

**GOODWILL INDUSTRIES OF THE SOUTHERN  
PIEDMONT, INC. AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION**

*As of and for the Years Ended December 31, 2020 and 2019*

*And Report of Independent Auditor*

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
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## Report of Independent Auditor

To the Board of Directors  
Goodwill Industries of the Southern Piedmont, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated financial statements of Goodwill Industries of the Southern Piedmont, Inc. and Subsidiary (“Goodwill”) which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management’s Responsibility for the Consolidated 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 consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 consolidated 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 consolidated 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 as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying information, which includes the consolidating schedules of financial position, activities, and cash flows is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from, and related directly to, the underlying accounting and other records used to prepare 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 financial statements as a whole.

*Cherry Bekaert LLP*

Charlotte, North Carolina  
April 21, 2021

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 11,893,720	\$ 10,758,550
Accounts receivable and unreimbursed costs, net	2,369,059	2,037,450
Contributions receivable, net (Note 3)	371,348	835,821
Prepaid expenses	1,107,065	923,491
Inventory (Note 4)	4,666,965	4,269,517
Investments (Notes 5 and 9)	10,788,011	13,224,376
<b>Total Current Assets</b>	<u>31,196,168</u>	<u>32,049,205</u>
Note receivable (Note 6)	5,000,000	5,000,000
Land, buildings, and equipment, net (Note 7)	36,898,704	38,378,948
Long-term contributions receivable, net (Note 3)	6,495	225,203
Deferred compensation investments (Notes 8 and 9)	652,421	757,016
Other noncurrent assets	45,270	56,916
<b>Total Assets</b>	<u>\$ 73,799,058</u>	<u>\$ 76,467,288</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of long-term debt (Note 10)	\$ 1,313,589	\$ 1,234,692
Current portion of long-term capital lease obligations (Note 11)	35,844	34,816
Accounts payable	2,142,472	1,416,945
Accrued liabilities	4,097,021	2,600,762
Deferred grant revenue	366,698	-
<b>Total Current Liabilities</b>	<u>7,955,624</u>	<u>5,287,215</u>
Deferred compensation	684,560	793,711
Long-term debt, less current portion (Note 10)	25,128,700	26,143,921
Capital lease obligations, less current portion (Note 11)	98,868	121,220
<b>Total Liabilities</b>	<u>33,867,752</u>	<u>32,346,067</u>
Net Assets:		
Without donor restrictions	39,239,930	43,020,662
With donor restrictions (Note 14)	691,376	1,100,559
<b>Total Net Assets</b>	<u>39,931,306</u>	<u>44,121,221</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 73,799,058</u>	<u>\$ 76,467,288</u>

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:						
Retail program (Note 15)	\$ 36,061,853	\$ -	\$ 36,061,853	\$ 35,254,653	\$ -	\$ 35,254,653
Government service fees and grants	17,011	-	17,011	38,980	-	38,980
Other service fees and grants	1,534,404	-	1,534,404	669,358	-	669,358
GoodWork staffing	7,027,147	-	7,027,147	8,538,015	-	8,538,015
Food services	141,300	-	141,300	631,208	-	631,208
Environmental enterprises (Note 15)	1,440,497	-	1,440,497	1,625,897	-	1,625,897
Cars for work program	218,236	-	218,236	112,954	-	112,954
Contributions - donated goods (Note 15)	6,218,663	-	6,218,663	13,553,901	-	13,553,901
Contributions - United Way	131,000	-	131,000	202,559	-	202,559
Contributions - other	757,998	-	757,998	873,811	-	873,811
Other income	561,969	-	561,969	410,434	-	410,434
Investment return (Note 5)	654,612	-	654,612	904,732	-	904,732
Release from restriction	409,183	(409,183)	-	304,821	(304,821)	-
Total Revenues, Gains, and Other Support	55,173,873	(409,183)	54,764,690	63,121,323	(304,821)	62,816,502
Expenses:						
Program Services:						
Career development services	1,099,340	-	1,099,340	1,093,202	-	1,093,202
Occupational skills and job training support	6,705,299	-	6,705,299	7,316,533	-	7,316,533
Employment services	7,417,180	-	7,417,180	8,956,251	-	8,956,251
Retail program (Note 15)	37,502,350	-	37,502,350	36,880,550	-	36,880,550
Total Program Services	52,724,169	-	52,724,169	54,246,536	-	54,246,536
Supporting Services:						
Management and general	5,707,498	-	5,707,498	5,931,946	-	5,931,946
Fundraising	522,938	-	522,938	454,238	-	454,238
Total Supporting Services	6,230,436	-	6,230,436	6,386,184	-	6,386,184
Total Expenses	58,954,605	-	58,954,605	60,632,720	-	60,632,720
Change in net assets before nonoperating changes	(3,780,732)	(409,183)	(4,189,915)	2,488,603	(304,821)	2,183,782
Nonoperating Changes:						
Loss on sale of property	-	-	-	(1,863,296)	-	(1,863,296)
Change in net assets	(3,780,732)	(409,183)	(4,189,915)	625,307	(304,821)	320,486
Net assets, beginning of year	43,020,662	1,100,559	44,121,221	42,395,355	1,405,380	43,800,735
Net assets, end of year	\$ 39,239,930	\$ 691,376	\$ 39,931,306	\$ 43,020,662	\$ 1,100,559	\$ 44,121,221

