

**GOODWILL INDUSTRIES OF  
THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
Years Ended December 31, 2019 and 2018**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors

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

Members

American Institute of  
Certified Public Accountants

Georgia Society of  
Certified Public Accountants

Alabama Society of  
Certified Public Accountants

**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, 2019 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, 2019 and 2018, 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.

### ***Emphasis of Matter***

As discussed in Note X, in January 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

### ***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 7, 2020, 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 7, 2020



Dear Stakeholder,

I am excited to share with you the 2019 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 2019, approximately 81 percent of PWI’s workforce had a documented disability. Wages paid to workers with disabilities topped \$1.68 million in 2019, 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 \$155.5 million in Georgia and \$25.6 million in Alabama\* in 2019. We served 31,136 people and made 3,884 job connections. Through our free tax return preparation program for lower income families, we served 4,576 clients that resulted in over \$5 million in refunds to local families. In 2019, support of our mission to help families achieve economic stability continues to grow, with 430,085 donations of gently used items sold in our retail stores.

GoodwillSR closed all retail stores, mission centers along with education and training centers on March 21, 2020 due to COVID-19. We have continued to accept donations through our attended donation centers across our 50 county territory except for the Albany, Georgia service area. Approximately 375 team members associated with mission and retail operations were granted paid time off while sheltered in place for six weeks. In some cases, provisions were made that allowed team members to work from home. Our cash reserves were reduced to 53 days and by approximately \$3.4 million as a result of (a) reduced revenue from the closing of 13 retail stores, (b) reduced income due to providing a lower level of mission services, and (c) reduced income from our contract services division – PWI. All administrative and mission team members returned to work on April 29<sup>th</sup>. Mission and retail operations resumed in most locations on May 4<sup>th</sup>, with newly implemented policies and alterations in place to enhance safety for team members and customers. For the past 6 weeks, we have continued to see strong public support with donated goods continuing at around 50% of normal. Our E-Commerce, which continued un-interrupted, has shown an increase in sales, with April setting a new 4-week high.

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, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	\$ 9,994,372	\$ 6,702,328
Accounts receivable - trade	1,998,001	3,056,795
Accounts receivable - related party	10,357	--
Accrued interest receivable	3,248	3,424
Inventories	1,583,228	1,408,084
Investments	4,233,872	3,730,602
Prepaid expenses and assets	187,505	174,232
Fixed assets - net	6,049,602	6,343,589
<b>Total Assets</b>	<b>\$ 24,060,185</b>	<b>\$ 21,419,054</b>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 667,833	\$ 243,058
Deferred revenue	1,070,585	1,227,255
Accrued wages	1,694,309	1,397,795
Accrued and withheld expenses	672,180	678,258
Obligations under capital leases	101,590	234,431
<b>Total liabilities</b>	<b>4,206,497</b>	<b>3,780,797</b>

NET ASSETS

Without donor restrictions	19,853,688	17,638,257
With donor restrictions	--	--
<b>Total net assets</b>	<b>19,853,688</b>	<b>17,638,257</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 24,060,185</b>	<b>\$ 21,419,054</b>

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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUE AND GAINS</b>			
Store sales and donated inventory	\$ 20,778,967	\$ --	\$ 20,778,967
Salvage revenue	1,496,925	--	1,496,925
Mission services grants	1,188,544	--	1,188,544
Federal contracts	11,287,125	--	11,287,125
Other contracts	92,212	--	92,212
Net investment gain	576,953	--	576,953
Contributions	306,925	--	306,925
Rental income	260,658	--	260,658
Loss on disposal of fixed assets	( 11,550)	--	( 11,550)
Other income	102,754	--	102,754
Total support, revenue and gains	<u>36,079,513</u>	<u>--</u>	<u>36,079,513</u>
<b>EXPENSES</b>			
Program Services			
Stores	21,407,466	--	21,407,466
Salvage	169,982	--	169,982
Mission services	5,335,672	--	5,335,672
Contracts	5,977,265	--	5,977,265
Total program services	<u>32,890,385</u>	<u>--</u>	<u>32,890,385</u>
Supporting services			
Administrative	938,510	--	938,510
Community relations/fundraising	35,187	--	35,187
Total supporting services	<u>973,697</u>	<u>--</u>	<u>973,697</u>
Total expenses	<u>33,864,082</u>	<u>--</u>	<u>33,864,082</u>
Change in Net Assets	2,215,431	--	2,215,431
NET ASSETS, beginning of year	<u>17,638,257</u>	<u>--</u>	<u>17,638,257</u>
NET ASSETS, end of year	<u>\$ 19,853,688</u>	<u>\$ --</u>	<u>\$ 19,853,688</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUE AND GAINS</b>			
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>
<b>EXPENSES</b>			
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 FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2019

