

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

CONSOLIDATED FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION

*As of and for the Years Ended December 31, 2023 and 2022*

*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

### Opinion

We have audited the accompanying consolidated financial statements of Goodwill Industries of the Southern Piedmont, Inc. and Subsidiary (collectively "Goodwill") which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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.

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, 2023 and 2022, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Goodwill and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Accompanying Information**

Our audits were 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  
June 10, 2024

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

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 10,160,377	\$ 16,708,367
Accounts receivable and unreimbursed costs, net	4,787,430	3,189,351
Contributions receivable, net (Note 4)	40,251	61,733
Prepaid expenses	1,723,438	1,516,792
Inventory (Note 5)	6,589,846	6,008,817
Investments (Notes 6 and 10)	10,382,242	9,391,231
<b>Total Current Assets</b>	<u>33,683,584</u>	<u>36,876,291</u>
Land, buildings, and equipment, net (Note 8)	41,322,568	38,940,312
Operating right-of-use assets (Note 13)	39,328,868	36,065,555
Long-term contributions receivable, net (Note 4)	-	20,450
Deferred compensation investments (Notes 9 and 10)	575,715	518,392
Other noncurrent assets	90,253	84,478
<b>Total Assets</b>	<u>\$ 115,000,988</u>	<u>\$ 112,505,478</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 4,404,001	\$ 2,610,907
Contributions payable	-	1,000,000
Accrued liabilities	4,062,885	4,558,713
Current portion of long-term debt (Note 11)	853,379	817,683
Current portion of finance lease liabilities (Note 13)	280,557	275,531
Current portion of operating lease liabilities (Note 13)	3,419,354	3,366,649
<b>Total Current Liabilities</b>	<u>13,020,176</u>	<u>12,629,483</u>
Deferred compensation	629,054	571,050
Long-term debt, less current portion (Note 11)	15,508,623	16,345,127
Finance lease liabilities, less current portion (Note 13)	714,367	1,000,130
Operating lease liabilities, less current portion (Note 13)	36,193,451	32,807,071
<b>Total Liabilities</b>	<u>66,065,671</u>	<u>63,352,861</u>
Net Assets:		
Without donor restrictions	48,935,317	49,102,617
With donor restrictions (Note 14)	-	50,000
<b>Total Net Assets</b>	<u>48,935,317</u>	<u>49,152,617</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 115,000,988</u>	<u>\$ 112,505,478</u>

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 STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:						
Retail program (Note 15)	\$ 63,175,687	\$ -	\$ 63,175,687	\$ 53,345,867	\$ -	\$ 53,345,867
Government service fees and grants	-	-	-	79,631	-	79,631
Other service fees and grants	576,156	-	576,156	1,036,540	-	1,036,540
GoodWork staffing	6,464,067	-	6,464,067	7,097,493	-	7,097,493
Food services	80,581	-	80,581	36,381	-	36,381
Environmental enterprises (Note 15)	35,769	-	35,769	1,971,959	-	1,971,959
Cars for work program (Note 2)	156,306	-	156,306	146,783	-	146,783
Contributions - donated goods (Note 2 and 15)	13,039,784	-	13,039,784	15,338,757	-	15,338,757
Contributions - other	663,963	117,870	781,833	615,311	50,000	665,311
Other income	527,177	-	527,177	709,260	-	709,260
Investment return, net (Note 6)	1,097,832	-	1,097,832	(1,360,909)	-	(1,360,909)
Release from restriction	167,870	(167,870)	-	340,867	(340,867)	-
Total Revenues, Gains, and Other Support	85,985,192	(50,000)	85,935,192	79,357,940	(290,867)	79,067,073
Expenses:						
Program Services:						
Career development services	3,623,811	-	3,623,811	1,515,302	-	1,515,302
Occupational skills and job training support	5,405,216	-	5,405,216	6,504,959	-	6,504,959
Employment services	6,890,604	-	6,890,604	7,585,451	-	7,585,451
Retail program (Note 15)	63,292,037	-	63,292,037	55,317,826	-	55,317,826
Total Program Services	79,211,668	-	79,211,668	70,923,538	-	70,923,538
Supporting Services:						
Management and general	9,551,552	-	9,551,552	8,537,144	-	8,537,144
Fundraising	389,272	-	389,272	489,566	-	489,566
Total Supporting Services	9,940,824	-	9,940,824	9,026,710	-	9,026,710
Total Expenses	89,152,492	-	89,152,492	79,950,248	-	79,950,248
Change in net assets before nonoperating changes	(3,167,300)	(50,000)	(3,217,300)	(592,308)	(290,867)	(883,175)
Nonoperating Changes:						
Gain on forgiveness of debt	-	-	-	3,593,000	-	3,593,000
Transfer from Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	3,000,000	-	3,000,000	3,500,000	-	3,500,000
Transfer to Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	-	-	-	(1,000,000)	-	(1,000,000)
Total Nonoperating Changes	3,000,000	-	3,000,000	6,093,000	-	6,093,000
Change in net assets	(167,300)	(50,000)	(217,300)	5,500,692	(290,867)	5,209,825
Net assets, beginning of year	49,102,617	50,000	49,152,617	43,601,925	340,867	43,942,792
Net assets, end of year	\$ 48,935,317	\$ -	\$ 48,935,317	\$ 49,102,617	\$ 50,000	\$ 49,152,617