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

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services				Total Program Services
	Training/ Job Support		Work Opportunities		
	Career Development Services	Occupational Training and Support	Employment Services	Business Enterprises	
Expenses:					
Salaries and wages	\$ 806,433	\$ 3,140,424	\$ 6,089,104	\$ 19,378,540	\$ 29,414,501
Employee benefits	87,742	315,420	107,408	2,201,309	2,711,879
Payroll taxes	77,172	296,892	743,565	1,920,238	3,037,867
Total Salaries and Related Expenses	971,347	3,752,736	6,940,077	23,500,087	35,164,247
Professional fees and contract services	35,068	676,073	137,922	1,405,168	2,254,231
Supplies	9,152	279,288	81,717	2,056,866	2,427,023
Telephone	15,707	65,150	19,402	217,014	317,273
Postage and shipping	74	1,369	136	795,970	797,549
Occupancy	14,129	694,826	57,343	6,639,492	7,405,790
Rental and maintenance of equipment	3,631	8,980	3,851	674,531	690,993
Printing and publications	1,679	14,835	47,718	56,748	120,980
Travel and transportation	7,998	9,452	46,523	442,985	506,958
Conferences, conventions, and meetings	587	2,707	214	57,243	60,751
Special assistance to individuals and organizations	498	4,080	-	-	4,578
Membership dues and support	23	1,739	927	4,812	7,501
Awards and grants	901	1,473	1,443	19,644	23,461
Miscellaneous expenses	3,067	21,843	-	12,840	37,750
Depreciation/amortization	35,479	1,170,748	79,907	1,618,950	2,905,084
Total Expenses	<u>\$ 1,099,340</u>	<u>\$ 6,705,299</u>	<u>\$ 7,417,180</u>	<u>\$ 37,502,350</u>	<u>\$ 52,724,169</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2020

	Supporting Services		Total Supporting Services	Total Expenses 2020
	Management and General	Fundraising		
Expenses:				
Salaries and wages	\$ 3,149,907	\$ 328,761	\$ 3,478,668	\$ 32,893,169
Employee benefits	647,638	23,354	670,992	3,382,871
Payroll taxes	290,927	28,369	319,296	3,357,163
Total Salaries and Related Expenses	4,088,472	380,484	4,468,956	39,633,203
Professional fees and contract services	747,791	39,077	786,868	3,041,099
Supplies	68,225	21,380	89,605	2,516,628
Telephone	22,055	1,765	23,820	341,093
Postage and shipping	5,256	1,014	6,270	803,819
Occupancy	45,615	2,984	48,599	7,454,389
Rental and maintenance of equipment	3,944	106	4,050	695,043
Printing and publications	7,549	53,226	60,775	181,755
Travel and transportation	15,079	676	15,755	522,713
Conferences, conventions, and meetings	4,921	7,532	12,453	73,204
Special assistance to individuals and organizations	-	-	-	4,578
Membership dues and support	189,987	1,718	191,705	199,206
Awards and grants	42,211	4,332	46,543	70,004
Miscellaneous expenses	342,494	2,508	345,002	382,752
Depreciation/amortization	123,899	6,136	130,035	3,035,119
Total Expenses	<u>\$ 5,707,498</u>	<u>\$ 522,938</u>	<u>\$ 6,230,436</u>	<u>\$ 58,954,605</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.



# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services				Total Program Services
	Training/ Job Support		Work Opportunities		
	Career Development Services	Occupational Training and Support	Employment Services	Business Enterprises	
Expenses:					
Salaries and wages	\$ 760,375	\$ 3,748,534	\$ 7,396,501	\$ 18,864,028	\$ 30,769,438
Employee benefits	81,946	333,675	100,062	2,017,446	2,533,129
Payroll taxes	69,048	342,935	848,806	1,809,747	3,070,536
Total Salaries and Related Expenses	911,369	4,425,144	8,345,369	22,691,221	36,373,103
Professional fees and contract services	12,686	388,229	145,766	1,345,431	1,892,112
Supplies	8,752	161,954	139,502	2,337,190	2,647,398
Telephone	16,180	61,279	17,337	169,944	264,740
Postage and shipping	60	47	291	630,443	630,841
Occupancy	10,857	796,500	64,691	6,523,450	7,395,498
Rental and maintenance of equipment	4,514	14,307	10,205	408,914	437,940
Printing and publications	9,719	17,216	51,720	222,190	300,845
Travel and transportation	18,777	54,636	39,317	526,757	639,487
Conferences, conventions, and meetings	5,812	44,777	639	74,218	125,446
Special assistance to individuals and organizations	3,418	10,291	173	26,600	40,482
Membership dues and support	498	6,694	1,047	4,919	13,158
Awards and grants	2,177	4,798	4,690	28,788	40,453
Miscellaneous expenses	-	-	-	13,964	13,964
Depreciation/amortization	88,383	1,330,661	135,504	1,876,521	3,431,069
Total Expenses	<u>\$ 1,093,202</u>	<u>\$ 7,316,533</u>	<u>\$ 8,956,251</u>	<u>\$ 36,880,550</u>	<u>\$ 54,246,536</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

YEAR ENDED DECEMBER 31, 2019

	Supporting Services		Total Supporting Services	Total Expenses 2019
	Management and General	Fundraising		
Expenses:				
Salaries and wages	\$ 3,203,099.00	\$ 280,456.00	\$ 3,483,555	\$ 34,252,993
Employee benefits	740,211	15,930	756,141	3,289,270
Payroll taxes	271,850	23,626	295,476	3,366,012
Total Salaries and Related Expenses	4,215,160	320,012	4,535,172	40,908,275
Professional fees and contract services	956,881	22,035	978,916	2,871,028
Supplies	60,719	17,031	77,750	2,725,148
Telephone	20,644	1,696	22,340	287,080
Postage and shipping	3,849	885	4,734	635,575
Occupancy	53,757	3,534	57,291	7,452,789
Rental and maintenance of equipment	21,506	104	21,610	459,550
Printing and publications	15,957	63,546	79,503	380,348
Travel and transportation	31,208	1,835	33,043	672,530
Conferences, conventions, and meetings	72,727	2,428	75,155	200,601
Special assistance to individuals and organizations	1,966	864	2,830	43,312
Membership dues and support	185,489	4,533	190,022	203,180
Awards and grants	69,480	1,803	71,283	111,736
Miscellaneous expenses	11,935	-	11,935	25,899
Depreciation/amortization	210,668	13,932	224,600	3,655,669
Total Expenses	<u>\$ 5,931,946</u>	<u>\$ 454,238</u>	<u>\$ 6,386,184</u>	<u>\$ 60,632,720</u>

The accompanying notes to the consolidated financial statements are an integral part of this statement.

