

Combined Financial Statements and  
Report of Independent Certified Public Accountants  
and Single Audit Reports

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

June 30, 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors  
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. (the "Organization"), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 audit. 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. 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, 2020, 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 matters***Other information*

The uncombined statement of activities on page 25 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 2019 summarized comparative information*

We have previously audited the Organization's 2019 combined financial statements and we expressed an unmodified audit opinion on the representative financial statements in our report dated December 23, 2019. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Atlanta, Georgia  
October 30, 2020

# Combined statements of financial position

June 30,	2020	2019
	\$	\$
<b>Assets:</b>		
Cash and cash equivalents	5,083,000	1,687,000
Restricted cash	659,000	1,612,000
Accounts receivable, net of allowance for doubtful accounts	6,420,000	5,751,000
Inventory	2,397,000	1,656,000
Prepaid expenses	3,123,000	3,919,000
Investments	108,249,000	114,293,000
Property and equipment, net	87,079,000	83,983,000
Other non-current assets	729,000	727,000
<b>Total assets</b>	<b>213,739,000</b>	<b>213,628,000</b>
<b>Liabilities:</b>		
Accounts payable	3,364,000	6,208,000
Accrued liabilities and deferred rent	18,617,000	13,804,000
Deferred revenue	187,000	116,000
Workers compensation	1,641,000	1,977,000
Long-term debt	66,614,000	51,544,000
Accrued loss on interest rate swaps	2,966,000	1,970,000
<b>Total liabilities</b>	<b>93,389,000</b>	<b>75,619,000</b>
<b>Net assets:</b>		
Without donor restrictions	118,891,000	137,050,000
With donor restrictions	1,459,000	959,000
<b>Total net assets</b>	<b>120,350,000</b>	<b>138,009,000</b>
<b>Total liabilities and net assets</b>	<b>213,739,000</b>	<b>213,628,000</b>

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

# Combined statements of activities

For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
	\$	\$	\$	\$
<b>Support, revenue and gains:</b>				
Support:				
Government grants	3,941,000	70,000	<b>4,011,000</b>	4,574,000
Contributions	3,082,000	731,000	<b>3,813,000</b>	1,835,000
United Way allocation	90,000	-	<b>90,000</b>	232,000
Total support	7,113,000	801,000	<b>7,914,000</b>	6,641,000
Revenue and gains:				
Store sales	109,885,000	-	<b>109,885,000</b>	127,896,000
Salvage	7,721,000	-	<b>7,721,000</b>	11,130,000
E-Commerce	2,874,000	-	<b>2,874,000</b>	332,000
Facility contracts	12,451,000	-	<b>12,451,000</b>	11,873,000
Vocational services	246,000	-	<b>246,000</b>	168,000
Investment income	2,548,000	16,000	<b>2,564,000</b>	6,519,000
Total revenue and gains	135,725,000	16,000	<b>135,741,000</b>	157,918,000
<b>Net assets released from restrictions:</b>				
Satisfaction of donor restrictions	317,000	(317,000)	-	-
Total support, revenue and gains	143,155,000	500,000	<b>143,655,000</b>	164,559,000

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

## Combined statements of activities (cont'd)

For the year ended June 30, 2020 (with comparative totals for the year ended June 30, 2019)	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
	\$	\$	\$	\$
<b>Operating expenses:</b>				
Program services:				
Stores	108,787,000	-	<b>108,787,000</b>	104,308,000
Collection and transportation of donated goods	11,581,000	-	<b>11,581,000</b>	12,078,000
Salvage	239,000	-	<b>239,000</b>	381,000
E-Commerce	1,863,000	-	<b>1,863,000</b>	123,000
Contracts	10,656,000	-	<b>10,656,000</b>	11,674,000
Vocational services	14,932,000	-	<b>14,932,000</b>	16,539,000
Total program services	148,058,000	-	<b>148,058,000</b>	145,103,000
Supporting services:				
General and administrative	11,627,000	-	<b>11,627,000</b>	11,903,000
Fundraising	640,000	-	<b>640,000</b>	1,362,000
Total supporting services	12,267,000	-	<b>12,267,000</b>	13,265,000
Total operating expenses	160,325,000	-	<b>160,325,000</b>	158,368,000
<b>Other non-operating:</b>				
(Gain) / Loss on disposal of property and equipment	(8,000)	-	<b>(8,000)</b>	5,000
Loss on interest rate sw aps mark-to-market valuation	997,000	-	<b>997,000</b>	818,000
<b>Change in net assets</b>	(18,159,000)	500,000	<b>(17,659,000)</b>	5,368,000
<b>Net assets, beginning of year</b>	137,050,000	959,000	<b>138,009,000</b>	132,641,000
<b>Net assets, end of year</b>	118,891,000	1,459,000	<b>120,350,000</b>	138,009,000

