

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023  
and  
SUPPLEMENTARY INFORMATION**

**with  
INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors

**Goodwill Industries of North Georgia, Inc., Goodwill of North Georgia Inc., Goodwill of North Georgia Development Company I, Inc. and Goodwill of North Georgia Development Company II, Inc:**

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Goodwill Industries of North Georgia, Inc., Goodwill of North Georgia, Inc., Goodwill of North Georgia Development Company I, Inc. and Goodwill of North Georgia Development Company II, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

## ***Auditors' Responsibilities for the Audit of the Consolidated financial statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### ***Other Information***

The unconsolidated statement of financial position on page 34 and the unconsolidated statement of activities on page 35 are presented for additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on them.

### ***Report on Summarized Comparative Information***

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Smith and Howard*

Atlanta, GA  
November 29, 2023

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>June 30,</b>	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Assets:</b>		
Cash and cash equivalents	7,065,000	16,292,000
Restricted cash	454,000	778,000
Accounts receivable, net of allowance for doubtful accounts	8,439,000	12,207,000
New Market Tax Credit note receivable	6,648,000	6,648,000
Inventory	4,114,000	3,366,000
Prepaid expenses	2,070,000	2,202,000
Investments	143,647,000	138,640,000
Property and equipment, net	85,791,000	89,247,000
Right of use asset	80,965,000	87,728,000
Other non-current assets	1,111,000	894,000
Total assets	340,304,000	358,002,000
<b>Liabilities:</b>		
Accounts payable	3,704,000	4,477,000
Accrued liabilities	10,183,000	12,361,000
Refundable federal funds	383,000	21,377,000
Deferred revenue	1,579,000	623,000
Workers compensation	544,000	596,000
Lease liability	86,683,000	94,334,000
Long-term debt	51,726,000	55,068,000
Accrued loss on interest rate swaps	66,000	545,000
Total liabilities	154,868,000	189,381,000
<b>Net assets:</b>		
Without donor restrictions	184,724,000	167,917,000
With donor restrictions	712,000	704,000
Total net assets	185,436,000	168,621,000
Total liabilities and net assets	340,304,000	358,002,000

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

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES**

<b>For the year ended June 30, 2023 (with comparative totals for the year ended June 30, 2022)</b>	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>2023 Total</b>	<b>2022 Total</b>
	\$	\$	\$	\$
<b>Support, revenue and gains:</b>				
Support:				
Government grants	4,725,000	-	4,725,000	4,251,000
Contributions	3,711,000	189,000	3,900,000	2,229,000
United Way allocation	137,000	8,000	145,000	129,000
Total support	8,573,000	197,000	8,770,000	6,609,000
Revenue and gains:				
Store sales	150,833,000	-	150,833,000	145,009,000
Salvage	10,668,000	-	10,668,000	11,221,000
E-Commerce	7,755,000	-	7,755,000	6,103,000
Facility contracts	14,723,000	-	14,723,000	14,457,000
Vocational services	426,000	-	426,000	144,000
Investment Income (loss)	9,487,000	-	9,487,000	(12,449,000)
Total revenue and gains	193,892,000	-	193,892,000	164,485,000
<b>Net assets released from restrictions:</b>				
Satisfaction of donor restrictions	189,000	(189,000)	-	-
Total support, revenue and gains	202,654,000	8,000	202,662,000	171,094,000

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**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)**

For the year ended June 30, 2023 (with comparative totals for the year ended June 30, 2022)	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
	\$	\$	\$	\$
<b>Operating expenses:</b>				
Program services:				
Stores	123,351,000	-	123,351,000	114,454,000
Collection and transportation of donated goods	9,990,000	-	9,990,000	10,358,000
Salvage	237,000	-	237,000	360,000
E-Commerce	4,705,000	-	4,705,000	2,855,000
Contracts	13,699,000	-	13,699,000	13,176,000
Vocational services	18,095,000	-	18,095,000	15,821,000
Total program services	170,077,000	-	170,077,000	157,024,000
Supporting services:				
General and administrative	14,883,000	-	14,883,000	16,326,000
Fundraising	1,378,000	-	1,378,000	1,373,000
Total supporting services	16,261,000	-	16,261,000	17,699,000
Total operating expenses	186,338,000	-	186,338,000	174,723,000
<b>Other non-operating:</b>				
(Gain) / Loss on disposal of property and equipment	(12,000)	-	(12,000)	9,000
(Gain) / Loss on interest rate swaps mark-to-market valuation	(479,000)	-	(479,000)	(1,483,000)
<b>Change in net assets</b>	16,807,000	8,000	16,815,000	(2,155,000)
<b>Net assets, beginning of year</b>	167,917,000	704,000	168,621,000	170,776,000
<b>Net assets, end of year</b>	184,724,000	712,000	185,436,000	168,621,000

