

GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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, whereby 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.

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.

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

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 three key donors that comprise approximately 62% of the gross contributions receivable as of December 31, 2021 and 2020, 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 is 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 \$313,457 and \$93,733 as of December 31, 2021 and 2020, 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 is 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'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.

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

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 \$147 and \$4,578 for the years ended December 31, 2021 and 2020, 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 \$478,930 and \$522,938 for the years ended December 31, 2021 and 2020, respectively.

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.

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

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 Pronouncements – In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958) - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU are intended to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. This update is effective for years beginning after June 15, 2021. Goodwill is currently in the process of evaluating the impact that this pronouncement will have on its consolidated financial statements.

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, 2022. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Short-term financial assets at year-end:		
Cash and cash equivalents	\$ 14,949,640	\$ 11,893,720
Accounts receivable and unreimbursed costs, net	3,318,246	2,369,059
Contributions receivable, net	60,428	371,348
Investments	10,828,082	10,788,011
Total short-term financial assets	29,156,396	25,422,138
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restriction	340,867	691,376
Financial assets available to meet general expenditures within one year	<u>\$ 28,815,529</u>	<u>\$ 24,730,762</u>

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Note 2—Liquidity and availability (continued)

Goodwill considers general expenditures to include program expenses, supporting services, and any other commitments or liabilities to be paid in the subsequent year. 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.

Note 3—Contributions receivable

As of December 31, 2021 and 2020, contributions receivable relate primarily to the capital campaign for Digital Literacy. Contributions receivable are discounted at rates ranging from .19% to 11.30%. At December 31, 2021 and 2020, contributions receivable are expected to be realized in the following periods:

	2021	2020
Less than one year	\$ 63,551	\$ 418,880
One to three years	31,540	14,000
Less discount to present value	(5,469)	(7,265)
Less allowance for doubtful contributions receivable	(5,105)	(47,772)
	<u>84,517</u>	<u>377,843</u>
Less current portion, net	60,428	371,348
Noncurrent portion, net	<u>\$ 24,089</u>	<u>\$ 6,495</u>

Note 4—Inventory

Inventory at December 31 is comprised of the following:

	2021	2020
Donated goods	<u>\$ 5,198,475</u>	<u>\$ 4,666,965</u>

Note 5—Investments

Investments at December 31 are as follows:

	2021	
	Cost	Market Value
Exchange-traded corporate bond funds	\$ 2,260,975	\$ 2,312,058
Money market funds	435,472	435,472
Collateralized mortgage obligations	1	23
Mutual funds	8,122,730	8,080,529
	<u>\$ 10,819,178</u>	<u>\$ 10,828,082</u>
		<u>\$ 8,904</u>

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Note 5—Investments (continued)

	2020		
	Cost	Market Value	Unrealized Gains (Losses)
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>

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

	2021	2020
Interest and dividends	\$ 481,035	\$ 362,242
Realized gains on sale of investments	110,556	19,414
Unrealized (losses) gains on investments	(416,447)	300,310
Investment fees	(43,893)	(27,354)
	<u>\$ 131,251</u>	<u>\$ 654,612</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:

	2021	2020
Land	\$ 11,214,138	\$ 11,214,138
Land improvements	2,490,508	2,421,657
Buildings	30,896,532	30,564,855
Furniture, fixtures, and software	22,471,651	21,824,190
Leasehold improvements	2,569,328	2,566,928
Property under capital lease	174,090	174,090
	<u>69,910,967</u>	<u>68,765,858</u>
Less accumulated depreciation	(34,615,626)	(31,867,154)
	<u>\$ 35,295,341</u>	<u>\$ 36,898,704</u>

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Note 7—Land, buildings, and equipment (continued)

Depreciation expense of \$2,748,283 and \$2,993,674 for 2021 and 2020, respectively, is allocated among the various program and supporting services expenses in the accompanying consolidated statements of functional expenses.