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

# Combined statement of functional expenses

For the year ended June 30, 2020	Program Services						Supporting Services			2020 Total
	Stores	Collection and Transportation of Materials	Salvage	E-Commerce	Contracts	Vocational Services	General and Administrative Expenses	Fundraising	Total Supporting Services	
	\$	\$	\$		\$	\$	\$	\$	\$	\$
<b>Salaries:</b>										
Staff	16,059,000	413,000	-	92,000	2,113,000	7,185,000	6,521,000	873,000	7,394,000	33,256,000
Support	36,660,000	4,300,000	-	450,000	4,773,000	119,000	139,000	7,000	146,000	46,448,000
Consumers	1,000	-	-	-	-	732,000	-	(13,000)	(13,000)	720,000
Employee benefits	5,772,000	522,000	-	66,000	1,608,000	1,235,000	827,000	77,000	904,000	10,107,000
Workers compensation	1,938,000	180,000	-	6,000	75,000	56,000	(252,000)	1,000	(251,000)	2,004,000
Payroll taxes	1,065,000	96,000	-	14,000	144,000	147,000	121,000	20,000	141,000	1,607,000
Total payroll expense	61,495,000	5,511,000	-	628,000	8,713,000	9,474,000	7,356,000	965,000	8,321,000	94,142,000
Professional fees and contracted services	1,561,000	977,000	239,000	545,000	712,000	1,127,000	2,000,000	60,000	2,060,000	7,221,000
Retail and other operating supplies	3,678,000	128,000	-	32,000	725,000	114,000	71,000	-	71,000	4,748,000
Telephone and communications	995,000	143,000	-	2,000	47,000	339,000	223,000	5,000	228,000	1,754,000
Occupancy	26,428,000	2,689,000	-	43,000	(90,000)	2,037,000	335,000	-	335,000	31,442,000
Rental and maintenance of equipment	1,810,000	1,137,000	-	12,000	321,000	434,000	178,000	8,000	186,000	3,900,000
Printing, advertising and publications	2,615,000	62,000	-	3,000	53,000	478,000	271,000	(455,000)	(184,000)	3,027,000
Travel and agency vehicles	348,000	723,000	-	16,000	54,000	286,000	88,000	9,000	97,000	1,524,000
Merchant fees and other bank charges	2,059,000	-	-	497,000	22,000	-	204,000	-	204,000	2,782,000
Other expenses	563,000	19,000	-	2,000	34,000	23,000	452,000	47,000	499,000	1,140,000
Depreciation	5,361,000	192,000	-	83,000	65,000	620,000	449,000	1,000	450,000	6,771,000
Financing and start-up costs	1,874,000	-	-	-	-	-	-	-	-	1,874,000
Total other expense	47,292,000	6,070,000	239,000	1,235,000	1,943,000	5,458,000	4,271,000	(325,000)	3,946,000	66,183,000
Total expenses	108,787,000	11,581,000	239,000	1,863,000	10,656,000	14,932,000	11,627,000	640,000	12,267,000	160,325,000

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 statements of cash flows

For the years ended June 30	2020	2019
	\$	\$
<b>Cash flows from operating activities:</b>		
Cash received from customers	141,775,000	155,699,000
Employee compensation	(97,442,000)	(97,812,000)
Cash paid to vendors	(56,176,000)	(52,451,000)
Dividends and interest received	914,000	1,300,000
Interest paid	(1,915,000)	(1,942,000)
Net cash (used in) / provided by operating activities	(12,844,000)	4,794,000
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(9,511,000)	(10,208,000)
Proceeds from sale of property and equipment	138,000	31,000
Purchases of long-term investments	(100,786,000)	(109,557,000)
Proceeds from the sale or maturity of investments	109,417,000	111,950,000
Net cash used in investing activities	(742,000)	(7,784,000)
<b>Cash flows from financing activities:</b>		
Proceeds from sale of donated assets	1,000,000	-
Proceeds from issuance of debt	18,850,000	5,900,000
Payments on debt	(3,821,000)	(4,186,000)
Net cash provided by financing activities	16,029,000	1,714,000
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,443,000</b>	<b>(1,276,000)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,299,000</b>	<b>4,575,000</b>
<b>Cash and cash equivalents, end of year</b>	<b>5,742,000</b>	<b>3,299,000</b>
<b>Supplemental disclosure information:</b>		
Capitalized interest	47,000	102,000
Capital asset purchases in accounts payable	485,000	660,000

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, 2020, the Organization operates 67 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.

