

**GOODWILL INDUSTRIES OF
THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Years Ended December 31, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
Goodwill Industries of the Southern Rivers, Inc. and Related Entities
Columbus, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of the Southern Rivers, Inc. (a nonprofit organization) and related entities (Columbus Community Campus Condominium Association, Inc. (a nonprofit corporation) and Powerworks Industries, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The financial statements of Columbus Community Campus Condominium Association, Inc. and Powerworks Industries, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the

Auditor's Responsibility (Continued)

financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of the Southern Rivers, Inc. and related entities as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Supplemental Statement of Financial Position Without Eliminations, Supplemental Statement of Activities – Goodwill Industries of the Southern Rivers, Inc., Supplemental Statement of Activities – Columbus Community Campus Condominium Association, Inc., Supplemental Statement of Activities – Powerworks Industries, Inc., and Schedule of State Awards Expended are presented for purposes of additional analysis and are also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the consolidated basic financial statements taken as a whole.

Other Matters

Other Information (Continued)

The Management Letter to Stakeholders has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2019, on our consideration of Goodwill Industries of the Southern Rivers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill Industries of the Southern Rivers, Inc.'s internal control over financial reporting and compliance.

Fountain, Arrington, Bass, Mercer & Lee, P.C.

FOUNTAIN, ARRINGTON, BASS, MERCER & LEE, P.C.
Certified Public Accountants

Columbus, Georgia
May 2, 2019



Dear Stakeholder,

I am excited to share with you the 2018 accomplishments of Goodwill Industries of the Southern Rivers, Inc. (GoodwillSR) and PowerWorks Industries (PWI), an affiliate organization of GoodwillSR.

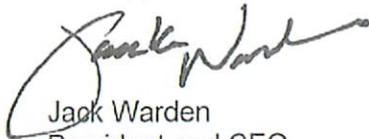
Team members from both of these organizations work every day to generate opportunities for people to achieve economic stability and to contribute to our mission of "Developing People, Changing Lives and Building Communities." These pages represent how well our mission and financial outcomes align with our strategic vision and community engagement at both PWI and GoodwillSR.

At PWI, a company that provides meaningful work for people with disabilities, our team members perform custodial and grounds maintenance work at the United States Army Maneuver Center of Excellence at Fort Benning, Ga. and the Marine Corps Logistics Base in Albany, Ga. These federal contracts are made possible by the Javits-Wagner O'Day Act, which requires that workers with disabilities perform at least 75 percent of direct labor hours. In 2018, approximately 78 percent of PWI's workforce had a documented disability. Wages paid to workers with disabilities topped \$1.6 million in 2018, further demonstrating our commitment to improve the quality of life for everyone in our community, regardless of ability.

These numbers not only show a positive impact on our bottom line, but also the impact on changed lives in our community. GoodwillSR created a total overall economic impact of \$123.7 million in Georgia and \$21.4 million in Alabama* in 2018. We served 29,692 people and made 3,118 job connections. Through our free tax return preparation program for lower income families, we served 4,726 clients that resulted in over \$5 million in refunds to local families. In 2018, support of our mission to help families achieve economic stability continues to grow, with 408,301 donations of gently used items sold in our retail stores.

We continue to see how the community shows support to GoodwillSR and PWI, through donating, shopping, contracting with us and spreading the word about the services we offer to help people earn jobs. We are grateful for the trust you place in us.

With appreciation,



Jack Warden
President and CEO

*Source: Elliott D. Pollack & Company; IMPLAN

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 6,702,328	\$ 5,409,742
Accounts receivable - trade	3,056,795	2,460,318
Split-interest agreement	--	796
Accrued interest receivable	3,424	4,065
Inventories	1,408,084	1,307,456
Investments	3,730,602	3,916,014
Prepaid expenses and assets	174,232	243,372
Fixed assets - net	6,343,589	6,021,285
Total Assets	\$ 21,419,054	\$ 19,363,048

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 243,058	\$ 208,027
Deferred revenue	1,227,255	1,302,030
Accrued wages	1,397,795	1,193,299
Accrued and withheld expenses	678,258	627,708
Obligations under capital leases	234,431	106,539
Total liabilities	3,780,797	3,437,603

NET ASSETS

Without donor restrictions	17,638,257	15,924,649
With donor restrictions	--	796
Total net assets	17,638,257	15,925,445
Total Liabilities and Net Assets	\$ 21,419,054	\$ 19,363,048

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
For Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS			
Store sales and donated inventory	\$ 18,353,977	\$ --	\$ 18,353,977
Salvage revenue	1,492,209	--	1,492,209
Mission services grants	1,192,863	--	1,192,863
Federal contracts	10,507,623	--	10,507,623
Other contracts	139,357	--	139,357
Net investment loss	(187,219)	--	(187,219)
Contributions	294,023	--	294,023
Split-interest agreements	4	--	4
Rental income	196,114	--	196,114
Gain on disposal of fixed assets	179,879	--	179,879
Other income	85,660	--	85,660
Net assets released from restriction	796	(796)	--
Total support, revenue and gains	<u>32,255,286</u>	<u>(796)</u>	<u>32,254,490</u>
EXPENSES			
Program Services			
Stores	18,847,503	--	18,847,503
Salvage	132,058	--	132,058
Mission services	4,966,243	--	4,966,243
Contracts	5,717,127	--	5,717,127
Total program services	<u>29,662,931</u>	<u>--</u>	<u>29,662,931</u>
Supporting services			
Administrative	847,663	--	847,663
Community relations/fundraising	31,084	--	31,084
Total supporting services	<u>878,747</u>	<u>--</u>	<u>878,747</u>
Total expenses	<u>30,541,678</u>	<u>--</u>	<u>30,541,678</u>
Change in Net Assets	1,713,608	(796)	1,712,812
NET ASSETS, beginning of year	<u>15,924,649</u>	<u>796</u>	<u>15,925,445</u>
NET ASSETS, end of year	<u>\$ 17,638,257</u>	<u>\$ --</u>	<u>\$ 17,638,257</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
For Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS			
Store sales and donated inventory	\$ 16,987,162	\$ --	\$ 16,987,162
Salvage revenue	1,332,396	--	1,332,396
Mission services grants	1,190,733	--	1,190,733
Federal contracts	9,582,500	--	9,582,500
Other contracts	193,182	--	193,182
Net investment gain	478,755	--	478,755
Contributions	400,720	--	400,720
Split-interest agreements	22	--	22
Rental income	165,183	--	165,183
Gain on disposal of fixed assets	56,342	--	56,342
Dues revenue	17,256	--	17,256
Other income	621,453	--	621,453
Net assets released from restriction	<u>3,978</u>	<u>(3,978)</u>	<u>--</u>
Total support, revenue and gains	<u>31,029,682</u>	<u>(3,978)</u>	<u>31,025,704</u>
EXPENSES			
Program Services			
Stores	17,966,274	--	17,966,274
Salvage	125,264	--	125,264
Mission services	5,054,837	--	5,054,837
Contracts	<u>5,336,868</u>	<u>--</u>	<u>5,336,868</u>
Total program services	<u>28,483,243</u>	<u>--</u>	<u>28,483,243</u>
Supporting services			
Administrative	793,744	--	793,744
Community relations/fundraising	<u>41,727</u>	<u>--</u>	<u>41,727</u>
Total supporting services	<u>835,471</u>	<u>--</u>	<u>835,471</u>
Total expenses	<u>29,318,714</u>	<u>--</u>	<u>29,318,714</u>
Change in Net Assets	1,710,968	(3,978)	1,706,990
NET ASSETS, beginning of year	<u>14,213,681</u>	<u>4,774</u>	<u>14,218,455</u>
NET ASSETS, end of year	<u>\$ 15,924,649</u>	<u>\$ 796</u>	<u>\$ 15,925,445</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services			
	Stores	Salvage	Mission Services	Contracts
Compensation and related expenses				
Salaries and wages	\$ 7,783,623	\$ --	\$ 2,624,593	\$ 2,753,071
Employee benefits	1,306,605	--	287,861	934,518
Workers' compensation	228,709	--	26,881	185,864
Payroll taxes	563,242	--	185,225	205,449
Total compensation and related expenses	9,882,179	--	3,124,560	4,078,902
Advertising	200,671	--	79,520	--
Background checks	16,172	--	6,093	16,741
Bad debt expense	--	7,767	--	--
Bank and credit card fees	213,466	--	12	2,742
Commissions	--	--	--	404,323
Contracted services	73,837	--	77,956	76,091
Depreciation and amortization	421,388	1,679	66,899	138,703
Drug screening	13,889	--	12,888	1,465
Dues and subscriptions	1,225	--	2,027	646
Employee recruitment	--	--	728	--
Employee relations	7,016	--	7,448	6,740
Equipment rental	21,752	3,568	13,291	4,237
Equipment maintenance	44,019	30,759	11,217	56,846
Indirect cost allocation	2,952,094	--	748,517	--
Insurance	98,852	--	324	32,160
Interest	--	--	--	--
Miscellaneous	19,698	--	5,287	6,594