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 for the years ended December 31, 2021 and 2020. 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 96,557	\$ 87,767
Mutual funds	527,057	564,654
	<u>\$ 623,614</u>	<u>\$ 652,421</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, 2021 and 2020.

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Note 9—Fair value of financial instruments (continued)

There have been no changes in the methodologies used as of December 31, 2021 and 2020.

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:

	2021		
	Level 1	Level 2	Total
Investments:			
Exchange-traded corporate bond funds	\$ 2,312,058	\$ -	\$ 2,312,058
Money market funds	435,472	-	435,472
Collateralized mortgage obligations	-	23	23
Mutual funds	8,080,529	-	8,080,529
	<u>10,828,059</u>	<u>23</u>	<u>10,828,082</u>
Deferred compensation investments:			
Cash and cash equivalents	96,557	-	96,557
Mutual fund - balance fund	527,057	-	527,057
	<u>623,614</u>	<u>-</u>	<u>623,614</u>
	<u>\$ 11,451,673</u>	<u>\$ 23</u>	<u>\$ 11,451,696</u>
2020			
	Level 1	Level 2	Total
Investments:			
Exchange-traded corporate bond funds	\$ 1,734,210	\$ -	\$ 1,734,210
Money market funds	213,435	-	213,435
Collateralized mortgage obligations	-	103	103
Mutual funds	8,840,263	-	8,840,263
	<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>

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.

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Note 9—Fair value of financial instruments (continued)

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, 2021, 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>2021</u>	<u>2020</u>
Note payable to bank due in monthly installments of \$18,186 including interest at 4.20% annum, through September 2025, secured by land and buildings with a depreciated cost of \$1,899,527 at December 31, 2021.	\$ 746,320	\$ 928,548
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 \$10,082,181 at December 31, 2021.	6,052,590	6,529,700
Note payable to bank due in monthly installments of \$12,832 including interest at 4.65% per annum, through November 2028, collateralized by land and buildings with a depreciated cost of \$1,692,562 at December 31, 2021.	906,876	1,015,326
Note payable to bank due in monthly installments of \$57,441 including interest at a variable rate of LIBOR plus 1.8% (0.11% at December 31, 2021) 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 \$14,138,706 at December 31, 2021. This note is senior to the four subordinated notes described below that carry the same collateral.	6,171,035	6,566,214
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 \$14,138,706 at December 31, 2021.	<u>5,000,000</u>	<u>5,000,000</u>
Balance to carry forward	<u>18,876,821</u>	<u>20,039,788</u>

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

	<u>2021</u>	<u>2020</u>
Balance carried forward	\$ 18,876,821	\$ 20,039,788
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 \$14,138,706 at December 31, 2021.	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% (0.11% at December 31, 2021) 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 \$14,138,706 at December 31, 2021.	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 \$14,138,706 at December 31, 2021.	1,593,000	1,593,000
	25,876,821	27,039,788
Less deferred loan costs	(556,059)	(597,499)
	25,320,762	26,442,289
Less current maturities	(6,906,764)	(1,313,589)
	<u>\$ 18,413,998</u>	<u>\$ 25,128,700</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.

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

Interest expense on long-term debt was \$545,844 and \$831,970 for the years ended December 31, 2021 and 2020, 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:

<u>Years Ending December 31,</u>	
2022	\$ 6,906,764
2023	876,955
2024	899,845
2025	852,441
2026	3,379,498
Thereafter	12,961,318
	<u>\$ 25,876,821</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>2021</u>	<u>2020</u>
Property under capital lease	\$ 174,090	\$ 174,090
Less accumulated amortization	(74,185)	(38,685)
Property under capital lease, net	<u>\$ 99,905</u>	<u>\$ 135,405</u>

The following is a schedule of future minimum lease payments:

<u>Years Ending December 31,</u>	
2022	\$ 35,844
2023	33,004
2024	30,020
Total minimum lease payments	98,868
Less current portion	(35,844)
Noncurrent portion	<u>\$ 63,024</u>

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.