	Program Services			
	Stores	Salvage	Mission Services	Contracts
Compensation and related expenses				
Salaries and wages	\$ 8,940,543	\$ --	\$ 2,798,050	\$ 2,880,239
Employee benefits	1,420,761	--	296,718	949,461
Workers' compensation	237,835	--	23,416	184,078
Payroll taxes	650,149	--	201,256	214,615
Total compensation and related expenses	11,249,288	--	3,319,440	4,228,393
Advertising	202,159	--	78,993	591
Background checks	16,010	--	3,927	3,999
Bank and credit card fees	247,855	--	--	829
Commissions	8,619	--	--	434,415
Contributions	--	--	--	--
Contracted services	81,949	--	73,315	112,362
Depreciation and amortization	402,119	--	27,602	168,452
Drug screening	15,396	--	14,395	1,997
Dues and subscriptions	1,414	--	2,787	6,086
Employee recruitment	--	--	--	--
Employee relations	7,262	--	8,826	10,503
Equipment rental	19,406	2,939	22,933	9,432
Equipment maintenance	43,831	29,998	6,954	66,048
Indirect cost allocation	3,442,038	--	723,486	--
Insurance	100,910	--	324	37,449
Interest	--	--	--	--
Miscellaneous	19,685	--	8,009	213

Program Services

	<u>Stores</u>	<u>Salvage</u>	<u>Mission Services</u>	<u>Contracts</u>
Office supplies	\$ 26,974	\$ --	\$ 39,429	\$ 7,852
Pest control	14,778	--	2,860	702
Postage, shipping and freight	16,351	1,537	660	736
Printing	10,810	--	19,741	3,720
Professional and consulting fees	10,453	--	2,637	2,434
Rent	3,366,283	--	475,876	--
Repairs and maintenance	189,505	--	10,839	7,552
Safety and security	31,395	--	1,154	4,741
Staff training and development	1,809	--	5,131	2,602
Supplies	381,276	120,678	80,435	602,653
Taxes and licenses	86,776	--	--	4,648
Technology expenses	214,221	--	249,753	61,794
Telephone	27,547	--	25,569	17,892
Travel	32,296	--	41,383	15,896
Uniforms	5,486	--	4,795	8,045
Utilities	944,933	--	78,779	18,442
Vehicle expense	188,632	14,830	5,640	136,787
<b>Total Functional Expenses</b>	<b>\$ 21,407,466</b>	<b>\$ 169,982</b>	<b>\$ 5,335,672</b>	<b>\$ 5,977,265</b>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2019

	Supporting Services		Total
	Administrative	Community Relations Fundraising	
Compensation and related expenses			
Salaries and wages	\$ 2,407,951	\$ 271,202	\$ 17,297,985
Employee benefits	534,163	25,630	3,226,733
Workers' compensation	42,463	585	488,377
Payroll taxes	160,596	19,484	1,246,100
<b>Total compensation and related expenses</b>	<b>3,145,173</b>	<b>316,901</b>	<b>22,259,195</b>
Advertising	271	457	282,471
Background checks	1,228	145	25,309
Bank and credit card fees	18,731	--	267,415
Commissions	8,051	--	451,085
Contributions	2,500	--	2,500
Contracted services	11,522	50	279,198
Depreciation and amortization	320,819	28,535	947,527
Drug screening	259	40	32,087
Dues and subscriptions	210,371	554	221,212
Employee recruitment	4,914	--	4,914
Employee relations	61,913	15,384	103,888
Equipment rental	14,996	--	69,706
Equipment maintenance	7,792	--	154,623
Indirect cost allocation	( 3,823,103)	( 342,421)	--
Insurance	86,240	--	224,923
Interest	3,411	--	3,411
Miscellaneous	9,600	127	37,634

	<u>Supporting Services</u>		
	<u>Administrative</u>	<u>Community Relations Fundraising</u>	<u>Total</u>
Office supplies	\$ 10,860	\$ 609	\$ 85,724
Pest control	2,585	--	20,925
Postage, shipping and freight	5,684	2	24,970
Printing	4,660	624	39,555
Professional and consulting fees	65,223	--	80,747
Rent	--	--	3,842,159
Repairs and maintenance	124,930	--	332,826
Safety and security	10,884	--	48,174
Staff training and development	21,283	327	31,152
Supplies	33,395	31	1,218,468
Taxes and licenses	83,738	--	175,162
Technology expenses	324,530	9,321	859,619
Telephone	18,321	3,325	92,654
Travel	27,080	1,146	117,801
Uniforms	140	30	18,496
Utilities	117,134	--	1,159,288
Vehicle expense	3,375	--	349,264
	<u>          </u>	<u>          </u>	<u>          </u>
Total Functional Expenses	\$ <u>938,510</u>	\$ <u>35,187</u>	\$ <u>33,864,082</u>

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
<b>Total compensation and related expenses</b>	<b>9,882,179</b>	<b>--</b>	<b>3,124,560</b>	<b>4,078,902</b>
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

	<u>Stores</u>	<u>Salvage</u>	<u>Mission Services</u>	<u>Contracts</u>
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>188,972</u>	<u>14,812</u>	<u>7,236</u>	<u>141,956</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