Program Services

	Stores	Salvage	Mission Services	Contracts
Office supplies	\$ 18,931	\$ --	\$ 78,438	\$ 7,170
Pest control	14,313	--	570	740
Postage, shipping and freight	8,593	--	431	40
Printing	13,012	--	22,548	3,675
Professional and consulting fees	1,697	--	--	10,915
Rent	3,064,735	--	463,827	--
Repairs and maintenance	152,977	--	8,345	38,869
Safety and security	17,933	--	1,657	4,639
Staff training and development	3,481	--	4,330	1,082
Supplies	249,674	73,473	11,433	553,985
Taxes and licenses	93,397	--	--	105
Technology expenses	94,196	--	69,592	62,105
Telephone	26,423	--	20,299	20,090
Travel	43,429	--	43,530	12,483
Uniforms	13,840	--	4,132	13,704
Utilities	875,642	--	73,108	19,379
Vehicle expense	188,972	14,812	7,236	141,956
	<u>18,847,503</u>	<u>132,058</u>	<u>4,966,243</u>	<u>5,717,127</u>
Total Functional Expenses	<u>\$ 18,847,503</u>	<u>\$ 132,058</u>	<u>\$ 4,966,243</u>	<u>\$ 5,717,127</u>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Supporting Services		Total
	Administrative	Community Relations Fundraising	
Compensation and related expenses			
Salaries and wages	\$ 2,065,750	\$ 224,359	\$ 15,451,396
Employee benefits	435,691	18,804	2,983,479
Workers' compensation	10,262	798	452,514
Payroll taxes	141,120	14,717	1,109,753
Total compensation and related expenses	2,652,823	258,678	19,997,142
Advertising	--	1,292	281,483
Background checks	2,207	635	41,848
Bad debt expense	4,861	--	12,628
Bank and credit card fees	31,340	--	247,560
Commissions	23,425	--	427,748
Contracted services	3,741	24,838	256,463
Depreciation and amortization	265,291	28,923	922,883
Drug screening	448	40	28,730
Dues and subscriptions	212,397	2,234	218,529
Employee recruitment	77,894	--	78,622
Employee relations	40,904	12,232	74,340
Equipment rental	16,359	--	59,207
Equipment maintenance	11,280	--	154,121
Indirect cost allocation	(3,388,449)	(312,162)	--
Insurance	83,401	--	214,737
Interest	6,517	--	6,517
Miscellaneous	11,749	77	43,405

	<u>Supporting Services</u>		
	<u>Administrative</u>	<u>Community Relations Fundraising</u>	<u>Total</u>
Office supplies	\$ 8,233	\$ 508	\$ 113,280
Pest control	2,394	--	18,017
Postage, shipping and freight	5,386	--	14,450
Printing	530	--	39,765
Professional and consulting fees	118,839	500	131,951
Rent	--	--	3,528,562
Repairs and maintenance	84,914	--	285,105
Safety and security	5,035	--	29,264
Staff training and development	32,522	--	41,415
Supplies	20,299	286	909,150
Taxes and licenses	47,892	--	141,394
Technology expenses	300,485	7,325	533,703
Telephone	17,823	2,410	87,045
Travel	31,354	2,763	133,559
Uniforms	337	91	32,104
Utilities	112,544	--	1,080,673
Vehicle expense	2,888	414	356,278
	<u>847,663</u>	<u>31,084</u>	<u>30,541,678</u>
Total Functional Expenses	\$ <u>847,663</u>	\$ <u>31,084</u>	\$ <u>30,541,678</u>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services			
	Stores	Salvage	Mission Services	Contracts
Compensation and related expenses				
Salaries and wages	\$ 7,282,145	\$ --	\$ 2,682,537	\$ 2,587,122
Employee benefits	1,370,009	--	354,145	889,522
Workers' compensation	247,442	--	29,148	140,477
Payroll taxes	528,352	--	195,453	193,386
Total compensation and related expenses	9,427,948	--	3,261,283	3,810,507
Advertising	189,763	--	4,927	--
Background checks	15,138	--	5,384	16,618
Bad debt expense	1,350	--	--	--
Bank and credit card fees	195,472	--	23	167
Commissions	--	--	--	368,740
Contributions	--	--	--	--
Contracted services	24,242	--	49,502	83,153
Depreciation and amortization	482,536	1,679	101,460	113,133
Drug screening	15,028	--	10,314	1,979
Dues and subscriptions	1,807	--	2,271	809
Employee recruitment	--	--	--	--
Employee relations	6,618	--	1,589	6,332
Equipment rental	19,600	--	12,076	2,870
Equipment maintenance	50,881	34,899	10,362	73,644
Indirect cost allocation	2,807,301	--	827,415	--
Insurance	110,103	--	438	25,761
Interest	--	--	--	--
Miscellaneous	17,036	--	5,041	1,007