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Note 12—Employee retirement plans (continued)

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 \$475,000 and \$400,000 for the years ended December 31, 2021 and 2020, 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 \$4,027,878 and \$3,730,779, respectively, for the year ended December 31, 2021 and \$3,398,111 and \$3,102,494, respectively, for the year ended December 31, 2020.

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

<u>Years Ending December 31,</u>	
2022	\$ 3,394,174
2023	3,202,898
2024	2,939,717
2025	2,451,674
2026	2,257,756
Thereafter	8,133,726
Total minimum lease payments	<u><u>\$ 22,379,945</u></u>

Note 14—Net assets with donor restrictions

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

	<u>2021</u>	<u>2020</u>
Digital literacy	<u>\$ 340,867</u>	<u>\$ 691,376</u>

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>2021</u>	<u>2020</u>
Digital literacy	<u>\$ 350,509</u>	<u>\$ 409,183</u>

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

DECEMBER 31, 2021 AND 2020

Note 15—Retail program revenue and donated goods

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

	2021	2020
Store sales	\$ 55,443,500	\$ 39,567,054
Salvage sales	4,727,498	2,380,945
Inventory adjustment	523,118	332,517
	<u>60,694,116</u>	<u>42,280,516</u>
Less contributions - donated goods (net retail revenue)	<u>(18,413,979)</u>	<u>(6,218,663)</u>
Retail program	<u>\$ 42,280,137</u>	<u>\$ 36,061,853</u>

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

	2020	2019
Store sales	\$ 55,443,500	\$ 39,567,054
Environmental enterprises	1,981,918	1,440,497
Salvage sales	4,727,498	2,380,945
Inventory adjustment	523,118	332,517
	<u>62,676,034</u>	<u>43,721,013</u>
Less cost of retail program	<u>(44,262,055)</u>	<u>(37,502,350)</u>
Contributions - donated goods (net retail revenue)	<u>\$ 18,413,979</u>	<u>\$ 6,218,663</u>

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

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 \$45,808 and \$26,000 as of December 31, 2021 and 2020, respectively.

During 2021, the Goodwill Industries of the Southern Piedmont, Inc. Foundation (the "Foundation"), a financially interrelated organization that is not controlled by Goodwill, was formed. The Foundation is a not-for-profit corporation organized to operate exclusively for charitable purposes for the benefit of, to perform the functions of or to carry out the purposes of Goodwill. The Foundation's bylaws state that its specific purpose is to provide financial support to the missions of Goodwill Industries of the Southern Piedmont, Inc. The Foundation's net assets, results of its operations and changes in its net assets are not included in Goodwill's consolidated financial statements.

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

DECEMBER 31, 2021 AND 2020

Note 16—Related parties (continued)

A summary of the Foundation's financial position and changes in unrestricted net assets as of December 31, 2021 is as follows:

ASSETS

Investments	<u>\$ 12,307,183</u>
Total Assets	<u><u>\$ 12,307,183</u></u>

LIABILITIES AND NET ASSETS

Net assets without donor restrictions	<u>\$ 12,307,183</u>
Total Liabilities and Net Assets	<u><u>\$ 12,307,183</u></u>

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue and Support Without Donor Restrictions:

Contributions from Goodwill Industries of the Southern Piedmont, Inc.	\$ 12,300,000
Investment return, net	<u>7,183</u>
Total Revenue and Support Without Donor Restrictions	<u>12,307,183</u>

Change in net assets without donor restrictions	12,307,183
Net assets without donor restrictions, at inception	<u>-</u>
Net assets without donor restrictions, end of period	<u><u>\$ 12,307,183</u></u>

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.

Note 18—Subsequent events

The entity evaluated subsequent events through May 2, 2022, the date which the financial statements were available to be issued.