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



**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2023	Program Services						Supporting Services			2023 Total	
	Stores	Collection and Transportation of Materials	Salvage	E-Commerce	Contracts	Vocational Services	Total Program Services	General and Administrative Expenses	Fundraising		Total Supporting Services
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Salaries:</b>											
Staff	15,628,000	286,000	-	141,000	2,277,000	8,723,000	<b>27,055,000</b>	7,773,000	865,000	<b>8,638,000</b>	<b>35,693,000</b>
Support	39,233,000	3,583,000	-	1,469,000	6,409,000	157,000	<b>50,851,000</b>	100,000	17,000	<b>117,000</b>	<b>50,968,000</b>
Consumers	-	-	-	-	-	306,000	<b>306,000</b>	-	-	-	<b>306,000</b>
Employee benefits	4,293,000	418,000	-	154,000	1,787,000	1,108,000	<b>7,760,000</b>	777,000	100,000	<b>877,000</b>	<b>8,637,000</b>
Workers compensation	1,562,000	193,000	-	13,000	248,000	64,000	<b>2,080,000</b>	312,000	2,000	<b>314,000</b>	<b>2,394,000</b>
Payroll taxes	4,147,000	296,000	-	127,000	645,000	628,000	<b>5,843,000</b>	503,000	56,000	<b>559,000</b>	<b>6,402,000</b>
Total payroll expense	64,863,000	4,776,000	-	1,904,000	11,366,000	10,986,000	<b>93,895,000</b>	9,465,000	1,040,000	<b>10,505,000</b>	<b>104,400,000</b>
Professional fees and contracted services	4,497,000	962,000	237,000	126,000	866,000	1,538,000	<b>8,226,000</b>	2,912,000	147,000	<b>3,059,000</b>	<b>11,285,000</b>
Retail and other operating supplies	5,590,000	97,000	-	1,701,000	483,000	99,000	<b>7,970,000</b>	65,000	1,000	<b>66,000</b>	<b>8,036,000</b>
Telephone and communications	396,000	215,000	-	11,000	38,000	176,000	<b>836,000</b>	105,000	4,000	<b>109,000</b>	<b>945,000</b>
Occupancy	31,166,000	2,396,000	-	427,000	(296,000)	2,090,000	<b>35,783,000</b>	268,000	-	<b>268,000</b>	<b>36,051,000</b>
Rental and maintenance of equipment	2,961,000	165,000	-	78,000	177,000	732,000	<b>4,113,000</b>	512,000	26,000	<b>538,000</b>	<b>4,651,000</b>
Printing, advertising and publications	1,662,000	4,000	-	7,000	31,000	319,000	<b>2,023,000</b>	169,000	-	<b>169,000</b>	<b>2,192,000</b>
Travel and agency vehicles	478,000	1,246,000	-	65,000	211,000	276,000	<b>2,276,000</b>	113,000	1,000	<b>114,000</b>	<b>2,390,000</b>
Merchant fees and other bank charges	2,436,000	-	-	311,000	33,000	-	<b>2,780,000</b>	734,000	-	<b>734,000</b>	<b>3,514,000</b>
Other expenses	1,757,000	32,000	-	10,000	725,000	1,182,000	<b>3,706,000</b>	56,000	159,000	<b>215,000</b>	<b>3,921,000</b>
Depreciation and amortization	5,601,000	97,000	-	65,000	65,000	697,000	<b>6,525,000</b>	484,000	-	<b>484,000</b>	<b>7,009,000</b>
Financing and start-up costs	1,944,000	-	-	-	-	-	<b>1,944,000</b>	-	-	-	<b>1,944,000</b>
Total other expense	58,488,000	5,214,000	237,000	2,801,000	2,333,000	7,109,000	<b>76,182,000</b>	5,418,000	338,000	<b>5,756,000</b>	<b>81,938,000</b>
Total expenses	123,351,000	9,990,000	237,000	4,705,000	13,699,000	18,095,000	<b>170,077,000</b>	14,883,000	1,378,000	<b>16,261,000</b>	<b>186,338,000</b>