	<u>Supporting Services</u>		
	<u>Administrative</u>	<u>Community Relations Fundraising</u>	<u>Total</u>
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
<b>Total compensation and related expenses</b>	<b>2,652,823</b>	<b>258,678</b>	<b>19,997,142</b>
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>		
		Community Relations	
	<u>Administrative</u>	<u>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.  
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
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	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ <u>2,215,431</u>	\$ <u>1,712,812</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	947,527	922,883
(Gain)/loss on disposition of fixed assets	68,302	( 118,527)
Provision for allowance for bad debt	( 1,956)	64
Net unrealized (gain)/loss on investments	( 363,770)	520,045
Net realized (gain)/loss on sale of investments	( 96,580)	( 248,922)
Changes in assets and liabilities		
Accounts receivable - trade	1,060,750	( 597,141)
Accounts receivable - related party	( 10,357)	
Split-interest agreement	--	796
Accrued interest receivable	176	641
Inventories	( 175,144)	( 100,628)
Prepaid expenses and assets	( 13,273)	69,140
Accounts payable	424,775	35,031
Deferred revenue	( 156,670)	( 74,775)
Accrued wages	296,514	204,496
Accrued and withheld expenses	( 6,078)	50,550
Total adjustments	<u>1,974,216</u>	<u>663,653</u>
Net cash provided by operating activities	<u>4,189,647</u>	<u>2,376,465</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	821,463	1,006,614
Purchase of investments	( 864,383)	( 1,090,846)
Proceeds from disposal of fixed assets	476,400	139,488
Acquisition of fixed assets	<u>( 1,198,242)</u>	<u>( 1,047,172)</u>
Net cash used by investing activities	<u>( 764,762)</u>	<u>( 991,916)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on obligations under capital leases	<u>( 132,841)</u>	<u>( 91,963)</u>
Net cash used by financing activities	<u>( 132,841)</u>	<u>( 91,963)</u>
Increase in Cash and Cash Equivalents	3,292,044	1,292,586
CASH AND CASH EQUIVALENTS, beginning	<u>6,702,328</u>	<u>5,409,742</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 9,994,372</u>	<u>\$ 6,702,328</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	<u>\$ 3,411</u>	<u>\$ 6,517</u>

**NON-CASH INVESTING ACTIVITY**

In 2018, \$219,855 of telephone equipment was purchased with the issuance of 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 2019, of the 186 employees working set-aside contracts, 136 were disabled, earning an average wage of \$10.96 per hour plus 100% employer-funded benefits. In 2019, disabled employees working with Powerworks earned approximately \$1,690,774. 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.

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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. Although Goodwill does not own Powerworks, 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, 2019 and 2018, the Organization has only net assets 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 consists primarily of consideration from the federal government and salvage sales, of which the Organization has an unconditional right to receive. Accounts receivable are carried at their estimated collectible amounts 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, 2019 and 2018, the Organization established an allowance for doubtful accounts in the amount of \$4,736 and \$6,692, 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, 2019, are as follows:

	<u>Unrestricted</u>
Endowment net assets, beginning of year, December 31, 2018	\$ 3,808,245
Additions (subtractions)	96,755
Investment income	94,842
Net appreciation	<u>363,770</u>
Endowment net assets, end of year, December 31, 2019	\$ <u>4,363,612</u>

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

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>

Revenue and Revenue Recognition

The Organization recognizes retail sales and salvage revenue at the point of sale. Grants, contract revenue and rental income are earned over time as benchmarks are met or as the Organization provides the contracted services/space.

Revenue With and Without Donor Restrictions

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 \$22,134 and \$28,825, respectively, for services received during 2019 and 2018. 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 2019 or 2018. 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 based on head count.

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 \$282,471 and \$281,483 for the years ended December 31, 2019 and 2018, 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 7, 2020, the date the financial statements were available to be issued.

NOTE B – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Trade receivables	\$ <u>2,008,358</u>	\$ <u>3,056,795</u>

NOTE C – INVENTORIES

Inventories at December 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Donated merchandise	\$ <u>1,583,228</u>	\$ <u>1,408,084</u>

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NOTE D – 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.

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

	<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Mutual funds	\$ 665,393	\$ 451,259	\$ (214,134)
Real estate investment trust	99,571	87,651	(11,920)
U. S. Treasury notes	107,133	128,058	20,925
Common stocks	1,355,885	1,980,073	624,188
Corporate bonds	<u>1,565,904</u>	<u>1,586,831</u>	<u>20,927</u>
Total	<u>\$ 3,793,886</u>	<u>\$ 4,233,872</u>	<u>\$ 439,986</u>

As of December 31, 2019, maturities of debt investments are as follows:

Corporate Bonds

<u>&lt; 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>\$ 1,560,809</u>	<u>\$ 26,022</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,586,831</u>

As of December 31, 2019, the credit rating of the Organization's investments in corporate bonds is AA-.

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NOTE D – INVESTMENTS (Continued)

	<u>2018</u>		
	<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>&lt; 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-.