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (4,189,915)	\$ 320,486
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,993,674	3,589,208
Amortization of debt issuance costs	41,445	66,461
Loss on sale of property	-	1,863,296
Net unrealized and realized gains on investments	(319,724)	(490,465)
(Increase) decrease in:		
Inventory	(397,448)	(485,509)
Accounts receivable and unreimbursed costs	(331,609)	302,138
Contributions receivable	683,181	1,071,010
Prepaid expenses	(183,574)	(248,818)
Deferred compensation investments	104,595	(131,510)
Other noncurrent assets	11,646	(24,210)
Increase (decrease) in:		
Accounts payable	840,258	(468,468)
Accrued liabilities	1,496,259	303,025
Deferred revenue	366,698	(239,806)
Deferred compensation	(109,151)	127,032
Net cash flows from operating activities	1,006,335	5,553,870
<b>Cash flows from investing activities:</b>		
Purchase of land, buildings, and equipment	(1,628,161)	(2,491,276)
Net (purchases) sales of investments	2,756,089	(317,773)
Proceeds from sale of land, buildings, and equipment	-	28,446
Net cash flows from investing activities	1,127,928	(2,780,603)
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(977,769)	(1,111,141)
Payments on capital lease obligation	(21,324)	(31,761)
Net cash flows from financing activities	(999,093)	(1,142,902)
Net change in cash and cash equivalents	1,135,170	1,630,365
Cash and cash equivalents, beginning of year	10,758,550	9,128,185
Cash and cash equivalents, end of year	\$ 11,893,720	\$ 10,758,550
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 623,786	\$ 838,691
<b>Supplemental noncash financing activity:</b>		
Purchase of fixed assets through capital lease	\$ -	\$ 158,876

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### **Note 1—Nature of organization and significant accounting policies**

*Nature of Organization* – Goodwill Industries of the Southern Piedmont, Inc. and Subsidiary (“Goodwill”) is a not-for-profit organization headquartered in Charlotte, North Carolina. Goodwill provides employment and training services for persons with vocational barriers. Goodwill also provides temporary staffing services through the GoodWork Staffing Program. Goodwill is funded significantly through the sale of donated merchandise through its retail stores in North and South Carolina and various other programs and contributions.

Goodwill Opportunity Campus LLC, a solely owned subsidiary of Goodwill, was created to hold land and construct a new facility to be known as the Goodwill Opportunity Campus (“GOC”) located in Charlotte, North Carolina. Construction of the facility was completed in May 2016. GOC features a 160,000 square foot career services center located on an 18-acre site and offers access to technology, assessment, and testing in a comfortable environment, personalized mentoring and coaching, a warm hand-off to strategic partner agencies located on campus, work experiences through Goodwill’s on-site enterprises and expanded skill development capabilities. In addition to providing training and employment opportunities, the facility houses Goodwill’s business enterprise operations, administrative support services and workforce services operations. It also includes a Goodwill Outlet Store, community conference center, and partner-provided financial services, food services, and health and wellness services.

*Basis of Presentation* – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of consolidated financial statements in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Goodwill. These net assets may be used at the discretion of Goodwill's management and the Board of Directors.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Goodwill or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

*Recognition of Support and Revenues* – Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. It is Goodwill’s policy to record revenues with donor restrictions and investment returns thereon that are received and expended in the same accounting period in the without donor restrictions net asset category.

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### Note 1—Nature of organization and significant accounting policies (continued)

Contributions, including grants and sponsorships, are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

*Recognition of Program Service Revenues* – Program service revenues including the retail program, GoodWork staffing, food services, and environmental enterprises are recorded at the time of sale. All performance obligations are considered met at the time of sale except in the case of advance payments for GoodWork staffing, which are recorded as deferred revenue until the performance obligation has been met. Sales tax collected from customers as part of the sale, is excluded from revenue and the obligation is included in taxes payable until the taxes are remitted to the state.

*Cash and Cash Equivalents* – Cash and cash equivalents include cash, money market accounts, and short-term investments with original maturities of three months or less.

*Concentration of Credit Risk* – Goodwill places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. From time to time, Goodwill may have amounts on deposit in excess of the insured limits.

Goodwill has also received contributions receivable from five key donors that comprise approximately 80% of the gross contributions receivable as of December 31, 2020 and 2019, as summarized in Note 3.

Credit risk for accounts receivable is concentrated as well because substantially all of the balances are receivable from individuals located within the same geographic region.

*Accounts Receivable* – Accounts receivable are recognized at their contract price at the time the service is completed. Accounts receivable are considered past due or delinquent when payment is not received within the credit limit extended to the customer, normally 30 days. Goodwill reserves the right to charge customers late fees or interest on delinquent accounts receivable. Management has established an allowance for doubtful accounts receivable of \$93,733 and \$136,337 as of December 31, 2020 and 2019, respectively.

Goodwill estimates its allowance for loss on accounts receivable based on the total of (1) the estimated uncollectible amount of delinquent customers, which is based on Goodwill's dialogue with the customer concerning the delinquent amount and (2) the estimated uncollectible amount of the remaining balances outstanding, which is based on Goodwill's prior collection history. Delinquent accounts receivable are written off when Goodwill determines that the amount is uncollectible.