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, 2023

	<b>Program Services</b>				<b>Total Program Services</b>
	<b>Training/Job Support</b>		<b>Work Opportunities</b>		
	<b>Career Development Services</b>	<b>Occupational Skills and Job Training Support</b>	<b>Employment Services</b>	<b>Retail Program "Retail"</b>	
Expenses:					
Salaries and wages	\$ 2,339,760	\$ 2,950,040	\$ 5,683,105	\$ 33,112,802	\$ 44,085,707
Employee benefits	332,815	332,241	126,946	3,757,299	4,549,301
Payroll taxes	216,086	270,255	687,686	3,174,923	4,348,950
Total Salaries and Related Expenses	2,888,661	3,552,536	6,497,737	40,045,024	52,983,958
Professional fees and contract services	286,856	1,006,129	183,114	2,869,989	4,346,088
Staff training and development	9,347	28,004	6,807	16,885	61,043
Supplies	39,656	113,166	13,774	3,655,791	3,822,387
Telephone	55,120	48,855	14,613	289,927	408,515
Postage and shipping	273	555	386	1,433,473	1,434,687
Occupancy	195,536	236,098	40,352	10,440,131	10,912,117
Rental and maintenance of equipment	2,187	9,726	301	593,359	605,573
Printing and publications	21,622	51,329	61,423	529,754	664,128
Travel and transportation	25,336	21,437	45,023	721,474	813,270
Conferences, conventions, and meetings	8,374	39,972	6,526	116,980	171,852
Special assistance to individuals and organizations	3,020	2,955	100	1,438	7,513
Membership dues and support	3,512	5,275	2,690	35,279	46,756
Awards and grants	3,589	4,497	1,835	39,385	49,306
Miscellaneous expenses	-	-	-	164,428	164,428
Depreciation and amortization	80,722	284,682	15,923	2,338,720	2,720,047
Total Expenses	<u>\$ 3,623,811</u>	<u>\$ 5,405,216</u>	<u>\$ 6,890,604</u>	<u>\$ 63,292,037</u>	<u>\$ 79,211,668</u>

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 (CONTINUED)**

YEAR ENDED DECEMBER 31, 2023

	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses 2023</u>
	<u>Management and General</u>	<u>Fundraising</u>		
Expenses:				
Salaries and wages	\$ 5,395,522	\$ 161,937	\$ 5,557,459	\$ 49,643,166
Employee benefits	375,892	22,002	397,894	4,947,195
Payroll taxes	438,235	15,779	454,014	4,802,964
Total Salaries and Related Expenses	6,209,649	199,718	6,409,367	59,393,325
Professional fees and contract services	1,382,857	40,900	1,423,757	5,769,845
Staff training and development	59,353	932	60,285	121,328
Supplies	128,139	13,414	141,553	3,963,940
Telephone	33,687	744	34,431	442,946
Postage and shipping	4,425	28	4,453	1,439,140
Occupancy	646,093	6,290	652,383	11,564,500
Rental and maintenance of equipment	3,654	27	3,681	609,254
Printing and publications	74,540	10,006	84,546	748,674
Travel and transportation	73,540	691	74,231	887,501
Conferences, conventions, and meetings	70,285	100,789	171,074	342,926
Special assistance to individuals and organizations	162	13	175	7,688
Membership dues and support	195,284	1,079	196,363	243,119
Awards and grants	153,384	2,036	155,420	204,726
Miscellaneous expenses	41,498	8,327	49,825	214,253
Depreciation and amortization	475,002	4,278	479,280	3,199,327
Total Expenses	<u>\$ 9,551,552</u>	<u>\$ 389,272</u>	<u>\$ 9,940,824</u>	<u>\$ 89,152,492</u>