### 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:

<b>For the year ended June 30,</b>	<b>2020</b>
	<b>\$</b>
Cash and cash equivalents	5,083,000
Restricted cash	659,000
<b>Cash, cash equivalents, and restricted cash</b>	<b>5,742,000</b>

### 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:

<b>For the year ended June 30,</b>	<b>2020</b>
	<b>\$</b>
<b>Beginning balance</b>	309,000
Bad debt expense	95,000
Write-off of uncollectible accounts	-
Recovery of uncollectible accounts	(105,000)
<b>Ending balance</b>	<b>299,000</b>

### 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 four 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 sale 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, 2020, 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 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 \$83,000 in contributed services received during the year ended June 30, 2020.

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.

### **Revenue Recognition**

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.

### **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, 2019. 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, 2019, 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 2017 through 2020. 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, 2020 for uncertain tax positions.

### **Advertising**

Advertising costs are expensed as incurred. For the year ended June 30, 2020, advertising expense was \$1,247,000, 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.



### COVID-19 Pandemic Impact

On March 27, 2020, in an effort to mitigate the economic impact of the COVID-19 pandemic, the U.S. Congress enacted the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The CARES Act contains provisions for deferral of the employer portion of social security taxes incurred through the end of calendar 2020 and an employee retention credit, a refundable payroll credit for 50% of wages and health benefits paid to employees not providing services due to the pandemic. As a result of the CARES Act, at June 30, 2020 the organization deferred \$470,000 in qualified payroll taxes and claimed \$4,152,000 under the employee retention credit program.

Additionally, the organization took measures to mitigate the impact on business operations and financial performance while also maintaining its commitment to “put people to work” and ensure its long-term sustainability. Such measures included lease payment concessions and deferrals, modified operating hours and labor hours, and temporary compensation reductions. The organization also revised its investment policy resulting in \$43,293,000 or 40% of total investments being allocated to cash and short-term fixed income securities. The effects of these operational changes are reflected in the financial statements and will be reflected in future reporting periods. The organization continues to monitor the impact of the pandemic on its operations as may be required by federal, state, or local authorities or that we determine are in the best interest of the organization, jobseekers, customers, and vendors. The effects of these operational changes will be reflected in future reporting periods.

### Related Party Transactions

The Organization incurred \$191,000 of membership dues to Goodwill Industries International, Inc., a national affiliate, during the year ended June 30, 2020.

## 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,	2020
	\$
Cash and cash equivalents	5,083,000
Accounts receivable, net of allowance for doubtful accounts	3,840,000
Inventory	2,397,000
Investments	88,827,000
Available amount on Lines of Credit	2,400,000
	<u>102,547,000</u>

The organization has \$102,547,000 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 \$5,083,000, accounts receivable of \$3,840,000, inventory of \$2,397,000, investments of \$88,827,000, and \$2,400,000 available on a line of credit. 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 inventory is comprised of new and donated goods, and typically turns within a few weeks. 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. The line of credit is available to draw within a day's notice.

### 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, 2020:

For the year ended June 30,	2020
	\$
Grants and contracts receivable	2,191,000
Salvage receivable	1,484,000
Contributions receivable	519,000
Employer Retention Credit Receivables	2,453,000
Notes receivable	72,000
Allowance for doubtful accounts	(299,000)
<b>Ending balance</b>	<b>6,420,000</b>

These receivables are due as follows at June 30:

For the year ended June 30,	2020
	\$
Due in less than one year	6,293,000
Due in one to five years	127,000
<b>Total</b>	<b>6,420,000</b>

### 4 Property and Equipment

Property and equipment consisted of the following:

June 30, 2020	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$
Land	19,625,000	-	19,625,000
Land Improvements	5,353,000	(730,000)	4,623,000
Building	47,693,000	(10,451,000)	37,242,000
Leasehold Improvements	33,410,000	(23,132,000)	10,278,000
Machinery and equipment	7,363,000	(5,077,000)	2,286,000
Material handling and equipment	4,393,000	(3,561,000)	832,000
Computer and software	6,004,000	(4,770,000)	1,234,000
Furniture and fixtures	7,634,000	(3,967,000)	3,667,000
Fleet vehicles and transportation equipment	3,450,000	(3,044,000)	406,000
Capitalized interest	1,703,000	(673,000)	1,030,000
Construction in progress	5,856,000	-	5,856,000
<b>Total</b>	<b>142,484,000</b>	<b>(55,405,000)</b>	<b>87,079,000</b>

Depreciation expense for the year ended June 30, 2020 totaled \$6,771,000. There was no capitalized interest for the year ended June 30, 2020.