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

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2022	Program Services						Supporting Services			2022 Total	
	Stores	Collection and Transportation of Materials	Salvage	E-Commerce	Contracts	Vocational Services	Total Program Services	General and Administrative Expenses	Fundraising		Total Supporting Services
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Salaries:</b>											
Staff	17,931,000	391,000	-	165,000	2,341,000	7,573,000	<b>28,401,000</b>	7,712,000	841,000	<b>8,553,000</b>	<b>36,954,000</b>
Support	32,686,000	3,460,000	-	987,000	5,906,000	137,000	<b>43,176,000</b>	575,000	14,000	<b>589,000</b>	<b>43,765,000</b>
Consumers	-	-	-	-	-	355,000	<b>355,000</b>	-	-	-	<b>355,000</b>
Employee benefits	4,404,000	457,000	-	120,000	1,733,000	1,116,000	<b>7,830,000</b>	810,000	72,000	<b>882,000</b>	<b>8,712,000</b>
Workers compensation	1,505,000	175,000	-	14,000	155,000	45,000	<b>1,894,000</b>	(117,000)	2,000	<b>(115,000)</b>	<b>1,779,000</b>
Payroll taxes	5,065,000	141,000	-	88,000	980,000	866,000	<b>7,140,000</b>	178,000	69,000	<b>247,000</b>	<b>7,387,000</b>
Total payroll expense	61,591,000	4,624,000	-	1,374,000	11,115,000	10,092,000	<b>88,796,000</b>	9,158,000	998,000	<b>10,156,000</b>	<b>98,952,000</b>
Professional fees and contracted services	4,066,000	1,169,000	360,000	128,000	880,000	1,354,000	<b>7,957,000</b>	2,520,000	131,000	<b>2,651,000</b>	<b>10,608,000</b>
Retail and other operating supplies	4,699,000	136,000	-	721,000	496,000	100,000	<b>6,152,000</b>	238,000	3,000	<b>241,000</b>	<b>6,393,000</b>
Telephone and communications	308,000	141,000	-	8,000	38,000	244,000	<b>739,000</b>	187,000	3,000	<b>190,000</b>	<b>929,000</b>
Occupancy	30,282,000	2,535,000	-	465,000	(181,000)	1,961,000	<b>35,062,000</b>	702,000	-	<b>702,000</b>	<b>35,764,000</b>
Rental and maintenance of equipment	1,583,000	1,065,000	-	70,000	287,000	416,000	<b>3,421,000</b>	356,000	14,000	<b>370,000</b>	<b>3,791,000</b>
Printing, advertising and publications	1,196,000	1,000	-	6,000	31,000	279,000	<b>1,513,000</b>	135,000	132,000	<b>267,000</b>	<b>1,780,000</b>
Travel and agency vehicles	326,000	537,000	-	17,000	94,000	183,000	<b>1,157,000</b>	201,000	2,000	<b>203,000</b>	<b>1,360,000</b>
Merchant fees and other bank charges	2,550,000	-	-	-	29,000	-	<b>2,579,000</b>	280,000	-	<b>280,000</b>	<b>2,859,000</b>
Other expenses	1,082,000	18,000	-	5,000	336,000	569,000	<b>2,010,000</b>	2,049,000	90,000	<b>2,139,000</b>	<b>4,149,000</b>
Depreciation and amortization	5,481,000	132,000	-	61,000	51,000	623,000	<b>6,348,000</b>	500,000	-	<b>500,000</b>	<b>6,848,000</b>
Financing and start-up costs	1,290,000	-	-	-	-	-	<b>1,290,000</b>	-	-	-	<b>1,290,000</b>
Total other expense	52,863,000	5,734,000	360,000	1,481,000	2,061,000	5,729,000	<b>68,228,000</b>	7,168,000	375,000	<b>7,543,000</b>	<b>75,771,000</b>
Total expenses	114,454,000	10,358,000	360,000	2,855,000	13,176,000	15,821,000	<b>157,024,000</b>	16,326,000	1,373,000	<b>17,699,000</b>	<b>174,723,000</b>

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

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY I, INC.  
AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>For the years ended June 30</b>	<b>2023</b>	<b>2022</b>
	\$	\$
<b>Cash flows from operating activities:</b>		
Cash received from customers and donors	198,909,000	178,135,000
Federal funds received (refunded)	(20,994,000)	15,850,000
Employee compensation	(101,114,000)	(91,353,000)
Cash paid to vendors	(81,352,000)	(77,043,000)
Dividends and interest received	714,000	284,000
Interest paid	(2,269,000)	(2,040,000)
Net cash provided (required) by operating activities	(6,106,000)	23,833,000
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,541,000)	(9,105,000)
Purchases of long-term investments	(23,148,000)	(56,510,000)
Proceeds from the sale or maturity of investments	26,618,000	39,097,000
Net cash required by investing activities	(71,000)	(26,518,000)
<b>Cash flows from financing activities:</b>		
Payments on debt	(3,374,000)	(4,150,000)
Net cash required by financing activities	(3,374,000)	(4,150,000)
<b>Net change in cash and cash equivalents</b>	<b>(9,551,000)</b>	<b>(6,835,000)</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>	<b>17,070,000</b>	<b>23,905,000</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>7,519,000</b>	<b>17,070,000</b>
<b>Supplemental disclosure information:</b>		
Capitalized interest	59,000	116,000
Capital asset purchases in accounts payable	44,000	61,000
Right-of-use assets obtained through financing leases	10,981,000	13,770,000

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

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC., GOODWILL OF NORTH GEORGIA DEVELOPMENT  
COMPANY I, INC. AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 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. Goodwill of North Georgia Development Company I, Inc. and Goodwill of North Georgia Development Company II, Inc. (collectively, Goodwill of North Georgia Development Company) were formed as supporting organizations of Goodwill of North Georgia, Inc. and is controlled by the same management group as the other organizations. The financial position, results of operations and cash flows for the organizations are presented on a consolidated basis in these financial statements.

The consolidated organization, Goodwill Industries of North Georgia, Inc., Goodwill of North Georgia, Inc., and Goodwill of North Georgia Development Company (collectively, the Organization) are 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, 2023, the Organization operates 68 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 consolidated financial statements include the accounts of Goodwill Industries of North Georgia, Inc., Goodwill of North Georgia, Inc, and Goodwill of North Georgia Development Company. These entities are consolidated as they share the same board and/or are under common management. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Basis of Accounting and Presentation**

The consolidated 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.