Investment return is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 149,894	\$ 117,733
Net realized gain	96,580	248,922
Net unrealized gain (loss)	363,770	( 520,045)
Investment fees	<u>( 33,291)</u>	<u>( 33,829)</u>
Net Investment Gain (Loss)	<u>\$ 576,953</u>	<u>\$ ( 187,219)</u>

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
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NOTE E – PREPAID EXPENSES AND ASSETS

Prepaid expenses consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Prepaid insurance	\$ 63,330	\$ --
Prepaid background check	348	638
Prepaid contracted services	--	66,693
Prepaid maintenance/support/security	2,557	2,270
Prepaid postage	203	476
Prepaid rent	36,524	32,760
Prepaid office supplies	716	--
Prepaid supplies	6,452	1,577
Prepaid utilities	14,554	17,813
Prepaid technology expense	18,325	44,205
Prepaid professional and consulting fees	39,096	--
Prepaid warranty	<u>5,400</u>	<u>7,800</u>
 Total	 <u>\$ 187,505</u>	 <u>\$ 174,232</u>

NOTE F – FIXED ASSETS

Fixed assets consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 2,113,075	\$ 2,607,521
Buildings and improvements	3,407,106	3,323,886
Furniture and equipment	6,228,181	5,554,496
Autos and trucks	1,052,585	972,276
Leasehold improvements	2,145,931	2,129,317
Computers and software	<u>2,262,741</u>	<u>2,081,323</u>
	17,209,619	16,668,819
Less accumulated depreciation	<u>(11,160,017)</u>	<u>(10,325,230)</u>
Fixed Assets - Net	<u>\$ 6,049,602</u>	<u>\$ 6,343,589</u>

Depreciation expense at December 31, 2019 and 2018, is \$947,527 and \$922,883, respectively.

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NOTE G – DEFERRED REVENUE

Deferred revenue at December 31, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Deferred Grant, Sale and Insurance Proceeds	\$ <u>1,070,585</u>	\$ <u>1,227,255</u>

NOTE H – ACCRUED AND WITHHELD EXPENSES

Accrued and withheld expenses consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Payroll related withholdings and accruals	\$ 398,420	\$ 314,447
Accrued Source America commissions	71,944	105,353
Accrued health and welfare benefits	71,211	75,715
Accrued sales tax payable	95,481	92,234
Gift certificates, vouchers and coupons	29,473	30,906
Other miscellaneous accruals	<u>5,651</u>	<u>59,603</u>
Total	\$ <u>672,180</u>	\$ <u>678,258</u>

NOTE I – OBLIGATIONS UNDER CAPITAL LEASES

Following is a summary of property held under capital leases:

	<u>2019</u>	<u>2018</u>
Telephone equipment	\$ 115,655	\$ 115,655
Computer equipment	219,855	219,855
Accumulated depreciation	<u>( 144,007)</u>	<u>( 66,089)</u>
	\$ <u>191,503</u>	\$ <u>269,421</u>



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NOTE I – OBLIGATIONS UNDER CAPITAL LEASES (Continued)

	<b>2019</b>	2018
0.099% lease payable in monthly installments of \$6,116 including interest through April 20, 2021, secured by equipment with a book value of \$146,570 at December 31, 2019.	\$ <b>80,644</b>	\$ 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 \$24,785 at December 31, 2019.	<b>8,592</b>	41,443
7.27% lease payable in monthly installments of \$1,249, including interest through December 29, 2020, secured by equipment with a book value of \$20,149 at December 31, 2019.	<u><b>12,354</b></u>	<u>23,850</u>
	<u><b>\$ 101,590</b></u>	<u>\$ 234,431</u>

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

<u>Year Ended</u>	
2020	\$ 94,279
2021	<u>7,311</u>
	<u><b>\$ 101,590</b></u>

Interest expense on obligations under capital leases at December 31, 2019 and 2018, is \$3,411 and \$6,517, respectively.

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NOTE J – 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, 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, 2019 and 2018, rental income under these arrangements totals \$243,402 and \$178,858, respectively.

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

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 K – LEASES

The Organization has several non-cancelable operating leases, primarily for store locations, vehicles and office equipment, which expire at various dates through 2040.

Future minimum lease payments under these operating leases as of December 31, 2019, are:

Years ending December 31,	
2020	\$ 4,069,054
2021	3,896,488
2022	3,565,405
2023	2,954,279
2024	2,719,834
Thereafter	<u>24,008,096</u>
Total	<u>\$ 41,213,156</u>

Rent expense under these leases totals \$3,993,197 and \$3,625,186 for the years ended December 31, 2019 and 2018, respectively, and is included in equipment rental, vehicle expense and rent expense in the Consolidated Statements of Functional Expenses.

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, 2019 and 2018.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE L – 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, 2019 and 2018, the Organization has \$9,157,410 and \$5,825,517, 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, 2019 and 2018, uninsured investment balances total \$3,733,872 and \$3,230,631, respectively. Corporate bonds and equity securities maintained in the investment balances are subject to interest rate and market risk. In addition, investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the Organization's total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
BNY Mellon Funds	Equity	\$218,817

Concentration of Revenue and Support

At December 31, 2019 and 2018, approximately 93% and 94%, respectively, of trade accounts receivable are attributable to two customers and three customers, respectively.

During 2019 and 2018, the Organization received approximately 58% and 57%, respectively, of its annual revenue from store sales and donated inventory. In addition, during 2019 and 2018, the Organization received approximately 5% and 5%, respectively, of its annual revenue from salvage revenue.

