plus a spread of 1.1%. Interest rate was 3.22% as of June 30, 2019.	5,900,000
Total debt	51,544,000
Less - current maturities	(4,237,000)
Total long-term debt, net of current maturities	47,307,000

The Series 2008 Cherokee County and Series 2009 Gwinnett County debt are backed by an irrevocable letter of credit through the issuing financial institution that contains certain restrictive covenants on the part of the Organization, including, but not limited to, minimum net asset requirements, negative pledge on all real property and maintenance of certain financial ratios. The Organization was in compliance with all covenants at June 30, 2019 with the exception of issuing audited financial statements within 120 days and 150 days after fiscal year end. The Organization obtained waivers from the banks for these covenants. The Organization is required to make annual sinking fund payments beginning five years following the issuance of the debt and continuing for twenty years until maturity.

The Series 2009 West Georgia and Series 2010 Fulton County debt were issued as bank qualified tax exempt debt directly by the financial institution. This debt is subject to certain restrictive covenants as outlined above. The Organization was in compliance with all covenants at June 30, 2019. The Organization is required to make monthly payments beginning five years following issuance of the debt and continuing for twenty years until maturity.

The Series 2011 Floyd County, Series 2011 Forsyth County, and Series 2012 Fulton County debt were issued as non-bank qualified tax exempt debt directly by the financial institution. The debt is subject to certain restrictive covenants as outlined above. The Organization was in compliance with all covenants at June 30, 2019. The Organization is required to make annual payments beginning three years following issuance of the debt and continuing for seventeen years until maturity.

The 2014, 2016, and 2018 commercial loans are subject to certain restrictive covenants as outlined above. The Organization was in compliance with all covenants at June 30, 2019. The Organization is required to make monthly principal payments beginning one year following the issuance of the debt and continuing for ten years until maturity.

The Organization utilizes a standby letter of credit to secure workers' compensation. As of year-end, the total principal amount was \$4,000,000 and there were no drawings on the letters of credit as of June 30, 2019.

Interest expense for the year ended June 30, 2019 was \$2,113,000.

Future maturities of long-term debt as of June 30, 2019, are as follows:

	Amount
For the years ending June 30:	\$
2020	4,237,000
2021	4,340,000
2022	4,348,000
2023	4,356,000
2024	4,333,000
Thereafter	29,930,000
Total	51,544,000

8 Interest Rate Swap Agreement

The Organization utilizes interest rate swaps to manage interest rate variability and market exposure of the underlying debt. Interest rate swaps generally involve the exchange of fixed and floating rate interest payment obligations without the exchange of underlying principal amounts. The Organization has entered into interest rate swap agreements related to the issuance of the variable demand rate debt detailed in Note 7 to the combined financial statements. The maturity of the swaps mirrors the maturities of the underlying debt.

Under the terms of the swap agreements, the Organization will pay the financial institution a fixed rate on the contractual notional amount. The financial institution will pay the Organization a variable rate which is intended to offset the variable interest expense on the debt instruments.

As of June 30 of each year, the Organization records the related income or expense to reflect the current market value of the swap and establishes the offsetting asset or liability related to the notional amount. The notional amount is used to express the volume of this transaction only and does not have a cash flow impact to the Organization.

Swap agreements in place as of June 30, 2019 are as follows:

Related Debt	Notional Amount	Bond	SWAP Interest Rates		Fair Value Adjustment	
		Interest Rate	Fixed	Variable	2019	Cumulative
	\$				\$	\$
2008 Cherokee Bonds	3,536,000	1.97%	3.35%	1.55%	(123,000)	(493,000)
2009 Gwinnett Bonds	3,688,000	1.92%	2.89%	1.55%	(148,000)	(418,000)
2009 West Georgia Bank Qualified	2,864,000	3.10%	4.59%	3.09%	(114,000)	(395,000)
2010 Fulton Bank Qualified	5,375,000	3.81%	2.90%	1.61%	(129,000)	(446,000)
2012 Fulton Bonds	5,588,000	4.29%	3.13%	3.05%	(304,000)	(218,000)
Total					(818,000)	(1,970,000)

Net market value adjustment is included in other non-operating income on the combined statement of activities.

9 Commitments and Contingencies

A portion of the Organization's retail stores are leased under non-cancellable operating leases. Certain lease agreements contain escalation clauses or renewal options. Following is a schedule of future minimum lease payments under operating lease obligations at June 30, 2019:

	Operating Leases
For the years ending June 30:	\$
2020	16,126,000
2021	15,348,000
2022	13,239,000
2023	11,612,000
2024	10,082,000
Thereafter	34,430,000
	100,837,000

Rent expense for the year ended June 30, 2019, was \$16,480,000. Deferred rent was \$5,835,000 as of June 30, 2019 and is included in accrued liabilities and deferred rent on the combined statement of financial position.

Litigation

The Organization is subject to legal claims arising during the normal course of operations. The Organization accrues a liability for such claims when a loss is probable and the amount of the liability can be reasonably estimated. Management of the Organization believes that the outcome of such claims will not have a material adverse effect on the Organization's financial position or results of operations. In addition, the Organization carries insurance for employment practice liability which limits the Organization's exposure.