*Contributions Receivable* – Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on contributions receivable are computed using a rate commensurate with the risk of the contributions receivable in accordance with fair value accounting standards. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Management determines the allowance for doubtful contributions receivable by identifying troubled accounts and applying overall estimates on uncollectibility.

*Investments* – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices with gains and losses included in the consolidated statements of activities. Investments received by gift are recorded at fair value at the date of the gift.

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### Note 1—Nature of organization and significant accounting policies (continued)

Goodwill's investments include various types of securities that are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that changes in risks in the near term could materially affect amounts reported in the consolidated financial statements.

*Inventory* – Inventory consists primarily of merchandise donated and held for sale. Donated inventory is stated at estimated fair value at the date of donation. Estimated fair value is based on retail sales for similar merchandise; therefore, the amounts Goodwill will ultimately realize could differ materially in the near term. Purchased goods are stated at cost.

*Land, Buildings, and Equipment, Net* – Land, buildings, and equipment are stated at cost. Minor renewals and replacements are expensed when incurred.

Depreciation on buildings and equipment is calculated on the straight-line method over the estimated economic lives of the respective assets held, which are as follows:

Land improvements	10 – 27 years
Buildings	20 – 40 years
Production and store equipment	5 – 10 years
Automobiles and transportation equipment	3 – 5 years
Office furniture	3 – 10 years
Software	5 years
Leasehold improvements	Shorter of lease term or useful lives

*Deferred Revenue* – Deferred revenue represents revenue from contracts not yet earned and/or recognized. These funds are recognized as revenue as they are expended.

*Deferred Loan Costs* – Deferred loan costs are amortized over the life of the loan using the straight-line method, which closely approximates the effective interest method. Deferred loan costs, net of accumulated amortization, are included as a reduction to the carrying amount of the related notes payable on the consolidated statements of financial position.

*Donated Equipment and Services* – Donated equipment and services are reported as contributions in the consolidated financial statements at their estimated fair value on the date of receipt or when the service is completed.

*Income Taxes* – Goodwill is exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). Management evaluated Goodwill's tax positions and concluded that Goodwill had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

*Advertising* – Goodwill expenses advertising expenses when they are incurred. Advertising expenses totaled \$4,578 and \$48,623 for the years ended December 31, 2020 and 2019, respectively.

*Fundraising* – Goodwill expenses fundraising expenses when they are incurred. Fundraising expenses include expenses for radio and television advertisements and direct mailings that involve solicitations for contributions, including financial contributions and donated goods. Fundraising expenses totaled \$522,938 and \$454,238 for the years ended December 31, 2020 and 2019, respectively.

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### Note 1—Nature of organization and significant accounting policies (continued)

*Use of Estimates* – The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Functional Allocation of Expenses* – Goodwill allocates certain expenses to program, supporting services, and fundraising based on management’s estimates of the respective service’s personnel requirements, supplies and materials usage, and space and equipment utilization.

*Future Pronouncement* – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Early adoption is permitted. Goodwill is currently in the process of evaluating the impact that this pronouncement will have on its consolidated financial statements.

### Note 2—Liquidity and availability

The table below represents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Short-term financial assets at year-end:		
Cash and cash equivalents	\$ 11,893,720	\$ 10,758,550
Accounts receivable and unreimbursed costs, net	2,369,059	2,037,450
Contributions receivable, net	371,348	835,821
Investments	10,788,011	13,224,376
Total short-term financial assets	25,422,138	26,856,197
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restriction	691,376	1,100,559
Financial assets available to meet general expenditures within one year	<u>\$ 24,730,762</u>	<u>\$ 25,755,638</u>

As part of Goodwill’s liquidity management plan, it structures its financial assets to be available as its obligations come due. Goodwill’s policy is to maintain two months’ worth of working capital available in cash or other liquid assets. Long-term financial assets, including contributions receivable, note receivable, and deferred compensation investments, have been excluded from financial assets as they are not available for expenditure due to the timing of collection or limits on their use.

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 3—Contributions receivable**

As of December 31, 2020 and 2019, contributions receivable relate primarily to the capital campaign for the GOC and the trade school. At December 31, 2020 and 2019, contributions receivable are expected to be realized in the following periods:

	<b>2020</b>	<b>2019</b>
Less than one year	\$ 418,880	\$ 835,821
One to three years	14,000	288,599
Less discount to present value	(7,265)	(13,387)
Less allowance for doubtful contributions receivable	(47,772)	(50,009)
	<u>377,843</u>	<u>1,061,024</u>
Less current portion, net	371,348	835,821
Noncurrent portion, net	<u>\$ 6,495</u>	<u>\$ 225,203</u>

**Note 4—Inventory**

Inventory at December 31 is comprised of the following:

	<b>2020</b>	<b>2019</b>
Donated goods	<u>\$ 4,666,965</u>	<u>\$ 4,269,517</u>

**Note 5—Investments**

Investments at December 31 are as follows:

	<b>2020</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gains (Losses)</b>
Exchange-traded corporate bond funds	\$ 1,626,577	\$ 1,734,210	\$ 107,633
Money market funds	213,435	213,435	-
Collateralized mortgage obligations	235	103	(132)
Mutual funds	8,522,429	8,840,263	317,834
	<u>\$ 10,362,676</u>	<u>\$ 10,788,011</u>	<u>\$ 425,335</u>
	<b>2019</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gains (Losses)</b>
Exchange-traded corporate bond funds	\$ 2,238,243	\$ 2,302,865	\$ 64,622
Money market funds	140,217	140,217	-
Collateralized mortgage obligations	376	244	(132)
Mutual funds	10,720,755	10,781,050	60,295
	<u>\$ 13,099,591</u>	<u>\$ 13,224,376</u>	<u>\$ 124,785</u>