During 2019 and 2018, the Organization received approximately 4% and 3%, respectively, of its annual revenue each year from Federally funded state and local pass-through grants. At December 31, 2019 and 2018, approximately 4% and 8%, respectively, of net trade accounts 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 2019 and 2018, the Organization received approximately 32% and 33%, 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, 2019 and 2018, 94% and 90%, respectively, of accounts receivable represents amounts due under these contracts.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE L – CONCENTRATIONS AND COMMITMENTS (Continued)

Geographic Concentration

The Organization conducts its operations in central and south Georgia as well as central Alabama. and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

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, 2019, Goodwill is party to various contracts and commitments:

<u>Services</u>	<u>Amount</u>
Cash management services	\$4,349 per month for five years
Software support	\$115,099 remaining for software support

Claims and litigation

The Organization is party to various claims and legal proceedings covering matters that arose in the ordinary course of business activities. These matters are being handling by the Organization's insurance company. Management believes that any liability that may ultimately result from these matters will not have a material effect on the financial condition or results of operations.

NOTE M – 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 2019 and 2018, Powerworks paid management fees totaling \$1,565,290 and \$1,393,615, respectively, and reimbursed Goodwill for expenses totaling \$1,060,400 and \$1,007,370, 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, 2019 and 2018, Goodwill received \$2,876,357 and \$2,640,879, respectively, under this agreement. At December 31, 2019 and 2018, the receivable owed to Goodwill from Powerworks totals \$439,313 and \$369,252, respectively.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE M – RELATED PARTY TRANSACTIONS (Continued)

Occasionally, the Goodwill makes cash advances to Powerworks. During the years ended December 31, 2019 and 2018, Goodwill made \$0 and \$100,000 cash advances, respectively.

During the years ended December 31, 2019 and 2018, Goodwill invoiced the Association \$5,744 and \$30, respectively, for various expenses. Goodwill also collected a rental management fee during the years ended December 31, 2019 and 2018, of \$57,036 and \$57,036, respectively, from the Association. Occasionally, Goodwill will advance cash to the Association. During the years ended December 31, 2019 and 2018, Goodwill made no cash advances to the Association.

Goodwill pays dues to the Association for its respective share of common expenses of the campus property. During the year ended December 31, 2019 and 2018, Goodwill paid dues of \$116,133 and \$116,133, respectively. At December 31, 2019, the Association owes Goodwill \$90,684. At December 31, 2018, Goodwill owes the Association \$29,749.

Three Goodwill senior management members hold seats on the Board of Directors of THE B.R.I.D.G.E., a local non-profit organization. During 2019, Goodwill entered into a management contract with THE B.R.I.D.G.E. The contract is structured so that it can be terminated by either party upon ninety days written notice. This contract requires THE B.R.I.D.G.E. to pay Goodwill a management fee and to reimburse any directly identifiable expenses incurred by Goodwill on its behalf. During 2019, THE B.R.I.D.G.E. paid management fees totaling \$1,200 and reimbursed Goodwill for expenses totaling \$46,279. Management fees represent overhead support costs. In addition, the contract calls for Goodwill to receive compensation from THE B.R.I.D.G.E. of 75% of THE B.R.I.D.G.E.'s monthly net income after depreciation and management fees. During the year ended December 31, 2019, Goodwill received \$0, under this agreement. At December 31, 2019, the receivable owed to Goodwill from THE B.R.I.D.G.E. totals \$10,357.

The contract also provides that Goodwill can make cash advances to THE B.R.I.D.G.E. During the year ended December 31, 2019, Goodwill made no cash advances to THE B.R.I.D.G.E.

NOTE N – 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, 2019 and 2018, is \$271,392 and \$214,137, respectively.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE O – 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, 2019 and 2018, are \$917,977 and \$892,898, respectively.

NOTE P – 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, 2019. The cost of the leased property is \$3,134,667 and \$2,849,854 at December 31, 2019 and 2018, respectively, and the carrying amount at December 31, 2019 and 2018, is \$1,807,864 and \$1,683,098, respectively, which reflects \$1,326,803 and \$1,166,756 of accumulated depreciation at December 31, 2019 and 2018, respectively.

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

Year ending December 31,	
2020	\$ 148,118
2021	<u>66,390</u>
Total	<u>\$ 214,508</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, 2019 and 2018, is \$243,402 and \$178,858, respectively.

NOTE Q – 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, 2019 and 2018

NOTE Q – 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, 2019, are as follows:

	<u>Fair Value</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 9,994,372	\$ 9,994,372
Accounts receivable	2,008,358	2,008,358
Accrued interest receivable	3,248	3,248
Accounts payable	667,833	667,833
Accrued wages	1,694,309	1,694,309
Accrued and withheld expenses	672,180	672,180
Obligations under capital leases	101,590	101,590

The fair values for the above assets and liabilities reported at fair value at December 31, 2019, 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, 2019, are as follows:

	<u>Fair Value</u>	Quoted Prices In Active Markets For Identical Assets <u>(Level 1)</u>	Significant Unobservable <u>(Level 3)</u>
Mutual funds	\$ 451,259	\$ --	\$ 451,259
Real estate investment trust	87,651	--	87,651
U.S. Treasury notes	128,058	128,058	--
Common stocks	1,980,073	1,980,073	--
Corporate bonds	1,586,831	1,586,831	--



GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE Q – FINANCIAL INSTRUMENTS (Continued)

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, 2018	\$ 559,125
Total loss included in net investment gain (loss)	(65,880)
Reclassification	--
Purchases	<u>45,665</u>
Level 3 investments, end of year, December 31, 2019	<u>\$ 538,910</u>

Unrealized losses of \$65,880 are included in total gain (loss) and are shown in net investment gain (loss) on the Consolidated Statement of Activities.