Program Services

	Stores	Salvage	Mission Services	Contracts
Office supplies	\$ 21,962	\$ --	\$ 29,295	\$ 2,219
Penalties and interest	--	--	--	--
Pest control	13,752	--	555	617
Postage, shipping and freight	31,030	--	251	726
Printing	2,502	--	26,732	--
Professional and consulting fees	6,650	--	--	8,238
Rent	2,937,612	--	463,123	--
Repairs and maintenance	118,865	--	6,593	2,927
Safety and security	15,234	--	1,830	6,669
Staff training and development	575	--	3,944	919
Supplies	170,778	72,522	12,188	556,936
Taxes and licenses	85,665	--	--	125
Technology expenses	87,818	--	58,480	58,668
Telephone	40,984	--	31,115	22,127
Travel	30,656	--	32,397	8,582
Uniforms	7,972	--	5,390	8,384
Utilities	854,562	--	84,491	23,966
Vehicle expense	174,834	16,164	6,368	131,045
 Total Functional Expenses	 <u>\$ 17,966,274</u>	 <u>\$ 125,264</u>	 <u>\$ 5,054,837</u>	 <u>\$ 5,336,868</u>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Supporting Services</u>		<u>Total</u>
	<u>Administrative</u>	<u>Community Relations Fundraising</u>	
Compensation and related expenses			
Salaries and wages	\$ 1,881,374	\$ 300,179	\$ 14,733,357
Employee benefits	527,664	42,081	3,183,421
Workers' compensation	13,090	1,602	431,759
Payroll taxes	135,085	21,928	1,074,204
Total compensation and related expenses	2,557,213	365,790	19,422,741
Advertising	--	119	194,809
Background checks	2,144	110	39,394
Bad debt expense	--	--	1,350
Bank and credit card fees	23,755	--	219,417
Commissions	--	--	368,740
Contributions	12,573	--	12,573
Contracted services	18,798	122	175,817
Depreciation and amortization	186,077	30,473	915,358
Drug screening	246	--	27,567
Dues and subscriptions	219,702	985	225,574
Employee recruitment	68,696	--	68,696
Employee relations	35,948	13,293	63,780
Equipment rental	11,599	--	46,145
Equipment maintenance	9,710	--	179,496
Indirect cost allocation	(3,250,686)	(384,030)	--
Insurance	82,042	--	218,344
Interest	8,019	--	8,019
Miscellaneous	53,224	75	76,383

	<u>Supporting Services</u>		<u>Total</u>
	<u>Administrative</u>	<u>Community Relations Fundraising</u>	
Office supplies	\$ 54,250	\$ 640	\$ 108,366
Penalties and interest	4,666	--	4,666
Pest control	2,535	--	17,459
Postage, shipping and freight	7,100	83	39,190
Printing	1,936	--	31,170
Professional and consulting fees	102,941	--	117,829
Rent	--	--	3,400,735
Repairs and maintenance	67,827	--	196,212
Safety and security	4,208	--	27,941
Staff training and development	43,895	--	49,333
Supplies	19,581	49	832,054
Taxes and licenses	46,651	--	132,441
Technology expenses	217,735	6,923	429,624
Telephone	19,888	2,856	116,970
Travel	11,219	2,012	84,866
Uniforms	721	--	22,467
Utilities	147,332	--	1,110,351
Vehicle expense	2,199	2,227	332,837
	<u>793,744</u>	<u>41,727</u>	<u>29,318,714</u>
Total Functional Expenses	\$ <u>793,744</u>	\$ <u>41,727</u>	\$ <u>29,318,714</u>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,712,812	\$ 1,706,990
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	922,883	915,358
(Gain)/loss on disposition of fixed assets	(118,527)	5,009
Provision for allowance for bad debt	64	(12,918)
Net unrealized (gain)/loss on investments	520,045	(279,184)
Net realized (gain)/loss on sale of investments	(248,922)	(120,199)
Changes in assets and liabilities		
Accounts receivable - trade	(597,141)	(818,350)
Split-interest agreement	796	3,978
Accrued interest receivable	641	--
Inventories	(100,628)	(27,702)
Prepaid expenses and assets	69,140	(53,441)
Accounts payable	35,031	109,762
Deferred revenue	(74,775)	(85,797)
Accrued wages	204,496	698,653
Accrued and withheld expenses	50,550	(100,851)
Total adjustments	663,653	234,318
Net cash provided by operating activities	2,376,465	1,941,308
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,006,614	792,940
Purchase of investments	(1,090,846)	(795,029)
Proceeds from disposal of fixed assets	139,488	4,900
Acquisition of fixed assets	(1,047,172)	(666,379)
Net cash used in investing activities	(991,916)	(663,568)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of obligations under capital leases	--	11,996
Payments on notes payable	--	(231,370)
Payments on obligations under capital leases	(91,963)	(21,116)
Net cash used in financing activities	(91,963)	(240,490)
Increase in Cash and Cash Equivalents	1,292,586	1,037,250
CASH AND CASH EQUIVALENTS, beginning	5,409,742	4,372,492
CASH AND CASH EQUIVALENTS, ending	\$ 6,702,328	\$ 5,409,742
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 6,517	\$ 8,019

NON-CASH INVESTING ACTIVITY

In 2018, \$219,855 of computer equipment was purchased with the issuance of a capital leases.

In 2017, \$115,655 of telephone equipment was purchased with the issuance of a capital leases.

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

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The consolidated financial statements include the accounts of Goodwill Industries of the Southern Rivers, Inc. (“Goodwill”), Columbus Community Campus Condominium Association, Inc. (the “Association”) and Powerworks Industries, Inc. (“Powerworks”), collectively referred to as the Organization.

Goodwill is a not-for-profit, tax-exempt organization established to provide rehabilitation, training, placement, and employment services for people with disabilities and disadvantages. Goodwill is primarily funded from the sale of donated items through its retail division (85% of revenue and support), contracts and certain Federal grant revenues (5% of revenue and support). Additional revenue is provided from private sources.

The Association is organized for the purpose of providing maintenance, preservation and architectural control of the condominium and to perform all obligations and duties of the Association. Owners of a unit in the condominium are members of the Association and are entitled to a weighted vote based upon the percentage interest owned in the condominium. Currently, the majority vote of the Association rests with its board of directors which are top executives of Goodwill. Accordingly, Goodwill is considered to have a controlling financial interest in the Association and consolidation of the financial statements of the two organizations is considered appropriate.

Powerworks is a not-for-profit, tax-exempt organization established to provide employment for disabled individuals to provide various products and services to federal and state government entities. Powerworks’ primary source of revenue is provided under Federal government contracts. Currently, services are provided at the Fort Benning Military Installation in Ft. Benning, Georgia, and the Marine Corps Logistics Base in Albany, Georgia. Typically, the federal and state contracts are set aside to employ a predominately disabled population as provided for in the Javits-Wagner-O’Day Act and administered through Source America with oversight provided by the President’s Committee for the Employment of those with Disabilities.

In 2018, of the 173 employees working set-aside contracts, 127 were disabled, earning an average wage of \$10.75 per hour plus 100% employer-funded benefits. In 2018, disabled employees working with Powerworks earned approximately \$1,620,858. In 2017, of the 161 employees working set-aside contracts, 121 were disabled, earning an average wage of \$10.33 per hour plus 100% employer-funded benefits. In 2017, disabled employees working with Powerworks earned approximately \$1,459,884.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nature of Operations (Continued)

Powerworks is an affiliate of Goodwill Industries. Goodwill provides on-site professional skills training in both certified custodial and floor care as well as grounds maintenance. During employment, Goodwill provides continuous on-site case management, life coaching and advanced placement services for the disabled. Powerworks' board of directors is primarily composed of current members of the Goodwill board and has its own slate of officers. Accordingly, Goodwill is considered to have a controlling financial interest in Powerworks and consolidation of the financial statements of the two organizations is considered appropriate.

Principles of Consolidation

All inter-company accounts and transactions have been eliminated in preparing the consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

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

Net assets without donor restrictions: Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that are to be met by actions of the Organization and/or the passage of time or are to be maintained permanently by the Organization. Generally, the donors of the assets to be maintained permanently permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

At December 31, 2018, the Organization has net assets without donor restrictions. At December 31, 2017, the Organization has both net assets with and without donor restrictions.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less from the date of purchase to be cash equivalents.