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, 2022

	Program Services				Total Program Services
	Training/ Job Support		Work Opportunities		
	Career Development Services	Occupational Skills and Job Training Support	Employment Services	Retail Program "Retail"	
Expenses:					
Salaries and wages	\$ 1,009,602	\$ 3,508,923	\$ 6,282,147	\$ 28,253,325	\$ 39,053,997
Employee benefits	126,765	370,489	69,745	2,957,491	3,524,490
Payroll taxes	89,235	315,127	724,006	2,778,629	3,906,997
Total Salaries and Related Expenses	1,225,602	4,194,539	7,075,898	33,989,445	46,485,484
Professional fees and contract services	102,260	761,583	242,392	2,497,753	3,603,988
Staff training and development	745	29,071	1,795	2,267	33,878
Supplies	31,105	188,223	17,100	4,076,031	4,312,459
Telephone	19,430	66,954	14,429	257,682	358,495
Postage and shipping	94	656	122	1,270,445	1,271,317
Occupancy	52,928	639,759	57,927	8,783,258	9,533,872
Rental and maintenance of equipment	5,770	6,142	1,797	564,986	578,695
Printing and publications	7,159	34,268	57,274	538,377	637,078
Travel and transportation	12,719	27,673	37,889	719,237	797,518
Conferences, conventions, and meetings	2,042	32,384	4,666	120,329	159,421
Special assistance to individuals and organizations	473	5	2	751	1,231
Membership dues and support	589	4,707	1,199	9,338	15,833
Awards and grants	4,090	5,581	3,517	37,072	50,260
Miscellaneous expenses	722	2,854	17,245	19,911	40,732
Depreciation and amortization	49,574	510,560	52,199	2,430,944	3,043,277
Total Expenses	\$ 1,515,302	\$ 6,504,959	\$ 7,585,451	\$ 55,317,826	\$ 70,923,538

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 (CONTINUED)**

YEAR ENDED DECEMBER 31, 2022

	<b>Supporting Services</b>		<b>Total Supporting Services</b>	<b>Total Expenses 2022</b>
	<b>Management and General</b>	<b>Fundraising</b>		
Expenses:				
Salaries and wages	\$ 5,229,138	\$ 278,962	\$ 5,508,100	\$ 44,562,097
Employee benefits	378,096	36,081	414,177	3,938,667
Payroll taxes	382,042	25,310	407,352	4,314,349
Total Salaries and Related Expenses	5,989,276	340,353	6,329,629	52,815,113
Professional fees and contract services	1,310,102	61,928	1,372,030	4,976,018
Staff training and development	81,342	2,607	83,949	117,827
Supplies	96,055	15,396	111,451	4,423,910
Telephone	23,966	1,268	25,234	383,729
Postage and shipping	4,597	13	4,610	1,275,927
Occupancy	303,393	17,496	320,889	9,854,761
Rental and maintenance of equipment	4,108	88	4,196	582,891
Printing and publications	63,494	15,929	79,423	716,501
Travel and transportation	42,696	1,281	43,977	841,495
Conferences, conventions, and meetings	77,633	6,123	83,756	243,177
Special assistance to individuals and organizations	7	-	7	1,238
Membership dues and support	202,152	4	202,156	217,989
Awards and grants	43,359	4,624	47,983	98,243
Miscellaneous expenses	2,942	8,212	11,154	51,886
Depreciation and amortization	292,022	14,244	306,266	3,349,543
Total Expenses	<u>\$ 8,537,144</u>	<u>\$ 489,566</u>	<u>\$ 9,026,710</u>	<u>\$ 79,950,248</u>