**GOODWILL INDUSTRIES OF NORTH GEORGIA, INC.,  
GOODWILL OF NORTH GEORGIA, INC., GOODWILL OF NORTH GEORGIA DEVELOPMENT  
COMPANY I, INC. AND GOODWILL OF NORTH GEORGIA DEVELOPMENT COMPANY II, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting and Presentation (Continued)**

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 consolidated statement of activities. The net assets with donor-imposed restrictions that are perpetual in nature are classified as net assets with donor restriction and are subject to the general provisions of the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The income from these funds is expendable to support operations.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“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 consolidated 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 consolidated statement of cash flows are as follows:

<b>For the year ended June 30,</b>	<b>2023</b>
	<b>\$</b>
Cash and cash equivalents	7,065,000
Restricted cash	454,000
<b>Cash, cash equivalents, and restricted cash</b>	<b>7,519,000</b>

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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,	2023
	\$
<b>Beginning balance</b>	1,130,000
Bad debt expense	662,000
Write-off of uncollectible accounts	(213,000)
<b>Ending balance</b>	1,579,000

**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 consolidated 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 five 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 consolidated statement of financial position. Realized and unrealized gains and losses are included in the consolidated statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

	<b>Years</b>
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, 2023, 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, as of June 30, 2023, is partially self-insured for workers compensation claims up to the first \$500,000 on each accident. Effective July 1, 2023, workers compensation claims are self-insured up to \$250,000 on each accident. The Organization estimates the potential projected liability, as shown in the consolidated 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.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Support and Revenue**

The Organization receives a significant amount of its revenue as contributed nonfinancial assets, which it monetizes through sales in our retail stores, e-commerce platforms, and salvage programs. These nonfinancial contributions are valued at their fair market value identified at their sale price through either our retail store, e-commerce platform, or salvage market price. Items not sold during the fiscal year are recorded to inventory and a description of their valuation process can be found in the Inventory section of Note 1.

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 consolidated statement of activities as net assets released from restrictions. When donor imposed restrictions are met in the same reporting period the contribution was made, 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.

The Organization 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.



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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Support and Revenue (Continued)**

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. Contributed services were not significant for the year ended June 30, 2023.

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 consolidated statement of activities.

**Government and Other Grants**

The Organization receives numerous grants from governmental agencies and certain foundations that are considered contributions under 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 Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("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. Store merchandise are priced as marked or labeled. In store discounts are offered on Tuesdays for seniors (50% off), on Thursdays for first responders (25% 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.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

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 employment opportunities. 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 other activities are summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Examples of expenses that are allocated include utilities, equipment maintenance, and depreciation, which are allocated on a square footage basis as well as salaries and wages plus benefits, which are allocated on the basis of time and effort. Other costs, such as office expenses and depreciation, are allocated on best estimates of actual usage.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Prior Year Summarized Information**

The consolidated statement of activities include certain prior year summarized comparative information in total but not by net asset class. The footnote disclosures omit information as of and for the year ended June 30, 2022. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such summarized information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2022, 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. 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 consolidated 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 2020 through 2023. 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, 2023 for uncertain tax positions.

**Advertising**

Advertising costs are expensed as incurred. For the year ended June 30, 2023, advertising expense was \$1,840,000, and is included within printing, advertising and publications on the consolidated 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 \$218,000 of membership dues to Goodwill Industries International, Inc., a national affiliate, during the year ended June 30, 2023.

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Related Party Transactions (Continued)**

During the year ended June 30, 2021, the Organization entered into a New Market Tax Credit transaction (Note 11). As party to the transaction AEMI Fund XXV, LLC, a subsidiary of Invest Atlanta, provided the qualified low-income community investment loans for \$6,648,000 and \$3,152,000, further discussed in Note 11, to Goodwill of North Georgia Development Company II, Inc. Invest Atlanta is managed by a board member of Goodwill of North Georgia, Inc. and Goodwill Industries of North Georgia, Inc.

**Subsequent Events**

The Organization has considered events occurring subsequent to June 30, 2023 through the date of this report, the date the consolidated financial statements are available for issuance, in preparing the consolidated financial statements and notes thereto.

**NOTE 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:

<u>For the year ended June 30,</u>	<u>2023</u>
	\$
Cash and cash equivalents	7,065,000
Accounts receivable, net of allowance for doubtful accounts	8,439,000
Inventory	4,114,000
Investments	97,667,000
Available amount on lines of credit	20,000,000
	<u>137,285,000</u>

The Organization has \$137,285,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. 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, with approval from the board of directors. The Organization has two lines of credit for an aggregate capacity of \$20,000,000 to draw if additional liquidity is needed.

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**NOTE 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, 2023:

<b>For the year ended June 30,</b>	<b>2023</b>
	<b>\$</b>
Grants and contracts receivable	4,593,000
Salvage receivable	3,430,000
Contributions receivable	1,992,000
Allowance for doubtful accounts	(1,576,000)
<b>Ending balance</b>	<b>8,439,000</b>

At June 30, 2023, all accounts receivable are due within one year.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

<b>June 30, 2023</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Land	21,129,000	-	21,129,000
Land Improvements	8,343,000	(1,396,000)	6,947,000
Building	53,894,000	(16,084,000)	37,810,000
Leasehold Improvements	39,437,000	(28,907,000)	10,530,000
Machinery and equipment	7,174,000	(5,884,000)	1,290,000
Material handling and equipment	3,882,000	(3,160,000)	722,000
Computer and software	6,589,000	(5,297,000)	1,292,000
Furniture and fixtures	10,548,000	(6,170,000)	4,378,000
Fleet vehicles and transportation equipment	2,324,000	(2,254,000)	70,000
Capitalized interest	1,950,000	(985,000)	965,000
Construction in progress	658,000	-	658,000
Total	155,928,000	(70,137,000)	85,791,000

Depreciation expense for the year ended June 30, 2023 totaled \$7,009,000.