NOTE R – INCOME TAXES

The Organization's evaluation on December 31, 2019, revealed no uncertain tax provisions that would have a material impact on the financial statements. The 2016 through 2018 tax years remain subject to examination by the IRS. In addition, the 2016 through 2018 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 S – LINES OF CREDIT

The Organization has lines of credit with interest rates ranging from 8.65% to 11.64% and a combined limit of \$225,000. The Organization owes \$28,289 at December 31, 2019.

NOTE T – 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>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 16,239,850	\$ 13,493,149
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>\$ 16,239,850</u>	<u>\$ 13,493,149</u>

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

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE U – REVENUE FROM CONTRACTS WITH CUSTOMERS

In the following table, revenue is disaggregated by timing of revenue recognition for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Goods/services transferred to customers at a point in time	\$22,261,510	\$20,031,065
Goods/services transferred to customers over time	<u>12,570,652</u>	<u>11,872,901</u>
Total	<u>\$34,832,162</u>	<u>\$31,903,966</u>

Contract receivables included in accounts receivable - trade and related party at December 31, 2019 and 2018:

<u>2019</u>	<u>2018</u>
<u>\$2,008,358</u>	<u>\$3,056,795</u>

The following is a description of principal activities from which the Organization generates its revenue:

Products and services	Nature, timing of satisfaction of performance obligations, and significant payment terms
Store sales and donated inventory	The Organization recognizes revenue when a customer takes possession of merchandise. This occurs at the point of sale in the retail locations. The amount of revenue recognized is the total sales price as no refunds are provided.
Salvage revenue	The Organization recognizes revenue when a customer takes possession of merchandise. This occurs at the point of sale. The amount of revenue recognized is the total sales price.
Mission services	Mission services include vocational training, pre-employment, job search, educational literacy, personal management and work experience services. The Organization recognizes revenue as services are provided. Services are billed and paid on a monthly basis.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE U – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Products and services	Nature, timing of satisfaction of performance obligations, and significant payment terms
Federal and other contracts	Contract revenue includes janitorial and grounds maintenance services. The Organization recognizes revenue as services are provided. Services are billed and paid on a monthly basis.

NOTE W – ADOPTION OF NEW ACCOUNTING STANDARDS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Since its issuance, the FASB has also amended several aspects of the ASU 2014-09, including; ASU 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* which clarifies the Topic 606 guidance on principal versus agent considerations, ASU 2016-10 *Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing* that clarifies identification of a performance obligation and address revenue recognition associated with the licensing of intellectual property, ASU 2016-12 *Revenue from Contracts with Customers (Topic 606), Narrow Scope Improvements and Practical Expedients* clarifying assessment of collectability criterion, non-cash consideration and other technical corrections, ASU 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* is the result of the FASB Board decision to issue a separate Update for technical corrections and improvements, and ASU 2017-05 *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* clarifying the scope of Subtopic 610-20, which provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with noncustomers. The Organization adopted this guidance effective January 1, 2019, the first day of the Organization’s fiscal year, using the full retrospective method.

The adoption of this ASU did not have a significant impact on the Organization’s financial statements. The majority of the Organization’s revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2018

NOTE W – ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

In January 2016, the FASB issued ASU 2016-01 *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard is intended to improve the recognition, measurement, presentation and disclosure of financial instruments. Since its issuance, the FASB has also amended aspects of the ASU 2016-01 with ASU 2018-03 *Technical Corrections and Improvements to Financial Instruments – Overall (SubTopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* which provides narrow-scope clarifying amendments to certain guidance in ASU 2016-01. Among other changes, there will no longer be an available-for-sale classification for which changes in fair value are currently reported in other comprehensive income for equity securities with readily determinable fair values. Equity investments with readily determinable fair values will be measured at fair value with changes in fair value recognized in net income. The Organization adopted this guidance effective January 1, 2019, the first day of the Organization’s fiscal year. No changes were required to previously reported net assets or revenues as a result of the adoption.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides clarification with respect to classification of several cash flow issues on the Statement of Cash Flows including debt prepayment or extinguishment costs, proceeds from the settlement of insurance claims, and distributions received from equity method investees. The Organization adopted this guidance effective January 1, 2019, the first day of the Organization’s fiscal year. The adoption of this guidance had no impact on the Organization’s Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The ASU requires changes in an organization’s restricted cash to be classified as either operating activities, investing activities or financing activities in the Consolidated Statement of Cash Flows, depending on the nature of the activities that gave rise to the restriction. The Organization adopted this guidance effective January 1, 2019, the first day of the Organization’s fiscal year. The adoption of this guidance had no impact on the Organization’s Consolidated Financial Statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization adopted this guidance effective January 1, 2019, the first day of the Organization’s fiscal year. The adoption of this guidance did not result in a material change to how it accounts for revenue from gifts, grants and contracts.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
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NOTE X – SUBSEQUENT EVENTS

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus.