**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 5—Investments (continued)**

Investment return is comprised of the following for the years ended December 31:

	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 362,242	\$ 444,060
Realized gain on sale of investments	19,414	121
Unrealized gain on investments	300,310	490,344
Investment fees	(27,354)	(29,793)
	<u>\$ 654,612</u>	<u>\$ 904,732</u>

**Note 6—Note receivable**

Goodwill entered into a leveraged loan agreement with a financial institution as part of a new market tax credit project structured to provide funding for GOC. The total loan provided by Goodwill was \$5,000,000. Commencing on March 25, 2015, quarterly interest-only payments are due at a fixed rate of 1.32%, and continue through January 22, 2022. Thereafter, the interest rate will be reduced to 0.50% on the remaining unpaid principal balance. Commencing on June 25, 2022, monthly principal and interest payments of \$69,882 will be due continuing through December 31, 2040, when all remaining principal and interest will be due.

**Note 7—Land, buildings, and equipment**

Land, buildings, and equipment at December 31 are as follows:

	<b>2020</b>	<b>2019</b>
Land	\$ 11,214,138	\$ 11,214,138
Land improvements	2,421,657	2,259,940
Buildings	30,564,855	30,427,748
Furniture, fixtures, and software	21,824,190	20,975,410
Leasehold improvements	2,566,928	2,216,316
Property under capital lease	174,090	158,876
	<u>68,765,858</u>	<u>67,252,428</u>
Less accumulated depreciation	<u>(31,867,154)</u>	<u>(28,873,480)</u>
	<u>\$ 36,898,704</u>	<u>\$ 38,378,948</u>

Depreciation expense of \$2,993,674 and \$3,589,208 for 2020 and 2019, respectively, is allocated among the various program and supporting services expenses in the accompanying consolidated statements of functional expenses.

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

### Note 8—Deferred compensation investments

Goodwill has a 457(b) deferred compensation plan for several of its executive employees. The agreement requires Goodwill to contribute annually an amount as determined by the agreement. Contributions to the plan totaled \$36,696 and \$41,172 for the years ended December 31, 2020 and 2019, respectively. The deferred compensation investments represent investments held as part of the Goodwill defined contribution employee benefit plan. Deferred compensation investments consist of the following at December 31:

	2020	2019
Cash and cash equivalents	\$ 87,767	\$ 87,767
Mutual funds	564,654	669,249
	<u>\$ 652,421</u>	<u>\$ 757,016</u>

### Note 9—Fair value of financial instruments

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price that Goodwill would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the asset or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and (2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Goodwill's financial instruments.

Fair value measurements apply to all financial assets and liabilities that are being measured and reported on a fair value basis. U.S. GAAP establishes a framework for measuring the fair value of assets and liabilities and require fair value measurements to be classified and disclosed in one of the following three categories:

*Level 1* – Quoted prices in active markets that are accessible at the measurement date for identical securities. Goodwill's Level 1 assets are mutual funds, exchange-traded corporate bond funds, and certificates of deposit.

*Level 2* – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained from comparison with benchmarks for similar assets for substantially the full term on the financial investments. If market quotations are not readily available for valuations, assets may be valued by a method the investment manager of the fund believes accurately reflects fair value.

*Level 3* – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation. Goodwill did not hold any Level 3 financial instruments as of December 31, 2020 and 2019.

There have been no changes in the methodologies used as of December 31, 2020 and 2019.

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 9—Fair value of financial instruments (continued)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Goodwill believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, Goodwill's assets at fair value as of December 31:

	<b>2020</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments:			
Exchange-traded corporate bond funds	\$ 1,734,210	\$ -	\$ 1,734,210
Money market funds	213,435	-	213,435
Mutual fund - taxable fixed income	8,840,263	-	8,840,263
Collateralized mortgage obligations	-	103	103
	<u>10,787,908</u>	<u>103</u>	<u>10,788,011</u>
Deferred compensation investments:			
Cash and cash equivalents	87,767	-	87,767
Mutual fund - balance fund	564,654	-	564,654
	<u>652,421</u>	<u>-</u>	<u>652,421</u>
	<u>\$ 11,440,329</u>	<u>\$ 103</u>	<u>\$ 11,440,432</u>
	<b>2019</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments:			
Exchange-traded corporate bond funds	\$ 2,302,865	\$ -	\$ 2,302,865
Money market funds	140,217	-	140,217
Mutual fund - taxable fixed income	10,781,050	-	10,781,050
Collateralized mortgage obligations	-	244	244
	<u>13,224,132</u>	<u>244</u>	<u>13,224,376</u>
Deferred compensation investments:			
Cash and cash equivalents	87,767	-	87,767
Mutual fund - balance fund	669,249	-	669,249
	<u>757,016</u>	<u>-</u>	<u>757,016</u>
	<u>\$ 13,981,148</u>	<u>\$ 244</u>	<u>\$ 13,981,392</u>

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 9—Fair value of financial instruments (continued)**

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2020, there were no significant transfers in or out of Levels 1 or 2.