ACCOMPANYING INFORMATION

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

DECEMBER 31, 2021

	Goodwill Industries of the Southern Piedmont, Inc.	Goodwill Opportunity Campus LLC	Eliminations	Consolidated Totals
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 13,701,762	\$ 1,247,878	\$ -	\$ 14,949,640
Accounts receivable and unreimbursed costs, net	2,789,154	7,093,575	(6,564,483)	3,318,246
Contributions receivable, net (Note 3)	60,428	-	-	60,428
Prepaid expenses	1,231,048	-	-	1,231,048
Inventory (Note 4)	5,198,475	-	-	5,198,475
Investments (Notes 5 and 9)	10,828,082	-	-	10,828,082
Total Current Assets	33,808,949	8,341,453	(6,564,483)	35,585,919
Note receivable (Note 6)	5,000,000	-	-	5,000,000
Land, buildings, and equipment, net (Note 7)	20,799,572	14,495,769	-	35,295,341
Long-term contributions receivable, net (Note 3)	24,089	-	-	24,089
Investment in Goodwill Opportunity Campus, LLC	1,925,911	-	(1,925,911)	-
Deferred compensation investments (Notes 8 and 9)	623,614	-	-	623,614
Other noncurrent assets	38,856	6,414	-	45,270
Total Assets	\$ 62,220,991	\$ 22,843,636	\$ (8,490,394)	\$ 76,574,233
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of long-term debt (Note 10)	\$ 6,391,878	\$ 514,886	\$ -	\$ 6,906,764
Current portion of long-term capital lease obligations (Note 11)	35,844	-	-	35,844
Accounts payable	8,698,715	41,981	(6,564,483)	2,176,213
Accrued liabilities	4,372,672	-	-	4,372,672
Total Current Liabilities	19,499,109	556,867	(6,564,483)	13,491,493
Deferred compensation	662,926	-	-	662,926
Long-term debt, less current portion (Note 10)	1,271,908	17,142,090	-	18,413,998
Capital lease obligations, less current portion (Note 11)	63,024	-	-	63,024
Total Liabilities	21,496,967	17,698,957	(6,564,483)	32,631,441
Net Assets:				
Without donor restrictions	40,383,157	5,144,679	(1,925,911)	43,601,925
With donor restrictions (Note 14)	340,867	-	-	340,867
Total Net Assets	40,724,024	5,144,679	(1,925,911)	43,942,792
Total Liabilities and Net Assets	\$ 62,220,991	\$ 22,843,636	\$ (8,490,394)	\$ 76,574,233

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

YEAR ENDED DECEMBER 31, 2021

	Goodwill Industries of the Southern Piedmont, Inc.	Goodwill Opportunity Campus LLC	Eliminations	Consolidated Totals
Revenues, Gains, and Other Support:				
Retail program (Note 15)	\$ 42,280,137	\$ -	\$ -	\$ 42,280,137
Government service fees and grants	23,740	-	-	23,740
Program service fees and grants	736,116	-	-	736,116
GoodWork staffing	6,588,698	-	-	6,588,698
Food services	10,830	-	-	10,830
Environmental enterprises (Note 15)	1,981,918	-	-	1,981,918
Cars for work program	240,786	-	-	240,786
Contributions - donated goods (Note 15)	18,413,979	-	-	18,413,979
Contributions - United Way	85,150	-	-	85,150
Contributions - other	10,754,020	-	-	10,754,020
Other income	983,226	3,222,566	(3,132,000)	1,073,792
Investment return (Note 5)	131,251	-	-	131,251
Total Revenues, Gains, and Other Support	<u>82,229,851</u>	<u>3,222,566</u>	<u>(3,132,000)</u>	<u>82,320,417</u>
Expenses:				
Program Services:				
Career development services	1,053,995	14,574	-	1,068,569
Occupational skills and job training support	5,294,416	515,532	-	5,809,948
Employment services	7,067,160	37,636	-	7,104,796
Retail program (Note 15)	45,767,647	1,626,408	(3,132,000)	44,262,055
Total Program Services	<u>59,183,218</u>	<u>2,194,150</u>	<u>(3,132,000)</u>	<u>58,245,368</u>
Supporting Services:				
Management and general	7,232,248	52,385	-	7,284,633
Fundraising	476,215	2,715	-	478,930
Total Supporting Services	<u>7,708,463</u>	<u>55,100</u>	<u>-</u>	<u>7,763,563</u>
Total Expenses	<u>66,891,681</u>	<u>2,249,250</u>	<u>(3,132,000)</u>	<u>66,008,931</u>
Change in net assets before nonoperating changes	<u>15,338,170</u>	<u>973,316</u>	<u>-</u>	<u>16,311,486</u>
Nonoperating Changes:				
Transfer to Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	<u>(12,300,000)</u>	<u>-</u>	<u>-</u>	<u>(12,300,000)</u>
Change in net assets	3,038,170	973,316	-	4,011,486
Net assets, beginning of year	<u>37,685,854</u>	<u>4,171,363</u>	<u>(1,925,911)</u>	<u>39,931,306</u>
Net assets, end of year	<u>\$ 40,724,024</u>	<u>\$ 5,144,679</u>	<u>\$ (1,925,911)</u>	<u>\$ 43,942,792</u>