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 STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (217,300)	\$ 5,209,825
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	3,185,556	2,899,753
Amortization of debt issuance costs	13,771	449,790
Noncash lease expense	175,772	108,165
Loss on disposal of land, buildings, and equipment	-	63,716
Net unrealized and realized (gains) losses on investments	(600,272)	1,763,091
Gain on forgiveness of debt	-	(3,593,000)
Change in:		
Accounts receivable and unreimbursed costs	(1,598,079)	128,895
Contributions receivable	41,932	2,334
Prepaid expenses	(206,646)	(285,744)
Inventory	(581,029)	(810,342)
Deferred compensation investments	(57,323)	105,222
Other noncurrent assets	(5,775)	(39,208)
Accounts payable	1,793,094	437,194
Contributions payable	(1,000,000)	1,000,000
Accrued liabilities	(495,828)	186,041
Deferred compensation	58,004	(91,876)
Net cash flows from operating activities	<u>505,877</u>	<u>7,533,856</u>
<b>Cash flows from investing activities:</b>		
Purchase of land, buildings, and equipment	(5,567,812)	(7,165,051)
Purchases of investments	(550,095)	(12,994,047)
Proceeds from sales of investments	159,356	12,667,807
Proceeds from sale of land, buildings, and equipment	-	554,111
Net cash flows from investing activities	<u>(5,958,551)</u>	<u>(6,937,180)</u>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(814,579)	(14,742)
Principal payments on finance lease liabilities	(280,737)	1,176,793
Net cash flows from financing activities	<u>(1,095,316)</u>	<u>1,162,051</u>
Net change in cash and cash equivalents	(6,547,990)	1,758,727
Cash and cash equivalents, beginning of year	16,708,367	14,949,640
Cash and cash equivalents, end of year	<u>\$ 10,160,377</u>	<u>\$ 16,708,367</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 696,257</u>	<u>\$ 512,962</u>
<b>Supplemental noncash financing activity:</b>		
Right-of-use asset obtained in exchange for operating lease liabilities	<u>\$ 9,334,486</u>	<u>\$ -</u>
Note receivable written-off during the fiscal year	<u>\$ -</u>	<u>5,000,000</u>
Debt forgiven during the fiscal year	<u>\$ -</u>	<u>8,593,000</u>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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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.

*Principles of Combination* – The accompanying combined financial statements include the accounts of the Goodwill Industries of the Southern Piedmont, inc. and its subsidiary, Goodwill Opportunity Campus LLC. Significant affiliated transactions and balances are eliminated when the separate financial statements are combined.

*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 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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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 of North Carolina.

*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 72% and 50% of the gross contributions receivable as of December 31, 2023 and 2022, respectively, summarized in Note 4.

Credit risk for accounts receivable is concentrated as well because substantially all 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 credit losses of \$203,482 and \$120,152 as of December 31, 2023 and 2022, respectively.

*Credit Losses* – Provisions for credit losses that are estimated through Goodwill's prescribed method of estimating losses are recorded against earnings through a corresponding entry to an allowance for credit losses. Financial assets are presented net of the allowance for credit losses. Any recoveries of amounts previously estimated as a credit loss are recorded against the allowance for credit losses. Scheduled payments which are not made by customers within eight months are considered past due.

In accordance with ASC 326, *Financial Instruments - Credit Losses*, Goodwill estimates the allowance for credit losses using relevant available information about expected credit losses and the loss rate method. Inputs to the model include information about historic credit losses, customer attributes, past events, current conditions, and reasonable and supportable forecasts. Adjustments to historical loss information are made for differences in current receivable-specific risk characteristics such as changes in the economy and demand trends, or other relevant factors. Financial assets measured at amortized cost primarily consist of trade receivables.

Goodwill's financial assets were assessed for expected credit losses utilizing risk pools based on customer type. Types of customers that are pooled together share similar risk characteristics and take into credit quality indicators such as account payment history, risk profile, financial health and other publicly available information as of December 31, 2023.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

Goodwill charges off previously reserved financial assets when the asset is no longer considered to be collectible by adjusting the allowance for credit losses with a corresponding entry to derecognize the financial asset by the amount deemed to be uncollectible.

Changes in the allowance for credit losses for the year ended December 31, 2023 was as follows:

Balance, December 31, 2022	\$ 120,152
Impact of the adoption of the new credit loss standard	27,376
Provisions	109,320
Write-offs, net of recoveries	<u>(53,366)</u>
Balance, December 31, 2023	<u>\$ 203,482</u>

The assessment of the correlation between historical losses, current conditions, and forecasted economic conditions requires judgment. Alternative interpretations of these factors could have resulted in different conclusions regarding the allowance for credit losses. The amount of credit loss is sensitive to changes in circumstances and forecasted economic conditions. Goodwill's historical credit loss experience, current conditions, and forecast of economic conditions may also not be representative of the customers' actual default experience in the future.

*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.

*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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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

*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 \$748,674 and \$716,500 for the years ended December 31, 2023 and 2022, 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 \$389,272 and \$489,566 for the years ended December 31, 2023 and 2022, 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.

*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.

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

DECEMBER 31, 2023 AND 2022

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

*Change in Accounting Principle* – In June 2016, FASB issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses* (“ASU 326”) to replace the incurred loss impairment methodology. The current expected credit losses model requires an entity to measure credit losses using historical information, current information, and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under previous U.S. GAAP. We adopted the standard effective January 1, 2023. The adoption of this guidance did not have a material impact on the financial statements.