**Note 10—Long-term debt and pledged assets**

A summary of notes payable at December 31 is as follows:

	<u>2020</u>	<u>2019</u>
Note payable to bank due in monthly installments of \$18,186 including interest at 4.20% annum, through June 2025, secured by land and buildings with a depreciated cost of \$1,935,894 at December 31, 2020.	\$ 928,548	\$ 1,067,476
Note payable to bank due in monthly installments of \$54,277 including interest at 2.76% per annum, through September 2022, with a balloon payment of \$5,740,303 plus all outstanding interest, secured by land and buildings with a depreciated cost of \$10,237,064 at December 31, 2020.	6,529,700	6,993,836
Note payable to bank due in monthly installments of \$12,832 including interest at 4.65% per annum, through August 2028, collateralized by land and buildings with a depreciated cost of \$1,733,519 at December 31, 2020.	1,015,326	1,093,644
Note payable to bank due in monthly installments of \$57,441 including interest at a variable rate of LIBOR plus 1.8% (1.94% at December 31, 2020) through April 2026, with a balloon payment of approximately \$3,000,000 plus all outstanding interest, collateralized by GOC land and other assets with a depreciated cost of \$15,408,020 at December 31, 2020. This note is senior to the four subordinated notes described below that carry the same collateral.	6,566,214	6,862,599
Note payable to bank; due in quarterly interest-only payments at a fixed rate of 1.335% commencing on March 15, 2015 and continuing through June 15, 2022. Thereafter, quarterly installments of principal and interest of \$59,391 continuing through December 31, 2046, at which point all unpaid principal and interest are due. Collateralized by GOC land and other assets with a depreciated cost of \$15,408,020 at December 31, 2020.	5,000,000	5,000,000
Balance to carry forward	<u>20,039,788</u>	<u>21,017,555</u>

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 10—Long-term debt and pledged assets (continued)**

	<u>2020</u>	<u>2019</u>
Balance carried forward	\$ 20,039,788	\$ 21,017,555
 Note payable to bank; due in quarterly interest-only payments at a fixed rate of 1.335% commencing on March 15, 2015 and continuing through June 15, 2022. Thereafter, quarterly installments of principal and interest of \$23,756 continuing through December 31, 2046, at which point all unpaid principal and interest are due. Collateralized by GOC land and other assets with a depreciated cost of \$15,408,020 at December 31, 2020.	 2,000,000	 2,000,000
 Note payable to bank; due in monthly interest-only payments at a variable rate of LIBOR plus 1.8% (1.94% at December 31, 2020) commencing on February 22, 2015 and continuing through January 22, 2022. Thereafter, monthly payments of principal and interest will be due in an amount sufficient to amortize the outstanding principal balance of the note over a term of 25 years and will continue through December 31, 2046, at which point all unpaid principal and interest are due. Collateralized by GOC land and other assets with a depreciated cost of \$15,408,020 at December 31, 2020.	 3,407,000	 3,407,000
 Note payable to bank; due in quarterly interest-only payments at a fixed rate of 0.628% through June 15, 2022. Thereafter, quarterly installments of \$17,386, including principal and interest at 1.335%, continuing through December 31, 2046, at which point all unpaid principal and interest are due. Collateralized by GOC land and other assets with a depreciated cost of \$15,408,020 at December 31, 2020.	 <u>1,593,000</u>	 <u>1,593,000</u>
	27,039,788	28,017,555
Less deferred loan costs	<u>(597,499)</u>	<u>(638,942)</u>
	26,442,289	27,378,613
Less current maturities	<u>(1,313,589)</u>	<u>(1,234,692)</u>
	<u>\$ 25,128,700</u>	<u>\$ 26,143,921</u>

The note agreements for \$5,000,000, \$2,000,000, \$3,407,000, and \$1,593,000 described in the summary of notes payable above are all subject to an optional prepayment clause whereby the lenders may exercise an option under the loan agreement that would cause an accelerated maturity date. If the option were to be executed by the lenders, the \$5,000,000 and \$3,407,000 notes would be due in full, including any unpaid interest, on January 22, 2022, and the \$2,000,000 and \$1,593,000 notes would be due for a discounted amount of \$1,000 each plus any unpaid interest on January 22, 2022. The lenders must give written notice to exercise this option at least 120 days prior to January 22, 2022.

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 10—Long-term debt and pledged assets (continued)**

The bank with which the GOC land is collateralized requires Goodwill to maintain compliance with certain financial covenants including a debt service ratio. As of December 31, 2020, Goodwill was not in compliance with the debt coverage ratio requirement contained in its loan agreement with the bank. The bank has agreed to amend the agreement to require a debt service coverage ratio of at least 1.5 commencing with the fiscal quarter ending June 30, 2021. The bank will also require Goodwill to maintain net assets without donor restrictions of not less than \$16,000,000 from the fiscal quarter ending on December 31, 2020 through the fiscal quarter ending June 30, 2021. Management believes that they will be in compliance with these covenants in the future and has obtained a waiver for the covenant violation for the year ended December 31, 2020.

Interest expense on long-term debt was \$831,970 and \$879,285 for the years ended December 31, 2020 and 2019, respectively, and is included in occupancy on the consolidated statements of functional expenses.

Principal payments on long-term debt are due in future years as follows:

**Years Ending December 31,**

2021	\$ 1,313,589
2022	7,214,482
2023	1,400,788
2024	1,430,620
2025	1,387,890
Thereafter	14,292,419
	<u>\$ 27,039,788</u>

**Note 11—Capital leases**

Goodwill also leases office equipment under capital lease agreements. The agreements require monthly payments ranging from \$155 to \$485 and expire through November 2024. The current balance, which is included in land, buildings, and equipment, net is as follows at December 31:

	<u>2020</u>	<u>2019</u>
Property under capital lease	\$ 174,090	\$ 158,876
Less accumulated amortization	(38,685)	(4,735)
Property under capital lease, net	<u>\$ 135,405</u>	<u>\$ 154,141</u>

The following is a schedule of future minimum lease payments:

**Years Ending December 31,**

2021	\$ 35,844
2022	35,844
2023	33,004
2024	30,020
Total minimum lease payments	<u>134,712</u>
Less current portion	35,844
Noncurrent portion	<u>\$ 98,868</u>

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### Note 12—Employee retirement plans

Goodwill sponsors a defined contribution employee benefit plan to provide retirement benefits for all eligible employees who have completed two years of service. Goodwill makes an annual profit-sharing contribution to the plan at the discretion of the Board of Directors. The profit-sharing contribution is allocated to the participants based on the ratio of the participant's earned points as it bears to the total earned points of all participants. Participants earn four points for each year of service and one point for each full \$100 of eligible compensation, as defined in the plan document, received during the Plan year. Contributions to the plan, which amounted to \$400,000 and \$387,598 for the years ended December 31, 2020 and 2019, respectively, are at the sole discretion of the Board of Directors. Goodwill reserves the right to terminate or amend the plan at any time.