10 Retirement Plans

The Organization has available to its employees a Tax Deferred Annuity Plan as established under Internal Revenue Code 403(b). The Plan covers all employees who work in excess of 1,000 hours per year. Each eligible employee may elect to contribute to the Plan through salary withholding. The Organization will then match the employee's contribution dollar for dollar between 2% and 6% based on years of services of the employee contribution up to the federal limit. The Organization's contributions can be adjusted semi-annually at the discretion of the Board of Directors. During the year ended June 30, 2019, the Organization contributed \$1,100,000 to the Plan on behalf of its employees.

The Organization established 457(b) and 457(f) deferred compensation plans under Internal Revenue Code section 457 which provides tax deferred compensation on retirement savings in addition to the 403(b) plan. The 457(b) plan allows highly compensated employees to defer additional compensation over the limits of the 403(b) plan with no additional matching by the Organization. The 457(f) plan provides for pre-tax contributions on behalf of key executives as a retirement benefit. During the year ended June 30, 2019, the Organization contributed \$422,000 to the 457(f) plan.

11 Fair Value Measurements

The Organization's combined financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, interest rate swap agreements, note payable and bonds payable.

The fair value of bonds payable at June 30, 2019 approximates carrying value due to variable interest rates in effect which approximate current fair value. The carrying value of other financial instruments approximates their fair value determined as of June 30, 2019 due to the short-term maturities of these financial instruments or based on the borrowing rates currently available to the Organization for loans with similar terms and maturities.

ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3: Securities that have unobservable inputs as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments

A majority of investment values are based on quoted market prices in active markets and are therefore classified as level 1 inputs. Investment values are also based on quoted market prices in inactive markets or are based on inputs other than quoted prices and are therefore classified as level 2. The remaining investment values are based on unobservable inputs for the assets, and are therefore classified as level 3. Investments are managed by an independent portfolio manager under the guidelines approved by the finance committee of the Organization. Investments include exchange traded funds which invest in equity securities and bonds.

Interest Rate Swap

As described in Note 8, the Organization entered into interest rate swap agreements effectively converting a portion of the underlying debt to a fixed-rate, thereby hedging against the impact of potential interest rate changes on future interest expense. The fair value of the interest rate swap was based on quotes from the issuer of the swap and represents the estimated amounts that the Organization would expect to pay to terminate the swap. The methods used to value the interest rate swap are considered level 2 inputs.

Fair value measurements in place as of June 30, 2019 are as follows:

June 30, 2019	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	\$	\$	\$	\$
Interest rate swaps	(1,970,000)	-	(1,970,000)	-
Cash and cash equivalents	823,000	823,000	-	-
Pooled, Common and Collective Fund Equities	41,431,000	-	41,431,000	-
Mutual Funds	6,685,000	6,095,000	590,000	-
Private equity measured at NAV	44,265,000	44,265,000	-	-
Private debt measured at NAV	14,944,000	-	-	-
Hedge funds measured at NAV	795,000	-	-	-
	5,350,000	-	-	-
Total	112,323,000	51,183,000	40,051,000	-

The amount of total gains for the period included in the change in net assets attributed to the change in unrealized gains on our private equity, private debt, and hedge fund investments measured at net asset value (NAV) related to the assets still held at June 30, 2019 is \$2,930,000.

Investment Fund Name	Initial Investment Year	Commitment Amount	Level 3 Type	Valuation Method	Fair Value as of June 30, 2019	Unfunded Commitment
(a) Oaktree Private Investment Fund 2012, L.P.	2013	1,350,000	Private Equity	Net Asset Value	872,000	346,000
(b) Montauk TriGuard Fund VI	2014	1,350,000	Private Equity	Net Asset Value	461,000	473,000
(c) HarbourVest Global Annual Private Equity Fund	2014	1,350,000	Private Equity	Net Asset Value	1,113,000	240,000
(d) Hadley Harbor Investors, LP	2015	1,350,000	Private Equity	Net Asset Value	1,161,000	131,000
(e) Truebridge-Kauffman Fund IV	2016	1,000,000	Private Equity	Net Asset Value	961,000	250,000
(f) Montauk TriGuard Fund VII	2016	1,700,000	Private Equity	Net Asset Value	628,000	935,000
(g) Riverside MicroCap Fund IV	2016	1,700,000	Private Equity	Net Asset Value	1,754,000	313,000
(h) Fort Washington Private Equity Investors IX	2016	1,700,000	Private Equity	Net Asset Value	640,000	1,139,000
(i) HarbourVest 2017 Global Fund, LP	2017	1,700,000	Private Equity	Net Asset Value	712,000	1,020,000
(j) Truebridge-Kauffman Fund V	2017	1,400,000	Private Equity	Net Asset Value	257,000	1,148,000
(k) CarVal Credit Value Fund B IV	2018	1,500,000	Private Debt	Net Asset Value	795,000	750,000
(l) NCS Global Fund, LLC	2018	5,500,000	Global Equity	Net Asset Value	6,384,000	-
(m) Libremax Offshore Fund LTD	2018	2,600,000	Hedge Fund	Net Asset Value	2,651,000	-
(n) Davidson Kempner International (BV) LTD	2019	2,600,000	Hedge Fund	Net Asset Value	2,699,000	-
(o) Ocean Avenue Fund IV Cayman, L.P.	2019	1,000,000	Private Equity	Net Asset Value	-	1,000,000

Notes:

Private Equity: May invest in buyout, venture capital, growth equity, real assets, special situations, secondary investments, structured transactions, and direct investments. Investments may be made globally.