Receivables

Accounts receivable are carried at their estimated collectible amounts and represent uncollateralized customer and contract obligations due under normal trade terms generally requiring payment within 30 days from the invoice date or as provided within the contract. Follow-up correspondence is made if unpaid accounts receivable go beyond 30 days.

Management closely monitors outstanding accounts receivable and based upon how recently payments have been made and customer credit history, charges to expense any balances that are determined to be uncollectible or establishes an allowance for doubtful accounts. As of December 31, 2018 and 2017, the Organization established an allowance for doubtful accounts in the amount of \$6,692 and \$6,028, respectively.

Powerworks uses the direct write-off method to account for uncollectible accounts receivable. Based on how recently payments have been made, management reviews balances that are still outstanding. After reasonable collection efforts are made, balances are written off through a charge to accounts receivable. Accounting principles generally accepted in the United States of America require the allowance method to be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would be obtained under the allowance method.

Inventories

Inventories consist of donated merchandise held and available for resale, valued at their estimated selling price.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Consolidated Statements of Financial Position. Alternative investments are carried at fair value as determined by

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

independent appraisal. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of securities sold.

Investment management fees and service charges are netted against investment income for financial reporting purposes. The net realized and unrealized gains and losses and investment management fees and services charges are included as an increase or decrease in net assets in the accompanying Consolidated Statements of Activities.

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the assets' estimated useful lives. The various classifications of fixed assets and useful lives employed are as follows:

Land	N/A
Buildings and improvements	3 – 40 years
Furniture and equipment	2 – 15 years
Autos and trucks	2 – 10 years
Leasehold improvements	2 – 15 years
Computers and software	3 – 10 years

Maintenance, repairs, and minor renewals are charged against income when incurred. Additions and major renewals are capitalized. The Organization's policy is to capitalize fixed assets purchased or donated in excess of \$2,000.

Donations of fixed assets are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire fixed assets are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restriction at that time.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization’s endowment consists of net assets without donor restrictions.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempts to maintain the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve limited portfolio volatility and a relatively high and secure level of return, including investment income as well as capital appreciation, within acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to grow the funds. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return over inflation of at least 3.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. The Organization has a policy of growing rather than spending the funds. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment funds, some of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal rate annually. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Changes in endowment net assets as of December 31, 2018, are as follows:

	<u>Unrestricted</u>
Endowment net assets, beginning of year, December 31, 2017	\$ 3,996,193
Additions (subtractions)	249,564
Investment income	82,533
Net depreciation	<u>(520,045)</u>
 Endowment net assets, end of year, December 31, 2018	 \$ <u>3,808,245</u>

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

Changes in endowment net assets as of December 31, 2017, are as follows:

	<u>Unrestricted</u>
Endowment net assets, beginning of year, December 31, 2016	\$ 3,517,438
Additions	120,199
Investment income	79,372
Net appreciation	<u>279,184</u>
 Endowment net assets, end of year, December 31, 2017	 \$ <u><u>3,996,193</u></u>

Restricted and Unrestricted Revenue and Support

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a 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 donor restriction.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Donated Services

The Organization utilizes volunteers for the VITA (Volunteer Income Tax Assistance) program. Those volunteers possess a level of expertise. The value of those volunteers' services is estimated at \$28,825 and \$18,821, respectively, for services received during 2018 and 2017. These amounts have not been reflected in the consolidated financial statements as they are not

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services (Continued)

material to the financial statements themselves. The Organization pays for most other services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization. According to generally accepted accounting principles, these services do not meet criteria for recognition as donated services and therefore, no amounts have been reflected in the consolidated financial statements.

Income Tax Status

Goodwill, the Association, and Powerworks are exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities in 2018 or 2017. Goodwill, the Association and Powerworks have been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of section 509(a) of the Internal Revenue Code.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Taxes

Taxes assessed by governmental authorities on revenue-producing transactions are presented on the Consolidated Statements of Activities net of sales.

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs and services throughout its 50 county territory. Each revenue generator utilizes various advertising and other paid marketing materials to communicate the services available and provide for donation solicitation. These materials are important to show how the Organization's mission services are sustained long term from these funding mechanisms. The production costs of advertising are expensed as incurred. Advertising expenses total \$281,483 and \$194,809 for the years ended December 31, 2018 and 2017, respectively, and are charged to the various programs benefited in the Consolidated Statements of Functional Expenses.

Subsequent Events

Management has evaluated subsequent events through May 2, 2019, the date the financial statements were available to be issued.

NOTE B – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Trade receivables	\$ <u>3,056,795</u>	\$ <u>2,460,318</u>

NOTE C – CHARITABLE SPLIT-INTEREST AGREEMENTS

During 2008, the Organization received notification of an agreement naming the Organization as the beneficiary of a charitable lead annuity trust administered by a third-party institution. Under the terms of the split-interest agreement, the Organization is to receive \$4,000 annually through March 2018. For the years ended December 31, 2018 and 2017, the Organization received \$800 and \$4,000, respectively, in payments.

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NOTE C – CHARITABLE SPLIT-INTEREST AGREEMENTS (Continued)

The following provides the present value of future expected benefits as of December 31, 2018 and 2017, based on terms contained within the agreement and a discount rate of 2.25%.

	<u>2018</u>	<u>2017</u>
Split-interest agreements	\$ <u> --</u>	\$ <u> 796</u>

NOTE D – INVENTORIES

Inventories at December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Donated merchandise	\$ <u>1,408,084</u>	\$ <u>1,307,456</u>

NOTE E – INVESTMENTS

The Organization has a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates. The Organization also has a formal investment policy that limits its investment choices or the amount the Organization may invest in any one issuer.

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NOTE E – INVESTMENTS (Continued)

Investments are stated at fair market value and consist of the following:

	2018		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Mutual funds	\$ 625,818	\$ 470,653	\$ (155,165)
Real estate investment trust	93,482	88,472	(5,010)
U. S. Treasury notes	106,504	120,740	14,236
Common stocks	1,482,109	1,763,973	281,864
Corporate bonds	<u>1,345,904</u>	<u>1,286,764</u>	<u>(59,140)</u>
Total	<u>\$ 3,653,817</u>	<u>\$ 3,730,602</u>	<u>\$ 76,785</u>

As of December 31, 2018, maturities of debt investments are as follows:

Corporate Bonds

<u>< 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>Thereafter</u>	<u>Total</u>
<u>\$ 1,260,361</u>	<u>\$ 26,403</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,286,764</u>

As of December 31, 2018, the credit ratings of the Organization's investments in corporate bonds ranged from AA+ to AA-.

	2017		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Mutual funds	\$ 585,232	\$ 474,251	\$ (110,981)
Real estate investment trust	110,061	109,851	(210)
U. S. Treasury notes	105,629	125,258	19,629
Common stocks	1,332,707	2,041,340	708,633
Corporate bonds	<u>1,183,931</u>	<u>1,165,314</u>	<u>(18,617)</u>
Total	<u>\$ 3,317,560</u>	<u>\$ 3,916,014</u>	<u>\$ 598,454</u>

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NOTE E – INVESTMENTS (Continued)

As of December 31, 2017, maturities of debt investments are as follows:

Corporate Bonds

<u>< 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>Thereafter</u>	<u>Total</u>
\$ <u>1,138,124</u>	\$ <u>27,190</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u>1,165,314</u>

As of December 31, 2017, the credit ratings of the Organization's investments in corporate bonds ranged from AA+ to BBB+.