Goodwill offers its employees a Tax Deferred Annuity plan in accordance with Section 403(b) of the Internal Revenue Code ("IRC") of 1986. The employees' contributions are limited as defined by the limits under the IRC. Goodwill does not make any matching contributions to this plan.

### Note 13—Operating lease commitments

Goodwill rents equipment and retail locations under several noncancelable operating leases which expire at various dates over the next 15 years. Rental payments include minimum rentals, plus contingent rentals on two locations, which are calculated as a percent of gross sales above a specified amount.

Minimum and contingent rental expense was \$3,730,779 and \$76,647, respectively, for the year ended December 31, 2020 and \$3,102,494 and \$20,658, respectively, for the year ended December 31, 2019.

During the year ended December 31, 2020, \$108,819 in lease payments were deferred by various lessors due to the coronavirus ("COVID-19") pandemic. These payments have been accrued for as of December 31, 2020, and will be paid in subsequent periods.

The following is a schedule of future minimum lease payments, excluding contingent rentals, on noncancelable operating leases:

<b><u>Years Ending December 31,</u></b>	
2021	\$ 2,494,837
2022	1,833,982
2023	1,536,837
2024	1,172,500
2025	922,479
Thereafter	<u>5,055,268</u>
Total minimum lease payments	<u>\$ 13,015,903</u>

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

**Note 14—Net assets with donor restrictions**

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Digital literacy	\$ 691,376	\$ 1,100,559

During the years, net assets with donor restrictions were appropriated for expenditure and/or released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2020</u>	<u>2019</u>
Trade school	\$ -	\$ 96,000
Digital literacy	409,183	208,821
	<u>\$ 409,183</u>	<u>\$ 304,821</u>

**Note 15—Retail program revenue and donated goods**

For the years ended December 31, retail program revenue is calculated as follows:

	<u>2020</u>	<u>2019</u>
Store sales	\$ 39,567,054	\$ 45,107,307
Salvage sales	2,380,945	3,205,622
Inventory adjustment	332,517	495,625
	42,280,516	48,808,554
Less contributions - donated goods (net retail revenue)	<u>(6,218,663)</u>	<u>(13,553,901)</u>
Retail program	<u>\$ 36,061,853</u>	<u>\$ 35,254,653</u>

For the years ended December 31, contributions – donated goods (net retail revenue) is calculated as follows:

	<u>2020</u>	<u>2019</u>
Store sales	\$ 39,567,054	\$ 45,107,307
Environmental enterprises	1,440,497	1,625,897
Salvage sales	2,380,945	3,205,622
Inventory adjustment	332,517	495,625
	43,721,013	50,434,451
Cost of retail program	<u>37,502,350</u>	<u>36,880,550</u>
Contributions - donated goods (net retail revenue)	<u>\$ 6,218,663</u>	<u>\$ 13,553,901</u>

Net retail revenue is the value placed on contributions of donated goods after application of retail program costs.



# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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### **Note 16—Related parties**

Goodwill received pledges towards the capital campaign from various board members. The total outstanding balance of contributions receivable from board members was \$26,000 and \$49,000 as of December 31, 2020 and 2019, respectively.

### **Note 17—Commitments and contingencies**

Goodwill is subject to various claims and litigation that arise in the normal course of business. Management has determined that, although the outcome of the litigation cannot be predicted with any certainty, the ultimate liability, if any, will not have a material adverse effect on Goodwill's consolidated financial statements.

During 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact Goodwill's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

### **Note 18—Subsequent events**

The entity evaluated subsequent events through April 21, 2021, the date which the financial statements were available to be issued.

## **ACCOMPANYING INFORMATION**

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

DECEMBER 31, 2020

	<b>Goodwill Industries of the Southern Piedmont, Inc.</b>	<b>Goodwill Opportunity Campus LLC</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 10,267,465	\$ 1,626,255	\$ -	\$ 11,893,720
Accounts receivable and unreimbursed costs, net	2,108,664	5,321,320	(5,060,925)	2,369,059
Contributions receivable, net (Note 3)	371,348	-	-	371,348
Prepaid expenses	1,107,065	-	-	1,107,065
Inventory (Note 4)	4,666,965	-	-	4,666,965
Investments (Notes 5 and 9)	10,788,011	-	-	10,788,011
Total Current Assets	29,309,518	6,947,575	(5,060,925)	31,196,168
Note receivable (Note 6)	5,000,000	-	-	5,000,000
Land, buildings, and equipment, net (Note 7)	21,383,336	15,515,368	-	36,898,704
Long-term contributions receivable, net (Note 3)	6,495	-	-	6,495
Investment in Goodwill Opportunity Campus, LLC	1,925,911	-	(1,925,911)	-
Deferred compensation investments (Notes 8 and 9)	652,421	-	-	652,421
Other noncurrent assets	41,036	4,234	-	45,270
<b>Total Assets</b>	<b>\$ 58,318,717</b>	<b>\$ 22,467,177</b>	<b>\$ (6,986,836)</b>	<b>\$ 73,799,058</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Current portion of long-term debt (Note 10)	\$ 798,703	\$ 514,886	\$ -	\$ 1,313,589
Current portion of long-term capital lease obligations (Note 11)	35,844	-	-	35,844
Accounts payable	6,940,259	263,138	(5,060,925)	2,142,472
Accrued liabilities	4,097,021	-	-	4,097,021
Deferred revenue	366,698	-	-	366,698
Total Current Liabilities	12,238,525	778,024	(5,060,925)	7,955,624
Deferred compensation (Note 8)	684,560	-	-	684,560
Long-term debt, less current portion (Note 10)	7,610,910	17,517,790	-	25,128,700
Capital lease obligations, less current portion (Note 11)	98,868	-	-	98,868
Total Liabilities	20,632,863	18,295,814	(5,060,925)	33,867,752
Net Assets:				
Without donor restrictions	36,994,478	4,171,363	(1,925,911)	39,239,930
With donor restrictions (Note 14)	691,376	-	-	691,376
Total Net Assets	37,685,854	4,171,363	(1,925,911)	39,931,306
<b>Total Liabilities and Net Assets</b>	<b>\$ 58,318,717</b>	<b>\$ 22,467,177</b>	<b>\$ (6,986,836)</b>	<b>\$ 73,799,058</b>

**GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2020

	<b>Goodwill Industries of the Southern Piedmont, Inc.</b>	<b>Goodwill Opportunity Campus LLC</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
Revenues, Gains, and Other Support:				
Retail program (Note 15)	\$ 36,061,853	\$ -	\$ -	\$ 36,061,853
Government service fees and grants	17,011	-	-	17,011
Program service fees and grants	1,534,404	-	-	1,534,404
GoodWork staffing	7,027,147	-	-	7,027,147
Food services	141,300	-	-	141,300
Environmental enterprises (Note 15)	1,440,497	-	-	1,440,497
Cars for work program	218,236	-	-	218,236
Contributions - donated goods (Note 15)	6,218,663	-	-	6,218,663
Contributions - United Way	131,000	-	-	131,000
Contributions - other	757,998	-	-	757,998
Other income	511,804	3,175,427	(3,125,262)	561,969
Investment return (Note 5)	654,612	-	-	654,612
Total Revenues, Gains, and Other Support	<u>54,714,525</u>	<u>3,175,427</u>	<u>(3,125,262)</u>	<u>54,764,690</u>
Expenses:				
Career development services	1,066,227	33,113	-	1,099,340
Other training/job support	6,108,868	596,431	-	6,705,299
Employment services	7,358,277	58,903	-	7,417,180
Retail program (Note 15)	38,952,984	1,674,628	(3,125,262)	37,502,350
Management and general	5,621,029	86,469	-	5,707,498
Fundraising	517,368	5,570	-	522,938
Total Expenses	<u>59,624,753</u>	<u>2,455,114</u>	<u>(3,125,262)</u>	<u>58,954,605</u>
Change in net assets	(4,910,228)	720,313	-	(4,189,915)
Net assets, beginning of year	42,596,082	3,451,050	(1,925,911)	44,121,221
Net assets, end of year	<u>\$ 37,685,854</u>	<u>\$ 4,171,363</u>	<u>\$ (1,925,911)</u>	<u>\$ 39,931,306</u>

# GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## CONSOLIDATING SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Goodwill Industries of the Southern Piedmont, Inc.	Goodwill Opportunity Campus LLC	Eliminations	Consolidated Totals
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ (4,910,228)	\$ 720,313	\$ -	\$ (4,189,915)
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	1,714,808	1,278,866	-	2,993,674
Amortization of debt issuance costs	21,961	19,484	-	41,445
Net unrealized and realized gain on investments	(319,724)	-	-	(319,724)
(Increase) decrease in:				
Inventory	(397,448)	-	-	(397,448)
Accounts receivable and unreimbursed costs	(108,227)	(1,223,382)	1,000,000	(331,609)
Contributions receivable	683,181	-	-	683,181
Prepaid expenses	(183,574)	-	-	(183,574)
Deferred compensation investments	104,595	-	-	104,595
Other noncurrent assets	11,965	(319)	-	11,646
Increase (decrease) in:				
Accounts payable	1,754,391	85,867	(1,000,000)	840,258
Accrued liabilities	1,496,259	-	-	1,496,259
Deferred revenue	366,698	-	-	366,698
Deferred compensation	(109,151)	-	-	(109,151)
Net cash flows from operating activities	<u>125,506</u>	<u>880,829</u>	<u>-</u>	<u>1,006,335</u>
<b>Cash flows from investing activities:</b>				
Purchase of land, buildings, and equipment	(1,398,699)	(229,462)	-	(1,628,161)
Net sales of investments	2,756,089	-	-	2,756,089
Net cash flows from investing activities	<u>1,357,390</u>	<u>(229,462)</u>	<u>-</u>	<u>1,127,928</u>
<b>Cash flows from financing activities:</b>				
Payments on long-term debt	(681,384)	(296,385)	-	(977,769)
Payments on capital lease obligation	(21,324)	-	-	(21,324)
Net cash flows from financing activities	<u>(702,708)</u>	<u>(296,385)</u>	<u>-</u>	<u>(999,093)</u>
Net change in cash and cash equivalents:	780,188	354,982	-	1,135,170
Cash and cash equivalents, beginning of year	9,487,277	1,271,273	-	10,758,550
Cash and cash equivalents, end of year	<u>\$ 10,267,465</u>	<u>\$ 1,626,255</u>	<u>\$ -</u>	<u>\$ 11,893,720</u>
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for interest	<u>\$ 280,039</u>	<u>\$ 343,747</u>	<u>\$ -</u>	<u>\$ 623,786</u>