**NOTE 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 Finance Committee which periodically reviews and approves the Organization's investment policy statement and any changes are approved by the Board of Directors.

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**NOTE 5 - INVESTMENTS (Continued)**

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 Finance 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.

As of June 30, 2023, investments totaling \$658,000 were restricted in perpetuity.

Investments consisted of the following:

<b>June 30, 2023</b>	<b>Fair Value</b>
	\$
Cash and cash equivalents	517,000
Pooled, Common and Collective Fund	65,827,000
Equities	5,896,000
Mutual Funds	25,427,000
Real Estate	4,912,000
Private equity	33,725,000
Private debt	1,267,000
Hedge fund	6,076,000
	<u>143,647,000</u>

Investment income consisted of the following:

<b>For the year ended June 30,</b>	<b>2023</b>
	\$
Interest and dividends, net of administrative fees of \$437,000	573,000
Realized gain	395,000
Unrealized gain	8,519,000
Total	<u>9,487,000</u>

**NOTE 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.

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**NOTE 6 - ENDOWMENT (Continued)**

The following amounts consist of donor-restricted funds designated by the Finance 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>Changes in Endowment Net Asset For the Year Ended June 30, 2023</b>	<b>Net Assets without Donor Restriction</b>	<b>Net Assets with Donor Restriction</b>	<b>Total</b>
	\$	\$	\$
<b>Net assets as of June 30, 2022</b>	-	<b>658,000</b>	<b>658,000</b>
Investment income	-	<b>42,000</b>	<b>42,000</b>
Appropriation of endowment earnings for expenditure	-	<b>(42,000)</b>	<b>(42,000)</b>
<b>Net assets as of June 30, 2023</b>	-	<b>658,000</b>	<b>658,000</b>

**NOTE 7 - LEASES**

The Organization leases certain stores, attended donation centers, career centers, a warehouse, and vehicles. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease from five to ten years. The exercise of lease renewal options is at ours and the lessors discretion. These renewal options are not included in the calculation of the right-of-use asset or lease liabilities. The weighted average remaining lease term at June 30, 2023 was 4 years.

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**NOTE 7 - LEASES (Continued)**

For the discount rate used to calculate the present value of the required lease payments, the Organization uses the implicit rate within the lease when available or our incremental borrowing rate if the implicit rate was unavailable. For the vehicle leases the Organization elected to use the risk free rate of the US Treasury Note with terms most similar to the length of the lease. The weighted average discount rate was 1.54% for the year ended June 30, 2023.

Operating lease expense included in program expense on the consolidated statement of activities is approximately \$17,744,000. The cash flow information related to operating leases for the year end June 30, 2023 included in operating cash flows is approximately \$18,632,000. The following is a schedule of future minimum lease payments under operating lease obligations at June 30, 2023:

	<b>Operating Leases</b>
<b>For the years ending June 30:</b>	<b>\$</b>
2024	16,793,000
2025	16,987,000
2026	13,695,000
2027	11,276,000
2028	8,947,000
Thereafter	23,347,000
<b>Total Lease Payments</b>	<b>91,045,000</b>
<b>Less: Interest</b>	<b>(4,362,000)</b>
<b>Present value of lease liabilities</b>	<b>86,683,000</b>



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**NOTE 8 - DEBT**

Long-term debt consisted of the following at June 30, 2023:

<b>For the year ended June 30</b>	<b>2023</b>
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 67% of Overnight Compound SOFR +.26161%) for a total of 3.58% at June 30, 2023).	2,641,000
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 67% of SOFR+.26161% for a total of 3.58% at June 30, 2023).	2,750,000
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 Overnight Compound SOFR + .11448%) plus 65% of 2.25% (1.4625%). (Interest rate was 5% at June 30, 2023).	2,153,000
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 SOFR Overnight SOFR plus .11448%. (Interest rate was 3.48% at June 30, 2023).	4,007,000
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 Overnight Compound SOFR plus .11448%. (Interest rate was 6.85% at June 30, 2023).	1,471,000
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 3.01% at June 30, 2023).	2,181,000
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 Overnight Compound SOFR plus .11448% plus 1.1825%. (Interest rate was 5.23% at June 30, 2023).	4,697,000
2014 Commercial loan in monthly increments of \$83,33 plus accrued interest commencing February 23, 2016. Interest rate adjusts monthly based on SOFR plus a spread of 1.25%. Interest rate was 6.42% as of June 30, 2023.	6,372,000
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 Overnight Compound SOFR plus a spread of 1.1%. Interest rate was 6.27% as of June 30, 2023.	341,000

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**NOTE 8 - DEBT (Continued)**