Investment return is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 117,733	\$ 111,635
Net realized gain	248,922	120,199
Net unrealized gain (loss)	(520,045)	279,184
Investment fees	<u>(33,829)</u>	<u>(32,263)</u>
Net Investment Gain (Loss)	<u>\$ (187,219)</u>	<u>\$ 478,755</u>

NOTE F – PREPAID EXPENSES AND ASSETS

Prepaid expenses consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Prepaid insurance	\$ --	\$ 128,624
Prepaid background check	638	570
Prepaid contracted services	66,693	--
Prepaid maintenance/support/security	2,270	15,952
Prepaid postage	476	894
Prepaid rent	32,760	29,759
Prepaid supplies	1,577	2,797
Prepaid utilities	17,813	18,239
Prepaid technology expense	44,205	36,337
Prepaid warranty	<u>7,800</u>	<u>10,200</u>
Total	<u>\$ 174,232</u>	<u>\$ 243,372</u>

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NOTE G – FIXED ASSETS

Fixed assets consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,607,521	\$ 2,607,521
Buildings and improvements	3,323,886	3,173,614
Furniture and equipment	5,554,496	5,278,240
Autos and trucks	972,276	887,979
Leasehold improvements	2,129,317	2,122,117
Computers and software	<u>2,081,323</u>	<u>1,710,936</u>
	16,668,819	15,780,407
Less accumulated depreciation	<u>(10,325,230)</u>	<u>(9,759,122)</u>
Fixed Assets - Net	<u>\$ 6,343,589</u>	<u>\$ 6,021,285</u>

Depreciation expense at December 31, 2018 and 2017, is \$922,883 and \$914,941, respectively.

NOTE H – DEFERRED REVENUE

Deferred revenue at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Deferred Grant, Sale and Insurance Proceeds	\$ <u>1,227,255</u>	\$ <u>1,302,030</u>

NOTE I – ACCRUED AND WITHHELD EXPENSES

Accrued and withheld expenses consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Payroll related withholdings and accruals	\$ 314,447	\$ 352,514
Accrued Source America commissions	105,353	84,050
Accrued health and welfare benefits	75,715	66,683
Accrued sales tax payable	92,234	80,271
Gift certificates, vouchers and coupons	30,906	9,567
Other miscellaneous accruals	<u>59,603</u>	<u>34,623</u>
Total	<u>\$ 678,258</u>	<u>\$ 627,708</u>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
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NOTE J – OBLIGATIONS UNDER CAPITAL LEASES

Following is a summary of property held under capital leases:

	2018	2017
Telephone equipment	\$ 115,655	\$ 115,655
Computer equipment	219,855	--
Accumulated depreciation	(66,089)	(2,253)
	\$ 269,421	\$ 113,402

	2018	2017
0.099% lease payable in monthly installments of \$6,116 including interest through April 20, 2021, secured by equipment with a book value of \$190,541 at December 31, 2018.	\$ 169,138	\$ --

7.27% lease payable in monthly installments of \$2,899 including interest through March 31, 2020, secured by equipment with a book value of \$51,823 at December 31, 2018.	41,443	71,998
--	---------------	--------

7.27% lease payable in monthly installments of \$1,249, including interest through December 29, 2020, secured by equipment with a book value of \$27,057 at December 31, 2018.	23,850	34,541
	\$ 234,431	\$ 106,539

Following are maturities of capital lease obligations for each of the next three years:

Year Ended

2019	\$ 117,603
2020	94,279
2021	22,549
	\$ 234,431

Interest expense on obligations under capital leases at December 31, 2018 and 2017, is \$6,517 and \$4,972, respectively.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
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NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Split-interest agreement restricted as to time	\$ <u> --</u>	\$ <u> 796</u>
Total	\$ <u> --</u>	\$ <u> 796</u>

NOTE L – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements.

STORES

Revenue generated through the sale of gently used donations at the Organization’s retail stores is the primary means through which Organization funds its mission.

SALVAGE

Goodwill has a system for placing gently used donations on its retail store’s sales floor. Goods are priced and merchandised constantly. Items unsold and on the sales floor over a set period of time are pulled from the retail sales floor and sold as salvage through the salvage commodity market.

MISSION SERVICES

The Organization’s Department of Mission Related Services is responsible for carrying out the mission of the Organization, which is to put people to work. Goodwill’s Mission Related Services team does this through a variety of job training, placement and advancement programs that incorporate one-on-one case management and supported employment. Participants are empowered to develop self-sufficiency for the purposes of creating long-term employability and financial stability.

ADMINISTRATION

The Organization provides the strategic vision and implementation from the board level to the staff, as well as providing the oversight of accounting, people and talent development,

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
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NOTE L – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

ADMINISTRATION (Continued)

communications and community development necessary to deliver quality products and services in a competitive environment. In addition, through the efforts of the Association, the Organization and other non-profits will share administrative space, common-area space, technology and other infrastructure reducing the cost to provide a quality work environment and sustaining it for more efficient use of resources. The Organization presently collects rent from three organizations, while design studies are being conducted for future renovation. For the year ended December 31, 2018 and 2017, rental income under these arrangements totals \$178,858 and \$165,183, respectively.

COMMUNITY RELATIONS/FUNDRAISING

The Organization provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations. Currently, formal fundraising events have been discontinued; however, the Organization still seeks and encourages financial support from individuals, foundations and corporations through the use of private donations, grants, endowments, awards etc.

NOTE M – LEASES

The Organization has several non-cancelable operating leases, primarily for store locations, vehicles and office equipment, which expire at various dates through 2038.

Future minimum lease payments under these operating leases as of December 31, 2018 are:

Years ending December 31,	
2019	\$ 3,530,994
2020	3,210,557
2021	2,946,966
2022	2,721,238
2023	2,205,000
Thereafter	<u>19,631,144</u>
Total	<u>\$ 34,245,899</u>

Rent expense under these leases totals \$3,625,186 and \$3,523,027 for the years ended December 31, 2018 and 2017, respectively, and is included in equipment rental, vehicle expense and rent expense in the Consolidated Statements of Functional Expenses.

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NOTE M – LEASES (Continued)

Most of the leases contain renewal options and some contain options to buy which can be exercised within the first five years of the leases.

During the year ended December 31, 2015, the Organization sold a building that was subsequently leased back after the sale. The transaction did not meet the requirements for treatment as a capitalized lease. Future commitments for lease payments are included in the above table. The gain on the sale of \$1,322,238 is being deferred and recognized over the initial lease term of twenty years. \$61,352 and \$61,352, respectively, of the gain is recognized during the years ended December 31, 2018 and 2017.

NOTE N – CONCENTRATIONS AND COMMITMENTS

Concentration of Credit Risk

The Organization maintains its cash in various financial institutions. Cash is insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2018 and 2017, the Organization has \$5,825,517 and \$4,647,380, respectively, of uninsured deposits.

Investment balances are insured with a combination of Federal Deposit Insurance Corporation, Securities Investor Protection Corporation and private insurance coverage. At December 31, 2018 and 2017, uninsured investment balances total \$3,230,631 and \$3,494,570, respectively. Corporate bonds and equity securities maintained in the investment balances are subject to interest rate and market risk.

Concentration of Revenue and Support

At December 31, 2018 and 2017, approximately 94% and 93%, respectively, of trade accounts receivable are attributable to three customers.