GoodwillSR closed all retail stores, mission centers along with education and training centers on March 21, 2020 due to COVID-19. We have continued to accept donations through our attended donation centers across our 50 county territory except for the Albany, Georgia service area. Approximately 375 team members associated with mission and retail operations were granted paid time off while sheltered in place for six weeks. In some cases, provisions were made that allowed team members to work from home. Our cash reserves were reduced to 53 days and by approximately \$3.4 million as a result of (a) reduced revenue from the closing of 13 retail stores, (b) reduced income due to providing a lower level of mission services, and (c) reduced income from our contract services division – PWI. All administrative and mission team members returned to work on April 29<sup>th</sup>. Mission and retail operations resumed in most locations on May 4<sup>th</sup>, with newly implemented policies and alterations in place to enhance safety for team members and customers. For the past 6 weeks, we have continued to see strong public support with donated goods continuing at around 50% of normal. Our E-Commerce, which continued un-interrupted, has shown an increase in sales, with April setting a new 4-week high. While expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time.

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



business & advisory services  
putting it all together

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

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John J. Lee, C.P.A.  
Laura E. Toms, C.P.A.  
Scott N. Wacter, C.P.A.

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*

Members

American Institute of  
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Certified Public Accountants

Alabama Society of  
Certified Public Accountants

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, 2019, 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 7, 2020. 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)**

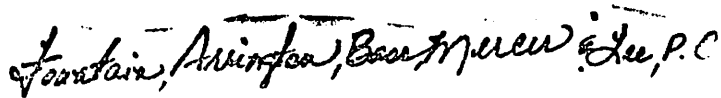
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 7, 2020





business & advisory services  
putting it all together

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**Board of Directors**

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

**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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Alabama Society of  
Certified Public Accountants

**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, 2019. 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, 2019.

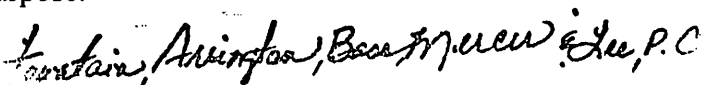
### **Report on Internal Control Over Compliance**

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.  
Certified Public Accountants

Columbus, Georgia  
May 7, 2020

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
AND RELATED ENTITIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

	Pass-through Grantor's Number	Federal CFDA Number	Federal Expenditures
FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE			
U.S. DEPARTMENT OF EDUCATION			
Pass-through from Georgia Vocational Rehabilitation Agency Vocational Rehabilitation Grants to States	42700-610-00000 81664	84.126	\$ 596.160
U.S. DEPARTMENT OF TREASURY			
Volunteer Income Tax Assistance (VITA) Matching Grant Program 19VITA0104		21.009	44.600
U.S. DEPARTMENT OF VETERANS AFFAIRS			
Vocational Rehabilitation for Disabled Veterans		64.116	20.575
U.S. DEPARTMENT OF LABOR			
WIOA Cluster			
Pass-through from Three Rivers Regional Commission WIA/WIOA Adult Program	2018-YS-Goodwill-01	17.258	56.241
Pass-through from Columbus Consolidated Government WIA/WIOA Adult Program	14-ITA-GW	17.258	28.000
Total WIOA Cluster			84.241
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TANF Cluster			
Pass-through from Georgia Department of Human Services Temporary Assistance for Needy Families		93.558	71,544
Total TANF Cluster			71,544
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through from Alabama Department of Human Resources State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	5219	10.561	7.855
Pass-through from Goodwill of North Georgia, Inc. State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	30.000
			37.855
Total			\$ 854,975

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, 2019

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, 2019

A. SUMMARY OF AUDIT RESULTS

1. An unmodified opinion, dated May 7, 2020, was issued on the financial statements for the year ended December 31, 2019.
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 7, 2020, disclosed no significant deficiencies in internal control over financial reporting for the year ended December 31, 2019.
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 7, 2020, disclosed no instances of noncompliance material to the financial statements for the year ended December 31, 2019.
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 7, 2020, disclosed no significant deficiencies in internal control over major programs for the year ended December 31, 2019.
5. An unmodified opinion, dated May 7, 2020, 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, 2019.
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, 2019.

GOODWILL INDUSTRIES OF THE SOUTHERN RIVERS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2019

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, 2019 and 2018

	ASSETS				
	Goodwill Industries	Powerworks Industries	Columbus Community Campus Condominium Association, Inc.	Combined Total	2018 Total
Cash and cash equivalents	\$ 7,759,591	\$ 2,156,760	\$ 78,021	\$ 9,994,372	\$ 6,702,328
Accounts receivable - trade, net	124,754	1,870,371	2,876	1,998,001	3,056,795
Accounts receivable - related party	540,354	--	--	540,354	399,001
Accrued interest receivable	3,248	--	--	3,248	3,424
Inventories	1,583,228	--	--	1,583,228	1,408,084
Investments	4,233,872	--	--	4,233,872	3,730,602
Prepaid expenses and assets	185,063	500	1,942	187,505	174,232
Fixed assets - net	<u>5,209,054</u>	<u>840,548</u>	<u>--</u>	<u>6,049,602</u>	<u>6,343,589</u>
 Total Assets	 <u>\$ 19,639,164</u>	 <u>\$ 4,868,179</u>	 <u>\$ 82,839</u>	 <u>\$ 24,590,182</u>	 <u>\$ 21,818,055</u>