GOODWILL INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY CONSOLIDATING SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	Goodwill Industries of the Southern Piedmont, Inc.	Goodwill Opportunity Campus LLC	Eliminations	Consolidated Totals
Cash flows from operating activities:				
Change in net assets	\$ 3,038,170	\$ 973,316	\$ -	\$ 4,011,486
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	1,726,184	1,022,098	-	2,748,282
Amortization of debt issuance costs	21,961	19,479	-	41,440
Net unrealized and realized losses on investments	305,891	-	-	305,891
(Increase) decrease in:				
Inventory	(531,510)	-	-	(531,510)
Accounts receivable and unreimbursed costs	(680,490)	(1,772,255)	2,503,558	50,813
Contributions receivable	293,326	-	-	293,326
Prepaid expenses	(123,983)	-	-	(123,983)
Deferred compensation investments	28,807	-	-	28,807
Other noncurrent assets	2,180	(2,180)	-	-
Increase (decrease) in:				
Accounts payable	1,758,456	(218,657)	(2,503,558)	(963,759)
Accrued liabilities	275,651	-	-	275,651
Deferred revenue	(366,698)	-	-	(366,698)
Deferred compensation	(21,634)	-	-	(21,634)
Net cash flows from operating activities	<u>5,726,311</u>	<u>21,801</u>	<u>-</u>	<u>5,748,112</u>
Cash flows from investing activities:				
Purchase of land, buildings, and equipment	(1,142,421)	(4,999)	-	(1,147,420)
Purchases of investments	(12,994,047)	-	-	(12,994,047)
Proceeds from sales of investments	12,648,085	-	-	12,648,085
Net cash flows from investing activities	<u>(1,488,383)</u>	<u>(4,999)</u>	<u>-</u>	<u>(1,493,382)</u>
Cash flows from financing activities:				
Payments on long-term debt	(767,787)	(395,179)	-	(1,162,966)
Payments on capital lease obligation	(35,844)	-	-	(35,844)
Net cash flows from financing activities	<u>(803,631)</u>	<u>(395,179)</u>	<u>-</u>	<u>(1,198,810)</u>
Net change in cash and cash equivalents	3,434,297	(378,377)	-	3,055,920
Cash and cash equivalents, beginning of year	10,267,465	1,626,255	-	11,893,720
Cash and cash equivalents, end of year	<u>\$ 13,701,762</u>	<u>\$ 1,247,878</u>	<u>\$ -</u>	<u>\$ 14,949,640</u>
Supplemental disclosure of cash flow information:				
Cash paid for interest	<u>\$ 255,888</u>	<u>\$ 291,059</u>	<u>\$ -</u>	<u>\$ 546,947</u>