(a) Term of 10 years from the Investment Period Start date (1/1/2014), unless extended or terminated earlier.

(b) Term of 12 years from the Final Closing Date, which may be extended for up to two additional one-year periods.

(c) The partnership will terminate on 6/30/2024 (10 year term). Allow s possibility of 3 extension periods.

(d) Term of 7 years from initial close (November 2014) with an option to extend.

(e) The Partnership will terminate on the 12th anniversary of the initial closing, but may be extended for up to a maximum of two consecutive one-year periods.

(f) Term of 12 years from the Final Closing Date, which may be extended for up to two additional one-year periods.

(g) Partnership will expire on August 31, 2026 unless terminated earlier or extended in accordance with LPA.

(h) Term of 12 years after the expiration of the Investment Period (June 10, 2020), subject to two one-year extensions with the consent of the Advisory Committee.

(i) The partnership will terminate on 4/01/2027 (10 year term). General Partners have option to extend.

(j) The Partnership will terminate on the 12th anniversary of the initial closing, but may be extended for up to a maximum of two consecutive one-year periods.

(o) Term of 10 years, subject to four one-year extensions with Advisory Board approval.

Private Debt: May invest in distressed and credit-intensive assets across loan portfolios, corporate securities, liquidations, structured credit and special opportunities. Investments may be made globally.

(k) Term is Six years from final closing.

Global Equity: Public equity investments with a mandate that can flex between US, international developed, and emerging market equities.

(l) Liquidity for both subscriptions and redemptions is twice monthly, on the 1st and 16th calendar day. Notice must be given by the close of business on the 8th and 22nd calendar day, respectively.

Hedge Fund: Multi strategy funds that invest across strategies and industries such as distressed debt, risk arbitrage, long short equities & credit, convertible arbitrage, volatility trades, structured credit assets.

(m) Liquidity for subscriptions monthly, and requires 3 business days' notice. They have quarterly liquidity for redemptions, and require 90 calendar day notice.

(n) Liquidity for subscriptions monthly, and requires 2 business days' notice. They have quarterly liquidity for redemptions, and require 60 calendar day notice.

12 Subsequent Events

On September 16, 2019 the organization closed on a \$5,000,000 line of credit with interest due beginning on October 16th and continuing the same day of each calendar period thereafter, with one final payment of all remaining interest due on September 16, 2021. Interest rate adjusts monthly based on 30-day LIBOR plus a spread of 1.10%.

The Organization has considered events occurring subsequent to June 30, 2019 through December 23, 2019, the date the combined financial statements are available for issuance, in preparing the combined financial statements and notes thereto.

Uncombined statement of activities (unaudited)

For the year ended June 30, 2019	Goodwill Industries of North Georgia, Inc.	Goodwill of North Georgia, Inc.	Total
	\$	\$	\$
Support, revenue and gains:			
Support:			
Government grants	-	4,574,000	4,574,000
Contributions	-	1,835,000	1,835,000
United Way allocation	-	232,000	232,000
Total support	-	6,641,000	6,641,000
Revenue and gains:			
Store sales	-	127,896,000	127,896,000
Salvage	-	11,130,000	11,130,000
E-Commerce	-	332,000	332,000
Facility contracts	11,266,000	607,000	11,873,000
Vocational services	-	168,000	168,000
Investment income	2,000	6,517,000	6,519,000
Total revenue and gains	11,268,000	146,650,000	157,918,000
Total support, revenue and gains	11,268,000	153,291,000	164,559,000
Expenses:			
Program services:			
Stores	-	104,308,000	104,308,000
Collection and transportation of donated goods	-	12,078,000	12,078,000
Salvage	-	381,000	381,000
E-Commerce	-	123,000	123,000
Contracts	9,209,000	2,465,000	11,674,000
Vocational services	-	16,539,000	16,539,000
Total program services	9,209,000	135,894,000	145,103,000
Supporting services:			
General and administrative	960,000	10,943,000	11,903,000
Fundraising	-	1,362,000	1,362,000
Total supporting services	960,000	12,305,000	13,265,000
Total expenses	10,169,000	148,199,000	158,368,000
Other non-operating:			
(Gain) / Loss on disposal of property and equipment	(1,000)	6,000	5,000
Loss on interest rate swaps mark-to-market valuation	-	818,000	818,000
Change in net assets	1,100,000	4,268,000	5,368,000
Net assets, beginning of year	6,683,000	125,958,000	132,641,000
Net assets, end of year	7,783,000	130,226,000	138,009,000