During 2018 and 2017, the Organization received approximately 57% and 55%, respectively, of its annual revenue from store sales and donated inventory. In addition, during 2018 and 2017, the Organization received approximately 5% and 4%, respectively, of its annual revenue from salvage revenue.

During 2018 and 2017, the Organization received approximately 3% and 4%, respectively, of its annual revenue each year from Federally funded state and local pass-through grants. At December 31, 2018 and 2017, approximately 8% and 6%, respectively, of net trade accounts

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE N – CONCENTRATIONS AND COMMITMENTS (Continued)

Concentration of Revenue and Support (Continued)

receivable were due under those grants. Amounts are received and expended by the Organization under Federal programs and are subject to audit by cognizant government agencies. Noncompliance with certain provisions of laws regulations, contracts and grants relating to Federal programs could have a direct and material effect on the determination of financial statement amounts.

During 2018 and 2017, the Organization received approximately 33% and 31%, respectively, of its revenue from Federal government contracts to provide employment for individuals with disabilities to perform custodial services at the Fort Benning Military Installation in Ft. Benning, Georgia and the Marine Corps Logistics Base in Albany, Georgia. In October 2008, the Organization expanded services and revenue diversification to include a grounds maintenance contract at the Marine Corps Logistics Base in Albany, Georgia. These contracts expire at various times and renewal is not guaranteed. At December 31, 2018 and 2017, 90% and 89%, respectively, of accounts receivable represents amounts due under these contracts.

Commitments

The contracts for the services provided at the Marine Corps Logistics Base are five-year contracts and continue through May and June 2022 and February 2023. The contracts for the services provided at the Fort Benning Military Installation are four and five-year contracts and continue through February 2021 and June 2020. Contracts are normally updated annually and are anticipated to continue.

At December 31, 2018, Goodwill is party to various contracts and commitments:

<u>Services</u>	<u>Amount</u>
Cash management services	\$4,349 per month for five years

NOTE P – RELATED PARTY TRANSACTIONS

Goodwill has a management contract with Powerworks. The contract is normally renewed annually and is structured so that it can be terminated by either party. This contract requires Powerworks to pay Goodwill a management fee and to reimburse any directly identifiable expenses incurred by Goodwill on its behalf. During 2018 and 2017, Powerworks paid management fees totaling \$1,393,615 and \$1,362,219, respectively, and reimbursed Goodwill for

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE P – RELATED PARTY TRANSACTIONS (Continued)

expenses totaling \$1,007,370 and \$858,548, respectively. Management fees represent overhead support costs. In addition, the contract calls for Goodwill to receive compensation from Powerworks of 75% of Powerworks' monthly net income after depreciation and management fees. During the years ended December 31, 2018 and 2017, Goodwill received \$2,640,879 and \$2,293,708, respectively, under this agreement. At December 31, 2018 and 2017, the receivable owed to Goodwill from Powerworks totals \$369,252 and \$800,100, respectively.

Occasionally, the Goodwill makes cash advances to Powerworks. During the years ended December 31, 2018 and 2017, Goodwill made \$100,000 and \$200,000 cash advances, respectively.

During the years ended December 31, 2018 and 2017, Goodwill invoiced the Association \$30 and \$27,381, respectively, for various expenses. Goodwill also collected a rental management fee during the years ended December 31, 2018 and 2017, of \$57,036 and \$57,036, respectively, from the Association. Occasionally, Goodwill will advance cash to the Association. During the years ended December 31, 2018 and 2017, Goodwill made advances of \$0 and \$25,000, respectively. In addition, during the years ended December 31, 2018 and 2017, Goodwill reimbursed the Association for expenses totaling \$0 and \$276, respectively.

Goodwill pays dues to the Association for its respective share of common expenses of the campus property. During the year ended December 31, 2018 and 2017, Goodwill paid dues of \$116,133 and \$116,133, respectively. At December 31, 2018 and 2017, Goodwill owes the Association \$29,749 and \$10,620, respectively.

NOTE Q – RETIREMENT PLANS

The Organization sponsors a defined contribution 401(k) plan. All full-time employees are eligible to participate upon completion of a consecutive ninety-day period of service. Employees may elect to defer, on a before-tax basis, a minimum amount of 1% of their compensation up to the limit for participant contributions set by the Internal Revenue Service. The Organization may, at its sole discretion, make matching contributions. Retirement plan expense, including select administrative fees, for the years ended December 31, 2018 and 2017, is \$214,137 and \$250,662, respectively.

NOTE R – HEALTH AND WELFARE PLAN

The Organization sponsors a defined contribution health and welfare benefit plan for employees associated with Javits-Wagner-O'Day Act set-aside contracts. The plan is 100% employer paid and provides health, dental, emergency and prescription card coverage. Contributions to the plan during the years ended December 31, 2018 and 2017, are \$892,898 and \$854,510, respectively.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE S – OPERATING LEASE COMMITMENTS

The Organization leases office space to tenants on a month-to-month basis and under non-cancelable operating leases with a remaining term of twelve months at December 31, 2018. The cost of the leased property is \$2,849,854 and \$2,456,958 at December 31, 2018 and 2017, respectively, and the carrying amount at December 31, 2018 and 2017, is \$1,683,098 and \$1,431,102, respectively, which reflects \$1,166,756 and \$1,025,856 of accumulated depreciation at December 31, 2018 and 2017, respectively.

The following is a schedule by years of future minimum rentals, including utilities, under the leases:

Year ending December 31,	
2019	\$ 148,118
2020	79,668
2021	<u>66,390</u>
Total	<u>\$ 294,176</u>

The lease agreements contain renewal options for one to five years. Rental income earned under these leases and other leases during the years ended December 31, 2018 and 2017, is \$178,858 and \$165,183, respectively.

NOTE T – FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - The carrying amount approximates fair value because of the short maturities of those instruments.

Accounts receivable, accrued interest receivable, accounts payable, accrued wages and accrued and withheld expenses - The carrying amounts of those instruments approximates their fair value because of the short maturities of those instruments.

Investments - The fair values of investments, except the real estate investment trust and mutual funds, are measured on a recurring basis based on quoted prices in active markets for identical assets.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE T – FINANCIAL INSTRUMENTS (Continued)

Investments - real estate investment trust and mutual funds - The fair value of the real estate investment trust and mutual funds are based on price of interests at initial offering or the net asset value per share as determined by the manager of the investment company.

Obligations under capital leases - The carrying amount of obligations under capital leases approximates its fair value because rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

The fair value and carrying amounts of at December 31, 2018, are as follows:

	<u>Fair Value</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 6,702,328	\$ 6,702,328
Accounts receivable	3,056,795	3,056,795
Accrued interest receivable	3,424	3,424
Accounts payable	243,058	243,058
Accrued wages	1,397,795	1,397,795
Accrued and withheld expenses	678,258	678,258
Obligations under capital leases	234,431	234,431

The fair values for the above assets and liabilities reported at fair value at December 31, 2018, fall within the level 1 and 2 inputs of the fair value hierarchy. Level 1 inputs are those inputs that are measured at quoted prices in an active market for an identical asset or liability. Level 2 measurements generally use available indirect information, such as quoted prices for *similar* assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets and liabilities reported at fair value on a recurring basis at December 31, 2018, are as follows:

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2018 and 2017

NOTE T – FINANCIAL INSTRUMENTS (Continued)

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Unobservable (Level 3)
Mutual funds	\$ 470,653	\$ --	\$ 470,653
Real estate investment trust	88,472	--	88,472
U.S. Treasury notes	120,740	120,740	--
Common stocks	1,763,973	1,763,973	--
Corporate bonds	1,286,764	1,286,764	--

Level 3 measurements are unobservable inputs which are based on the investment company's assumptions about the assumptions market participants would use.