<b>For the year ended June 30</b>	<b>2023</b>
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 Overnight Compound SOFR plus a spread of 1.125%. Interest rate was 6.31% as of June 30, 2023.	5,022,000
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 Overnight Compound SOFR plus a spread of 1.1%. Interest rate was 6.26% as of June 30, 2023.	4,359,000
2020 New Market Tax Credit ("NMTC") Loan due and payable in full May 1, 2027. Interest is set and paid monthly at the rate equal to the greater of SOFR plus 1.00% less 3.5% or 0.00%. ( Interest rate was 0.00% at June 30,2023).	1,250,000
2021 Commercial loan due in annual installments plus accrued interest at one month SOFR plus 1.75% (interest rate was 6.82% at June 30, 2023). The loan was interest only until December 1, 2022, and has annual principal payments due on December 1, 2022 through December 1, 2035.	3,106,000
2021 Community loan due in full on September 29, 2027, with interest accruing at 1.00% annually until maturity.	1,750,000
2021 NMTC Leverage Loan due and payable in full on December 1, 2054. Interest is set at 1.00%. See Note 11 for further detail.	6,648,000
2021 NMTC Leverage Loan due and payable in full on December 1, 2054. Interest is set at 1.00%. See Note 11 for further detail.	3,152,000
	<b>51,900,000</b>
Less - debt issuance costs	(174,000)
Total debt	<b>51,726,000</b>

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, 2023. 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, 2023. 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, 2023. The Organization is required to make annual payments beginning three years following issuance of the debt and continuing for seventeen years until maturity.

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**NOTE 8 - DEBT (Continued)**

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, 2023. 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 \$5,152,000 and there were no drawings on the letters of credit as of June 30, 2023.

Interest expense for the year ended June 30, 2023 was \$1,944,000.

Future maturities of long-term debt as of June 30, 2023, are as follows:

	<b>Amount</b>
<b>For the years ending June 30:</b>	<b>\$</b>
2024	4,333,000
2025	4,000,000
2026	4,009,000
2027	5,269,000
2028	4,908,000
Thereafter	29,207,000
Total	51,726,000

**NOTE 9 - LINES OF CREDIT**

The Organization has two line of credit agreements which provide for \$5,000,000 and \$15,000,000 in maximum borrowings. The \$5,000,000 line of credit matured on September 16, 2023 and borrowings bear interest at LIBOR plus 1.10%. The line of credit was subsequently renewed in September 2023 for a one-year term to mature on September 16, 2024, bearing an interest at one month term SOFR + 1.10 basis points. The \$15,000,000 line of credit matures on March 31, 2024 and borrowings bear interest at the Secured Overnight Financing Rate ("SOFR") plus 1.25%. There were no outstanding borrowings on lines of credit at June 30, 2023. The lines of credit contain various financial and nonfinancial covenants. The Organization was in compliance with these covenants as of June 30, 2023.

**NOTE 10 - 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 8 to the consolidated financial statements. The maturity of the swaps mirrors the maturities of the underlying debt.

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**NOTE 10 - INTEREST RATE SWAP AGREEMENT (Continued)**

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, 2023 are as follows:

Related Debt	Notional Amount	Bond	SWAP Interest		Fair Value Adjustment	
		Interest Rate	Rates		2023 Cumulative	
			Fixed	Variable		
	\$				\$	\$
2008 Cherokee Bonds	2,640,000	3.59%	3.35%	3.59%	(12,000)	(111,000)
2009 Gwinnett Bonds	2,750,000	3.68%	2.89%	3.68%	88,000	(57,000)
2009 West Georgia Bank Qualified	2,153,000	4.98%	4.59%	4.98%	76,000	(83,000)
2010 Fulton Bank Qualified	4,083,000	6.04%	2.90%	6.04%	200,000	1,000
2012 Fulton Bonds	4,696,000	5.23%	3.13%	5.23%	127,000	184,000
Total					479,000	(66,000)

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

**NOTE 11 - NEW MARKET TAX CREDIT TRANSACTION**

On September 29, 2020, the Organization closed on a new market tax credit (“NMTC”) transaction (“the transaction”) for construction of a new career center and store in the City of Atlanta.

The NMTC program is administered by the United States Treasury and is designed to encourage capital investment and business operations within distressed or highly distressed census tracts. The transaction is subject to 100% recapture for a period of seven years as described in the Internal Revenue Service Code. The Organization must comply with various regulation and contractual provisions that apply to the transaction. Noncompliance could result in projected tax benefits to the transaction’s investor not being realized therefore require the Organization to indemnify the transaction’s investor for any loss or recapture of NMTCs. Management does not anticipate that any credit recapture events will occur.

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**NOTE 11 - NEW MARKET TAX CREDIT TRANSACTION (Continued)**

A separate nonprofit corporation, Goodwill of North Georgia Development Company II, Inc. (Dev Company 2) was created to receive the funding from the transaction and construct the new building. The Dev Company 2's is controlled by the Organization and is included in the consolidated financial statements. To fund the transaction's leverage loan, Goodwill of North Georgia, Inc. (GNG) closed on a \$3.2 million (net of \$50,000 in debt issuance costs) commercial term loan and issued a \$1,750,000 unsecured investment bond. Repayment terms for the term loan include monthly, interest only payments for 18 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 18 months, followed by monthly payments and interest, amortized over 13.5 years. Interest rate is fixed at 1.0% annually. Both the commercial term loan and bond issuance are reported as long-term debt on the statement of financial position.

As a result of the transaction, GNG recorded a loan receivable of \$6,648,000 representing the leverage loan funding, due from AEMI Fund XXV, LLC. 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 1.8% annually.

Dev Company 2 recorded 2 separate, qualified low-income community investment loans for \$6,648,000 and \$2,666,000 (net of \$492,000 in debt issuance costs) respectively from AEMI Fund XXV, LLC which are reported as long-term debt on the statement of financial position. 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.

**NOTE 12 - 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, 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, 2023, the Organization contributed \$1,372,000, to the Plan on behalf of its employees.