## 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:

<b>June 30, 2020</b>	<b>Fair Value</b>
	<b>\$</b>
<b>Unrestricted funds</b>	
Cash and cash equivalents	43,293,000
Pooled, Common and Collective Fund	26,665,000
Equities	3,145,000
Mutual Funds	15,724,000
Private equity	12,540,000
Private debt	1,322,000
Hedge fund	4,902,000
<b>Permanently restricted funds</b>	
Cash and cash equivalents	658,000
<b>Total Investments</b>	<b>108,249,000</b>

Investment income consisted of the following:

<b>For the year ended June 30,</b>	<b>2020</b>
	<b>\$</b>
Interest and dividends, net of administrative fees of \$266,000	545,000
Realized gain	3,361,000
Unrealized gain	(1,342,000)
<b>Total</b>	<b>2,564,000</b>

## 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.

<b>Endowment Net Asset Composition by Type of Fund at June 30, 2020</b>	<b>Net Assets without Donor Restriction</b>	<b>Net Assets with Donor Restriction</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Donor-restricted endowment funds	-	658,000	658,000

<b>Changes in Endowment Net Assets For the Year Ended June 30, 2020</b>	<b>Net Assets without Donor Restriction</b>	<b>Net Assets with Donor Restriction</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Net assets as of June 30, 2019</b>	-	658,000	658,000
Investment income	-	16,000	16,000
Appropriation of endowment earnings for expenditure	-	(16,000)	(16,000)
<b>Net assets as of June 30, 2020</b>	-	658,000	658,000

## 7 Debt

Long-term debt consisted of the following at June 30, 2020:

For the year ended June 30	2020 \$
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 0.16% plus line of credit fee of 1.1% for a total of 1.26% at June 30, 2020).	3,304,000
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 1.85% plus line of credit fee of 1.15% for a total of 3.00% at June 30, 2020).	3,446,000
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 1.57% at June 30, 2020).	2,681,000
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 1.97% at June 30, 2020).	5,029,000
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 2.17% at June 30, 2020).	2,036,000
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 2.17% at June 30, 2020).	3,022,000
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 1.33% at June 30, 2020).	5,367,000
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 1.42% as of June 30, 2020.	8,810,000
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 1.27% as of June 30, 2020.	1,459,000
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 1.375% as of June 30, 2020.	7,071,000
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 1.30% as of June 30, 2020.	5,539,000
2020 New Market Tax Credit Loan due and payable in full on May 1, 2027. Interest is set and paid monthly at the rate equal to the greater of LIBOR plus 1.00% less 3.5% or 0.00%. (Interest rate was 0.00% at June 30, 2020).	1,250,000
Line of credit agreement of \$5,000,000. The line was fully drawn as of June 30, 2020. The line bears interest at the rate of LIBOR plus 1.10% payable monthly beginning October 16, 2019 through September 16, 2021. (Interest rate was 1.27% at June 30, 2020).	5,000,000
Line of credit agreement of \$15,000,000 with \$12,600,000 drawn as of June 30, 2020. The line bears interest at the rate of LIBOR plus 1.10% with monthly interest payments due beginning May 1st 2020, and maturing on December 31, 2020. (Interest rate was 1.28% at June 30, 2020).	12,600,000
Total debt	66,614,000
Less - current maturities	(16,879,000)
Total long-term debt, net of current maturities	49,735,000

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, 2020 with the exception of the debt service coverage ratio covenant. The Organization obtained waivers from the banks for this covenant. 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, 2020, except for the debt service coverage ratio covenant for which a bank waiver was obtained. 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, 2020, except for the debt service coverage ratio covenant for which a bank waiver was obtained. 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, 2020, except for the debt service coverage ratio covenant for which a bank waiver was obtained. 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, 2020.

Interest expense for the year ended June 30, 2020 was \$1,874,000.