	<u>Unrestricted</u>
Level 3 investments, beginning of year, December 31, 2017	\$ 584,102
Total loss included in net investment loss	(50,561)
Reclassification	(20,693)
Purchases	<u>46,277</u>
Level 3 investments, end of year, December 31, 2018	\$ <u>559,125</u>

Unrealized losses of \$50,561 are included in total losses and are shown in net investment loss on the Consolidated Statement of Activities.

NOTE U – INCOME TAXES

The Organization's evaluation on December 31, 2018, revealed no uncertain tax provisions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. In addition, the 2015 through 2017 tax years remain subject to examination by the State of Georgia. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

NOTE V – LINES OF CREDIT

The Organization has lines of credit with interest rates ranging from 9.4% to 11.65% and a combined limit of \$225,000. The Organization owes \$35,954 at December 31, 2018.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

NOTE W – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date, if applicable.

	<u>2018</u>	<u>2017</u>
Financial assets at year-end	\$ 13,493,149	\$ 11,790,935
Less those unavailable for general expenditures within one year, due to:	--	--
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 13,493,149</u>	<u>\$ 11,790,935</u>

As part of the Organization’s liquidity management, it maintains excess cash reserves in highly liquid bank accounts.

NOTE X – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the periods presented. The Organization’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

**REPORTS AND SCHEDULES AS REQUIRED
BY THE UNIFORM GUIDANCE**



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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Board of Directors

Goodwill Industries of the Southern Rivers, Inc. and related entities
Columbus, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Goodwill Industries of the Southern Rivers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2019. The financial statements of Columbus Community Campus Condominium Association, Inc. and Powerworks Industries, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Goodwill Industries of the Southern Rivers, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Goodwill Industries of the Southern Rivers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Goodwill Industries of the Southern Rivers, Inc.'s internal control.

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodwill Industries of the Southern Rivers, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



FOUNTAIN, ARRINGTON, BASS, MERCER & LEE, P.C.
Certified Public Accountants

Columbus, Georgia
May 2, 2019



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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Board of Directors
Goodwill Industries of the Southern Rivers, Inc. and related entities
Columbus, Georgia

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries of the Southern Rivers, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Goodwill Industries of the Southern Rivers, Inc.'s major federal programs for the year ended December 31, 2018. Goodwill Industries of the Southern Rivers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Goodwill Industries of the Southern Rivers, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Goodwill Industries of the Southern Rivers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Goodwill Industries of the Southern Rivers, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Goodwill Industries of the Southern Rivers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Goodwill Industries of the Southern Rivers, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Goodwill Industries of the Southern Rivers, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Goodwill Industries of the Southern Rivers, Inc.'s internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fountain, Arrington, Bass, Mercer & Lee, P.C.

FOUNTAIN, ARRINGTON, BASS, MERCER & LEE, P.C.
Certified Public Accountants

Columbus, Georgia
May 2, 2019

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE	<u>Pass-through Grantor's Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-through from Georgia Vocational Rehabilitation Agency Vocational Rehabilitation Grants to States	42700-610-00000 23332	84.126	\$ 617,948
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Vocational Rehabilitation for Disabled Veterans		64.116	35,775
U.S. DEPARTMENT OF LABOR			
WIOA Cluster			
Pass-through from Three Rivers Regional Commission			
WIA/WIOA Youth Activities	2017-YS-Goodwill-01	17.259	52,575
WIA Adult Program		17.258	89,100
Pass-through from Columbus Consolidated Government			
WIA/WIOA Adult Program	14-ITA-GW	17.258	<u>28,000</u>
Total WIOA Cluster			<u>169,675</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TANF Cluster			
Pass-through from Georgia Department of Human Services			
Total TANF Cluster			<u>15,510</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through from Alabama Department of Human Resources	5219	10.561	3,276
Pass-through from Goodwill of North Georgia, Inc. State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	<u>61,254</u>
			<u>64,530</u>
Total			<u>\$ 903,438</u>

Note: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Goodwill Industries of the Southern Rivers, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Indirect Cost Rate – Goodwill Industries of the Southern Rivers, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

A. SUMMARY OF AUDIT RESULTS

1. An unmodified opinion, dated May 2, 2019, was issued on the financial statements for the year ended December 31, 2018.
2. The “Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governments Auditing Standards*” dated May 2, 2019, disclosed no significant deficiencies in internal control over financial reporting for the year ended December 31, 2018.
3. The “Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*”, dated May 2, 2019, disclosed no instances of noncompliance material to the financial statements for the year ended December 31, 2018.
4. The “Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance”, dated May 2, 2019, disclosed no significant deficiencies in internal control over major programs for the year ended December 31, 2018.
5. An unmodified opinion, dated May 2, 2019, was issued on Goodwill Industries of the Southern Rivers, Inc.’s compliance with its major federal program in the “Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance”, for the year ended December 31, 2018
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as a major program are:

Vocational Rehabilitation Grants to States	CFDA #84.126
--	--------------
8. The threshold for distinguishing Types A and B programs is \$750,000.
9. Goodwill Industries of the Southern Rivers, Inc. qualifies as a low-risk auditee for the year ended December 31, 2018.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT

None

OTHER FINANCIAL INFORMATION

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION WITHOUT ELIMINATIONS
December 31, 2018 and 2017

ASSETS

	Goodwill Industries	Powerworks Industries	Columbus Community Campus Condominium Association, Inc.	Combined Total	2017 Total
Cash and cash equivalents	\$ 6,327,947	\$ 336,175	\$ 38,206	\$ 6,702,328	\$ 5,409,742
Accounts receivable - trade, net	318,884	2,736,473	1,438	3,056,795	2,460,318
Accounts receivable - affiliate	369,252	--	29,749	399,001	810,720
Split-interest agreement	--	--	--	--	796
Accrued interest receivable	3,424	--	--	3,424	4,065
Inventories	1,408,084	--	--	1,408,084	1,307,456
Investments	3,730,602	--	--	3,730,602	3,916,014
Prepaid expenses and assets	174,232	--	--	174,232	243,372
Fixed assets - net	<u>5,554,266</u>	<u>789,323</u>	<u>--</u>	<u>6,343,589</u>	<u>6,021,285</u>
 Total Assets	 <u>\$ 17,886,691</u>	 <u>\$ 3,861,971</u>	 <u>\$ 69,393</u>	 <u>\$ 21,818,055</u>	 <u>\$ 20,173,768</u>