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**NOTE 12 - RETIREMENT PLANS (Continued)**

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, 2023, the Organization contributed \$565,000, to the 457(f) plan.

**NOTE 13 - REFUNDABLE FEDERAL FUNDS**

In 2020 and 2021, the Organization received certain credits and refunds from federal agencies relating to employer payroll taxes and credits granted by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. During 2022, Organization determined that it did not qualify for a portion of these credits and refunds received. The Organization repaid \$20,994,000 during the year ending June 30, 2023. Amounts owed to these federal agencies are presented as “refundable federal funds” in the accompanying consolidated statement of financial position.

**NOTE 14 - FAIR VALUE MEASUREMENTS**

The Organization’s consolidated 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, 2023 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, 2023 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.

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**NOTE 14 - FAIR VALUE MEASUREMENTS (Continued)**

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 Board of Directors of the Organization. Investments include exchange traded funds which invest in equity securities and bonds.

**Interest Rate Swap**

As described in Note 10, 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.

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**NOTE 14 - FAIR VALUE MEASUREMENTS (Continued)**

Fair value measurements in place as of June 30, 2023 are as follows:

June 30, 2023	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	(66,000)	-	(66,000)	-
Cash and cash equivalents	517,000	517,000	-	-
Pooled, Common and Collective Fund	65,827,000	-	65,827,000	-
Equities	5,896,000	5,896,000	-	-
Mutual Funds	25,427,000	25,427,000	-	-
Real Estate	4,912,000	-	4,912,000	-
Private equity measured at NAV	33,725,000	-	-	-
Private debt measured at NAV	1,267,000	-	-	-
Hedge funds measured at NAV	6,076,000	-	-	-
Total	143,581,000	31,840,000	70,673,000	-

Following is a summary of the significant terms of the investment funds valued at Net asset value (“NAV”):

Investment Fund Name	Initial Investment Year	Commitmen t Amount	Type	Valuation Method	Fair Value as of June 30, 2023	Unfunded Commitment
(a) Oaktree Private Investment Fund 2012, L.P.	2013	1,350,000	Private Equity	Net Asset Value	858,000	328,000
(b) Montauk TriGuard Fund VI	2014	1,350,000	Private Equity	Net Asset Value	301,000	145,000
(c) HarbourVest Global Annual Private Equity Fund	2014	1,350,000	Private Equity	Net Asset Value	991,000	139,000
(d) Hadley Harbor Investors, LP	2015	1,350,000	Private Equity	Net Asset Value	111,000	131,000
(e) Truebridge-Kauffman Fund IV	2016	1,000,000	Private Equity	Net Asset Value	2,285,000	110,000
(f) Montauk TriGuard Fund VII	2016	1,700,000	Private Equity	Net Asset Value	860,000	252,000
(g) Riverside MicroCap Fund IV	2016	1,700,000	Private Equity	Net Asset Value	2,268,000	228,000
(h) Fort Washington Private Equity Investors IX	2016	1,700,000	Private Equity	Net Asset Value	1,871,000	434,000
(i) HarbourVest 2017 Global Fund, LP	2017	1,700,000	Private Equity	Net Asset Value	1,421,000	468,000
(j) Truebridge-Kauffman Fund V	2017	1,400,000	Private Equity	Net Asset Value	2,764,000	198,000
(k) CarVal Credit Value Fund B IV	2018	1,500,000	Private Debt	Net Asset Value	1,267,000	150,000
(l) NCS Global Fund, LLC	2018	5,500,000	Global Equity	Net Asset Value	7,834,000	-
(m) Apogem Private Equity Fund X LP	2022	2,500,000	Private Equity	Net Asset Value	540,000	1,948,000
(n) Davidson Kempner International (BVI) LTD	2019	2,600,000	Hedge Fund	Net Asset Value	5,210,000	-
(o) Ocean Avenue Fund IV Cayman, L.P.	2019	1,000,000	Private Equity	Net Asset Value	1,130,000	60,000
(p) Pontifax Global Food & Agricultural Technology Fund	2020	1,000,000	Private Equity	Net Asset Value	366,000	573,000
(q) GCM Grosvenor Advance Feeder Fund	2021	1,000,000	Private Equity	Net Asset Value	590,000	473,000
(r) Independent Franchise Partners Global Equity	2021	8,000,000	Global Equity	Net Asset Value	8,507,000	-
(s) HarbourVest Partners Co-Investment Fund VI LP	2021	2,000,000	Global Equity	Net Asset Value	1,027,000	1,000,000
(t) KLCP Offshore Fund III LP	2022	2,000,000	Private Debt	Net Asset Value	866,000	1,203,000
(u) TA Realty Core Property Fund LP	2022	5,000,000	Real Estate	Net Asset Value	4,912,000	-
(v) TrueBridge Capital Partners Fund VIII (Cayman) LP	2023	2,500,000	Private Equity	Net Asset Value	1,000	2,475,000



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**NOTE 14 - FAIR VALUE MEASUREMENTS (Continued)**

**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) Partnership is extended through November 2023.
- (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, w hich 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 w ith 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.
- (m) Term of 12 years after the final closing date, but may extend for up to a maximum of one additional one-year period by the General Partner in its sole discretion; and thereafter for two additional one-year periods with the consent of Limited Partners then holding a majority of the Limited Partner Capital Contribution percentages.
- (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.
- (q) Term of 15 years, subject to two one-year extensions at the discretion of the General Partner and consent of the Advisory Committee.
- (s) Term of 10 years, subject to three one-year extensions at the option of the General Partner and w ith prior approval of a majority interest of the limited partners of the Fund.
- (v) Term of the Partnership shall continue until the tw elfth anniversary of the Initial Closing Date, unless its term is extended or unless the Partnership is sooner wound up and dissolved or by operation of law .