Future maturities of long-term debt as of June 30, 2020, are as follows:

	<b>Amount</b>
<b>For the years ending June 30:</b>	<b>\$</b>
2021	16,879,000
2022	9,349,000
2023	4,109,000
2024	4,356,000
2025	3,993,000
Thereafter	27,928,000
<b>Total</b>	<b>66,614,000</b>

## **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, 2020 are as follows:

Related Debt	Notional Amount	Bond Interest Rate	SWAP Interest Rates		Fair Value Adjustment	
			Fixed	Variable	2020	Cumulative
					\$	\$
2008 Cherokee Bonds	3,304,000	1.26%	3.35%	0.30%	(167,000)	(660,000)
2009 Gwinnett Bonds	3,446,000	3.00%	2.89%	0.23%	(201,000)	(619,000)
2009 West Georgia Bank Qualified	2,681,000	1.57%	4.59%	1.58%	(158,000)	(552,000)
2010 Fulton Bank Qualified	5,029,000	1.97%	2.90%	0.12%	(123,000)	(569,000)
2012 Fulton Bonds	5,367,000	1.33%	3.13%	1.33%	(348,000)	(566,000)
Total					(997,000)	(2,966,000)

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, 2020:

	Operating Leases
<b>For the years ending June 30:</b>	<b>\$</b>
2021	17,525,000
2022	16,555,000
2023	14,934,000
2024	13,561,000
2025	11,153,000
Thereafter	40,196,000
	113,924,000

Rent expense for the year ended June 30, 2020, was \$17,560,000. Deferred rent was \$8,893,000 as of June 30, 2020 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, 2020, the Organization contributed \$1,037,000 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, 2020, the Organization contributed \$393,000 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, 2020 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, 2020 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, 2020 are as follows:

June 30, 2020	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 sw aps	(2,966,000)	-	(2,966,000)	-
Cash and cash equivalents	43,951,000	43,951,000	-	-
Pooled, Common and Collective Fund	26,665,000	-	26,665,000	-
Equities	3,145,000	3,145,000	-	-
Mutual Funds	15,724,000	15,724,000	-	-
Private equity measured at NAV	12,540,000	-	-	-
Private debt measured at NAV	1,322,000	-	-	-
Hedge funds measured at NAV	4,902,000	-	-	-
Total	105,283,000	62,820,000	23,699,000	-

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, 2020 is \$4,449,000.



Investment Fund Name	Initial Investment Year	Commitment Amount	Level 3 Type	Valuation Method	Fair Value as of June 30, 2020	Unfunded Commitment
(a) Oaktree Private Investment Fund 2012, L.P.	2013	1,350,000	Private Equity	Net Asset Value	771,000	328,000
(b) Montauk TriGuard Fund VI	2014	1,350,000	Private Equity	Net Asset Value	630,000	268,000
(c) HarbourVest Global Annual Private Equity Fund	2014	1,350,000	Private Equity	Net Asset Value	1,117,000	227,000
(d) Hadley Harbor Investors, LP	2015	1,350,000	Private Equity	Net Asset Value	813,000	131,000
(e) Truebridge-Kauffman Fund IV	2016	1,000,000	Private Equity	Net Asset Value	1,280,000	90,000
(f) Montauk TriGuard Fund VII	2016	1,700,000	Private Equity	Net Asset Value	453,000	822,000
(g) Riverside MicroCap Fund IV	2016	1,700,000	Private Equity	Net Asset Value	1,955,000	224,000
(h) Fort Washington Private Equity Investors IX	2016	1,700,000	Private Equity	Net Asset Value	907,000	774,000
(i) HarbourVest 2017 Global Fund, LP	2017	1,700,000	Private Equity	Net Asset Value	901,000	748,000
(j) Truebridge-Kauffman Fund V	2017	1,400,000	Private Equity	Net Asset Value	843,000	630,000
(k) CarVal Credit Value Fund B IV	2018	1,500,000	Private Debt	Net Asset Value	1,322,000	150,000
(l) NCS Global Fund, LLC	2018	5,500,000	Global Equity	Net Asset Value	2,603,000	-
(m) Libremax Offshore Fund LTD	2018	2,600,000	Hedge Fund	Net Asset Value	2,249,000	-
(n) Davidson Kempner International (BV) LTD	2019	2,600,000	Hedge Fund	Net Asset Value	2,653,000	-
(o) Ocean Avenue Fund IV Cayman, L.P.	2019	1,000,000	Private Equity	Net Asset Value	200,000	810,000
(p) Pontifax Global Food & Agricultural Technology Fund II, LP	2020	1,000,000	Private Equity	Net Asset Value	67,000	932,000

**Notes:**

**Private Equity:** May invest in buyout, venture capital, growth equity, real assets, special situations, secondary investments, structured transactions,

(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). Allows 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.