LIABILITIES AND NET ASSETS

	<u>Goodwill Industries</u>	<u>Powerworks Industries</u>	<u>Columbus Community Campus Condominium Association, Inc.</u>	<u>Combined Total</u>	<u>2017 Total</u>
LIABILITIES					
Accounts payable	\$ 191,150	\$ 51,908	\$ --	\$ 243,058	\$ 208,027
Accounts payable - affiliate	29,748	369,252	--	399,000	810,720
Deferred revenue	1,160,066	--	67,189	1,227,255	1,302,030
Accrued wages	1,249,133	148,662	--	1,397,795	1,193,299
Accrued and withheld expenses	479,735	198,523	--	678,258	627,708
Obligations under capital leases	234,431	--	--	234,431	106,539
 Total liabilities	 <u>3,344,263</u>	 <u>768,345</u>	 <u>67,189</u>	 <u>4,179,797</u>	 <u>4,248,323</u>
 NET ASSETS					
Without donor restrictions	14,542,428	3,093,626	2,204	17,638,258	15,920,671
With donor restrictions	--	--	--	--	4,774
 Total net assets	 <u>14,542,428</u>	 <u>3,093,626</u>	 <u>2,204</u>	 <u>17,638,258</u>	 <u>15,925,445</u>
 Total Liabilities and Net Assets	 <u>\$ 17,886,691</u>	 <u>\$ 3,861,971</u>	 <u>\$ 69,393</u>	 <u>\$ 21,818,055</u>	 <u>\$ 20,173,768</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
For Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS			
Store sales and donated inventory	\$ 18,353,977	\$ --	\$ 18,353,977
Salvage revenue	1,492,209	--	1,492,209
Mission services grants	1,192,863	--	1,192,863
Net investment gain (loss)	(188,445)	--	(188,445)
Contributions	294,023	--	294,023
Split-interest agreements	4	--	4
Rental income	178,858	--	178,858
Gain on disposal of fixed assets	184,878	--	184,878
Other contracts	12,960	--	12,960
Other income	142,696	--	142,696
Net assets released from restrictions	796	(796)	--
Total support, revenue and gains	<u>21,664,819</u>	<u>(796)</u>	<u>21,664,023</u>
EXPENSES			
Stores	15,969,305	--	15,969,305
Salvage	132,057	--	132,057
Mission services	4,175,274	--	4,175,274
Total program services	<u>20,276,636</u>	<u>--</u>	<u>20,276,636</u>
Supporting services			
Administrative	544,855	--	544,855
Community relations/fundraising	21,759	--	21,759
Total supporting services	<u>566,614</u>	<u>--</u>	<u>566,614</u>
Total expenses	<u>20,843,250</u>	<u>--</u>	<u>20,843,250</u>
Change in Net Assets	821,569	(796)	820,773
NET ASSETS, beginning of year	<u>13,720,859</u>	<u>796</u>	<u>13,721,655</u>
NET ASSETS, end of year	<u>\$ 14,542,428</u>	<u>\$ --</u>	<u>\$ 14,542,428</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
For Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS			
Store sales and donated inventory	\$ 16,987,162	\$ --	\$ 16,987,162
Salvage revenue	1,332,396	--	1,332,396
Mission services grants	1,190,733	--	1,190,733
Net investment gain (loss)	478,755	--	478,755
Contributions	400,720	--	400,720
Split-interest agreements	22	--	22
Rental income	165,183	--	165,183
Gain on disposal of fixed assets	57,034	--	57,034
Other contracts	12,794	--	12,794
Other income	674,044	--	674,044
Net assets released from restrictions	<u>3,978</u>	<u>(3,978)</u>	<u>--</u>
Total support, revenue and gains	<u>21,302,821</u>	<u>(3,978)</u>	<u>21,298,843</u>
EXPENSES			
Stores	15,462,250	--	15,462,250
Salvage	125,263	--	125,263
Mission services	4,263,827	--	4,263,827
Total program services	<u>19,851,340</u>	<u>--</u>	<u>19,851,340</u>
Supporting services			
Administrative	486,383	--	486,383
Community relations/fundraising	29,210	--	29,210
Total supporting services	<u>515,593</u>	<u>--</u>	<u>515,593</u>
Total expenses	<u>20,366,933</u>	<u>--</u>	<u>20,366,933</u>
Change in Net Assets	935,888	(3,978)	931,910
NET ASSETS, beginning of year	<u>12,784,971</u>	<u>4,774</u>	<u>12,789,745</u>
NET ASSETS, end of year	<u>\$ 13,720,859</u>	<u>\$ 796</u>	<u>\$ 13,721,655</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
COLUMBUS COMMUNITY CAMPUS CONDOMINIUM ASSOCIATION, INC.
For Year Ended December 31, 2018

REVENUE AND GAINS WITHOUT DONOR RESTRICTIONS	
Dues revenue	\$ <u>133,389</u>
Total revenue and gains without donor restrictions	<u>133,389</u>
 EXPENSES	
Bank and credit card fees	40
Insurance	16,064
Professional and consulting fees	57,386
Repairs and maintenance	25,127
Taxes and licenses	30
Utilities	<u>14,822</u>
Total expenses	<u>113,469</u>
Change in Net Assets Without Donor Restrictions	19,920
NET ASSETS, beginning of year	<u>(17,716)</u>
NET ASSETS, end of year	<u><u>\$ 2,204</u></u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
COLUMBUS COMMUNITY CAMPUS CONDOMINIUM ASSOCIATION, INC.
For Year Ended December 31, 2017

REVENUE AND GAINS WITHOUT DONOR RESTRICTIONS	
Dues revenue	\$ <u>133,389</u>
Total revenue and gains without donor restrictions	<u>133,389</u>
EXPENSES	
Bank and credit card fees	40
Insurance	16,266
Postage, shipping and freight	5
Professional and consulting fees	57,236
Repairs and maintenance	34,351
Taxes and licenses	100
Utilities	<u>14,878</u>
Total expenses	<u>122,876</u>
Change in Net Assets Without Donor Restrictions	10,513
NET ASSETS, beginning of year	<u>(28,229)</u>
NET ASSETS, end of year	<u>\$ (17,716)</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
POWERWORKS INDUSTRIES, INC.
For Year Ended December 31, 2018

REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS	
Federal contracts	\$ 10,507,623
Other contracts	126,397
Other income	<u>(3,774)</u>
Total revenue and support without donor restrictions	<u>10,630,246</u>
EXPENSES	
Program services	
Contracts	9,625,365
Supporting services	
Management and general	<u>132,761</u>
Total expenses	<u>9,758,126</u>
Change in Net Assets Without Donor Restrictions	872,120
NET ASSETS, beginning of year	<u>2,221,506</u>
NET ASSETS, end of year	<u><u>\$ 3,093,626</u></u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SUPPLEMENTAL STATEMENT OF ACTIVITIES
POWERWORKS INDUSTRIES, INC.
For Year Ended December 31, 2017

REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS	
Federal contracts	\$ 9,582,500
Other contracts	180,388
Other income	<u>3,486</u>
Total revenue and support without donor restrictions	<u>9,766,374</u>
EXPENSES	
Program services	
Contracts	8,861,708
Supporting services	
Management and general	<u>140,098</u>
Total expenses	<u>9,001,806</u>
Change in Net Assets Without Donor Restrictions	764,568
NET ASSETS, beginning of year	<u>1,456,938</u>
NET ASSETS, end of year	<u>\$ 2,221,506</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.
AND RELATED ENTITIES
SCHEDULE OF STATE AWARDS EXPENDED
For the Year Ended December 31, 2018

FUNDING AGENCY PROGRAM/GRANT	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Pass-through Grantor's Number</u>	<u>2018 Expenditures</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-through from Georgia Vocational Rehabilitation Agency	84.126	Federal \$ 644,669	42700-610-00000 23332	\$ <u>167,246</u>
Vocational Rehabilitation Grants to States		State <u>174,479</u>		
		Total \$ <u><u>819,148</u></u>		
Total Grant Expenditures				\$ <u><u>167,246</u></u>

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