**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.
- (t) Term of six years from the Final Closing Date, w ith one one-year extension in the discretion of the General Partner and for a second one-year extension w ith the approval of the LP Advisory Committee.

**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.
- (r) Liquidity and redemptions is twice monthly, on the 15th and last day of each calendar month.

**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.

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

**Real Estate:** May investment in real estate investments, primarily multifamily, industrial, retail and office properties in the United States

- (u) Term of perpetual life, open-ended, comingled funds

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

June 30, 2023	Goodwill Industries of North Georgia, Inc.	Goodwill Development Company	Goodwill of North Georgia, Inc.	Total
	\$	\$	\$	\$
<b>Assets:</b>				
Cash and cash equivalents	4,460,000	150,000	2,455,000	7,065,000
Restricted cash	-	241,000	213,000	454,000
Accounts receivable, net of allowance for doubtful accounts	2,211,000	(48,000)	6,276,000	8,439,000
New Market Tax Credit note receivable	-	-	6,648,000	6,648,000
Inventory	-	-	4,114,000	4,114,000
Prepaid expenses	603,000	-	1,467,000	2,070,000
Investments	-	-	143,647,000	143,647,000
Property and equipment, net	112,000	10,778,000	74,901,000	85,791,000
Right of use asset	287,000	-	80,678,000	80,965,000
Other non-current assets	-	-	1,111,000	1,111,000
Total assets	7,673,000	11,121,000	321,510,000	340,304,000
<b>Liabilities:</b>				
Accounts payable	245,000	-	3,459,000	3,704,000
Intercompany (receivables) payable	(8,787,000)	1,840,000	6,947,000	-
Accrued liabilities	996,000	-	9,187,000	10,183,000
Refundable federal funds	-	-	383,000	383,000
Deferred revenue	-	-	1,579,000	1,579,000
Workers compensation	-	-	544,000	544,000
Lease liability	286,000	-	86,397,000	86,683,000
Long-term debt	-	9,800,000	41,926,000	51,726,000
Accrued loss on interest rate swaps	-	-	66,000	66,000
Total liabilities	(7,260,000)	11,640,000	150,488,000	154,868,000
<b>Net assets (deficit):</b>				
Without donor restrictions	14,933,000	(519,000)	170,310,000	184,724,000
With donor restrictions	-	-	712,000	712,000
Total net assets	14,933,000	(519,000)	171,022,000	185,436,000
Total liabilities and net assets	7,673,000	11,121,000	321,510,000	340,304,000

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UNCONSOLIDATED STATEMENT OF ACTIVITIES (UNAUDITED)**

For the year ended June 30, 2023	Goodwill Industries of North Georgia, Inc.	Goodwill Development Company	Goodwill of North Georgia, Inc.	Total
	\$	\$	\$	\$
<b>Support, revenue and gains:</b>				
Support:				
Government grants	-	-	4,725,000	4,725,000
Contributions	-	-	3,900,000	3,900,000
United Way allocation	-	-	145,000	145,000
Total support	-	-	8,770,000	8,770,000
Revenue and gains:				
Store sales	-	103,000	150,730,000	150,833,000
Salvage	-	-	10,668,000	10,668,000
E-Commerce	-	-	7,755,000	7,755,000
Facility contracts	13,767,000	-	956,000	14,723,000
Vocational services	-	-	426,000	426,000
Investment income	-	-	9,487,000	9,487,000
Total revenue and gains	13,767,000	103,000	180,022,000	193,892,000
Total support, revenue and gains	13,767,000	103,000	188,792,000	202,662,000
<b>Expenses:</b>				
Program services:				
Stores	-	538,000	122,813,000	123,351,000
Collection and transportation of donated goods	-	-	9,990,000	9,990,000
Salvage	-	-	237,000	237,000
E-Commerce	-	-	4,705,000	4,705,000
Contracts	9,430,000	-	4,269,000	13,699,000
Vocational services	-	-	18,095,000	18,095,000
Total program services	9,430,000	538,000	160,109,000	170,077,000
Supporting services:				
General and administrative	2,418,000	-	12,465,000	14,883,000
Fundraising	-	-	1,378,000	1,378,000
Total supporting services	2,418,000	-	13,843,000	16,261,000
Total expenses	11,848,000	538,000	173,952,000	186,338,000
<b>Other non-operating:</b>				
Gain on disposal of property and equipment	-	-	(12,000)	(12,000)
Gain on interest rate swaps mark-to-market valuation	-	-	(479,000)	(479,000)
<b>Change in net assets</b>	1,919,000	(435,000)	15,331,000	16,815,000
<b>Net assets (deficit), beginning of year</b>	13,014,000	(84,000)	155,691,000	168,621,000
<b>Net assets (deficit), end of year</b>	14,933,000	(519,000)	171,022,000	185,436,000