LIABILITIES AND NET ASSETS

	Goodwill Industries	Powerworks Industries	Columbus Community Campus Condominium Association, Inc.	Combined Total	2018 Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>LIABILITIES</b>					
Accounts payable	\$ 612,070	\$ 55,763	\$ --	\$ 667,833	\$ 243,058
Accounts payable - affiliate	--	439,313	90,684	529,997	399,000
Deferred revenue	1,070,585	--	--	1,070,585	1,227,255
Accrued wages	1,534,387	159,922	--	1,694,309	1,397,795
Accrued and withheld expenses	511,410	160,770	--	672,180	678,258
Obligations under capital leases	101,590	--	--	101,590	234,431
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>3,830,042</u>	<u>815,768</u>	<u>90,684</u>	<u>4,736,494</u>	<u>4,179,797</u>
<b>NET ASSETS</b>					
Without donor restrictions	15,809,122	4,052,411	( 7,845)	19,853,688	17,638,258
With donor restrictions	--	--	--	--	--
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>15,809,122</u>	<u>4,052,411</u>	<u>( 7,845)</u>	<u>19,853,688</u>	<u>17,638,258</u>
Total Liabilities and Net Assets	<u>\$ 19,639,164</u>	<u>\$ 4,868,179</u>	<u>\$ 82,839</u>	<u>\$ 24,590,182</u>	<u>\$ 21,818,055</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT, REVENUE AND GAINS</b>			
Store sales and donated inventory	\$ 20,778,967	\$ --	\$ 20,778,967
Salvage revenue	1,496,925	--	1,496,925
Mission services grants	1,188,544	--	1,188,544
Net investment gain (loss)	555,212	--	555,212
Contributions	306,925	--	306,925
Rental income	243,402	--	243,402
Loss on disposal of fixed assets	( 6,950)	--	( 6,950)
Other contracts	14,745	--	14,745
Other income	157,223	--	157,223
Total support, revenue and gains	<u>24,734,993</u>	<u>--</u>	<u>24,734,993</u>
<b>EXPENSES</b>			
Stores	18,175,063	--	18,175,063
Salvage	169,981	--	169,981
Mission services	4,584,921	--	4,584,921
Total program services	<u>22,929,965</u>	<u>--</u>	<u>22,929,965</u>
Supporting services			
Administrative	513,703	--	513,703
Community relations/fundraising	24,631	--	24,631
Total supporting services	<u>538,334</u>	<u>--</u>	<u>538,334</u>
Total expenses	<u>23,468,299</u>	<u>--</u>	<u>23,468,299</u>
Change in Net Assets	1,266,694	--	1,266,694
NET ASSETS, beginning of year	<u>14,542,428</u>	<u>--</u>	<u>14,542,428</u>
NET ASSETS, end of year	<u>\$ 15,809,122</u>	<u>\$ --</u>	<u>\$ 15,809,122</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>
<b>SUPPORT, REVENUE AND GAINS</b>			
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	<u>796</u>	<u>( 796)</u>	<u>--</u>
Total support, revenue and gains	<u>21,664,819</u>	<u>( 796)</u>	<u>21,664,023</u>
<b>EXPENSES</b>			
Stores	15,969,305	--	15,969,305
Salvage	132,057	--	132,057
Mission services	<u>4,175,274</u>	<u>--</u>	<u>4,175,274</u>
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	<u>21,759</u>	<u>--</u>	<u>21,759</u>
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  
COLUMBUS COMMUNITY CAMPUS CONDOMINIUM ASSOCIATION, INC.  
For Year Ended December 31, 2019

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	200
Insurance	17,730
Professional and consulting fees	58,100
Repairs and maintenance	52,438
Taxes and licenses	30
Utilities	<u>14,940</u>
Total expenses	<u>143,438</u>
Change in Net Assets Without Donor Restrictions	( 10,049)
NET ASSETS, beginning of year	<u>2,204</u>
NET ASSETS, end of year	<u><u>\$ ( 7,845)</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, 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  
POWERWORKS INDUSTRIES, INC.  
For Year Ended December 31, 2019

<b>REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>	
Federal contracts	\$ 11,287,125
Other contracts	77,467
Other income	<u>19,707</u>
Total revenue and support without donor restrictions	<u>11,384,299</u>
 <b>EXPENSES</b>	
Program services	
Contracts	10,273,029
Supporting services	
Management and general	<u>152,485</u>
Total expenses	<u>10,425,514</u>
Change in Net Assets Without Donor Restrictions	958,785
NET ASSETS, beginning of year	<u>3,093,626</u>
NET ASSETS, end of year	<u>\$ 4,052,411</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

<b>REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>	
Federal contracts	\$ 10,507,623
Other contracts	126,397
Other loss	<u>( 3,774)</u>
Total revenue and support without donor restrictions	<u>10,630,246</u>
 <b>EXPENSES</b>	
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>\$ 3,093,626</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, 2019

FUNDING AGENCY PROGRAM/GRANT	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Pass-through Grantor's Number</u>	<u>2019 Expenditures</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-through from Georgia Vocational Rehabilitation Agency Vocational Rehabilitation Grants to States	84.126	Federal \$ 644,670 State <u>174,478</u>	42700-610-00000 23332	\$ <u>161,350</u>
		Total \$ <u><u>819,148</u></u>		
Total Grant Expenditures				\$ <u><u>161,350</u></u>

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