(p) Term of 10 years, subject to two one-year extensions with limited partner consent.

**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 29, 2020, the organization closed on a new market tax credit transaction (“the transaction”) for construction of a new career center and store in the City of Atlanta (“the project”). A separate nonprofit corporation, Goodwill of North Georgia Development Co. II, Inc. (Dev Co. II) was created to receive the funding from the transaction and construct the new building. The Dev Co. II’s board of directors includes executive staff members of the organization and will be consolidated for financial reporting purposes. To fund the transaction’s leverage loan, Goodwill of North Georgia, Inc. (GNG) closed on a \$3,200,000 commercial term loan and issued a \$1,750,000 unsecured investment bond.

Repayment terms for the term loan include monthly, interest only payments for 26 months, followed by monthly payments of principal and interest, amortized over the balance of the loan. Interest rate adjusts monthly based on 30-day LIBOR plus a spread of 1.65%.

Repayment terms for the bond issue include interest only monthly payments for 7 years, when the bond will be due in full. Interest rate is fixed at 1.0% annually.

As a result of the transaction and in addition to the term loan and unsecured bond issue, GNG also recorded a loan receivable of \$6,648,000 representing the leverage loan funding. Repayment terms for the loan receivable include annual, interest only payments for the first 7 years followed by annual interest and principal payments amortized over 27 years. Interest rate is fixed at 1.5% annually.

Dev Co. II recorded 2 separate, qualified low-income community investment loans for \$6,648,000 and \$3,152,000 respectively. Repayment terms for both loans include annual, interest only payments for the first 7 years followed by annual interest and principal payments amortized over 27 years. Interest rates for both loans are fixed at 1.0% annually.

As part of this transaction, GNG entered into a put/call option agreement with the investor by which the investor, at the end of the first 7 years (tax credit period), has the option to sell their interest in the project for a nominal fee. If this put option is not exercised, GNG may exercise a call option to purchase the investor's interest for the fair market value. Such exercise of either the put or call option will effectively unwind the transaction at the end of the tax credit period.

The Organization has considered events occurring subsequent to June 30, 2020 through October 30, 2020, 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, 2020	Goodwill Industries of North Georgia, Inc.	Goodwill of North Georgia, Inc.	Total
	\$	\$	\$
<b>Support, revenue and gains:</b>			
Support:			
Government grants	-	4,011,000	4,011,000
Contributions	-	3,813,000	3,813,000
United Way allocation	-	90,000	90,000
Total support	-	7,914,000	7,914,000
Revenue and gains:			
Store sales	-	109,885,000	109,885,000
Salvage	-	7,721,000	7,721,000
E-Commerce	-	2,874,000	2,874,000
Facility contracts	11,832,000	619,000	12,451,000
Vocational services	-	246,000	246,000
Investment income	1,000	2,563,000	2,564,000
Total revenue and gains	11,833,000	123,908,000	135,741,000
Total support, revenue and gains	11,833,000	131,822,000	143,655,000
<b>Expenses:</b>			
Program services:			
Stores	-	108,787,000	108,787,000
Collection and transportation of donated goods	-	11,581,000	11,581,000
Salvage	-	239,000	239,000
E-Commerce	-	1,863,000	1,863,000
Contracts	9,401,000	1,255,000	10,656,000
Vocational services	-	14,932,000	14,932,000
Total program services	9,401,000	138,657,000	148,058,000
Supporting services:			
General and administrative	960,000	10,667,000	11,627,000
Fundraising	-	640,000	640,000
Total supporting services	960,000	11,307,000	12,267,000
Total expenses	10,361,000	149,964,000	160,325,000
<b>Other non-operating:</b>			
(Gain) / Loss on disposal of property and equipment	-	(8,000)	(8,000)
Loss on interest rate swaps mark-to-market valuation	-	997,000	997,000
<b>Change in net assets</b>	1,472,000	(19,131,000)	(17,659,000)
<b>Net assets, beginning of year</b>	7,783,000	130,226,000	138,009,000
<b>Net assets, end of year</b>	9,255,000	111,095,000	120,350,000