**Note 2—Contributions of nonfinancial assets**

For the years ended December 31, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	<u>2023</u>	<u>2022</u>
Contributed nonfinancial assets:		
Donated goods	\$ 13,039,784	\$ 15,338,757
Cars for work program	156,306	146,783
Total contributed nonfinancial assets	<u>\$ 13,196,090</u>	<u>\$ 15,485,540</u>

*Donated Goods* – Goodwill receives a variety of clothing, furniture, electronics and other household goods to be sold at its retail locations, online or through salvage sales. Donated goods are not accepted with any explicit donor restrictions. The proceeds from the sale of donated goods are used for both program services and supporting services. Goodwill recognizes the fair value of donated goods based on the retail sales price less the cost of the retail program as further described in Note 15.

*Cars for Work* – Goodwill receives proceeds from donated vehicles that are received and sold through a third party service and sold at fair value to unrelated third parties. The proceeds are generally received without donor restrictions and used at the discretion of Goodwill.

**Note 3—Liquidity and availability of resources**

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

	<u>2023</u>	<u>2022</u>
Short-term financial assets at year-end:		
Cash and cash equivalents	\$ 10,160,377	\$ 16,708,367
Accounts receivable and unreimbursed costs, net	4,787,430	3,189,351
Contributions receivable, net	40,251	61,733
Investments	<u>10,382,242</u>	<u>9,391,231</u>
Total short-term financial assets	25,370,300	29,350,682
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restriction	<u>-</u>	<u>50,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 25,370,300</u>	<u>\$ 29,300,682</u>



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

DECEMBER 31, 2023 AND 2022

**Note 3—Liquidity and availability of resources (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 4—Contributions receivable**

As of December 31, 2023 and 2022, contributions receivable relate primarily to the capital campaign for Digital Literacy. Contributions receivable are discounted at rates ranging from 21.29% to 25.07%. At December 31, contributions receivable are expected to be realized in the following periods:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 51,705	\$ 61,733
One to three years	-	37,064
Less discount to present value	(8,405)	(10,296)
Less allowance for doubtful contributions receivable	<u>(3,049)</u>	<u>(6,318)</u>
	40,251	82,183
Less current portion, net	<u>40,251</u>	<u>61,733</u>
Noncurrent portion, net	<u>\$ -</u>	<u>\$ 20,450</u>

**Note 5—Inventory**

Inventory at December 31 is comprised of the following:

	<u>2023</u>	<u>2022</u>
Donated goods	<u>\$ 6,589,846</u>	<u>\$ 6,008,817</u>

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

DECEMBER 31, 2023 AND 2022

**Note 6—Investments**

Investments at December 31 are as follows:

	<b>2023</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gains (Losses)</b>
Exchange-traded corporate bond funds	\$ 2,483,201	\$ 2,400,402	\$ (82,799)
Money market funds	338,492	338,492	-
Mutual funds	8,580,568	7,643,348	(937,220)
	<u>\$ 11,402,261</u>	<u>\$ 10,382,242</u>	<u>\$ (1,020,019)</u>
	<b>2022</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gains (Losses)</b>
Exchange-traded corporate bond funds	\$ 2,424,795	\$ 2,088,073	\$ (336,722)
Money market funds	96,951	96,951	-
Mutual funds	8,548,602	7,206,207	(1,342,395)
	<u>\$ 11,070,348</u>	<u>\$ 9,391,231</u>	<u>\$ (1,679,117)</u>

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

	<b>2023</b>	<b>2022</b>
Interest and dividends	\$ 579,442	\$ 439,240
Realized losses on sales of investments	(41,321)	(75,070)
Unrealized gains (losses) on investments	641,593	(1,688,021)
Investment fees	(81,882)	(37,058)
	<u>\$ 1,097,832</u>	<u>\$ (1,360,909)</u>

**Note 7—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. Pursuant to the forgiveness of the notes payable further described in Note 11, the note receivable was also forgiven as part of the new market tax credit project and has been reflected as a realized loss on forgiveness on the consolidated statement of activities for the year ended December 31, 2022.

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

DECEMBER 31, 2023 AND 2022

**Note 8—Land, buildings, and equipment**

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

	<u>2023</u>	<u>2022</u>
Land	11,214,138	\$ 11,214,138
Land improvements	2,576,684	2,576,684
Buildings	33,935,473	32,562,386
Furniture, fixtures, and software	23,790,734	22,197,111
Leasehold improvements	6,467,355	4,937,796
Financing lease right-to-use assets	174,090	174,090
Construction in progress	1,668,637	597,095
	<u>79,827,111</u>	<u>74,259,300</u>
Less accumulated depreciation and amortization	<u>(38,504,543)</u>	<u>(35,318,988)</u>
	<u>\$ 41,322,568</u>	<u>\$ 38,940,312</u>

Depreciation and amortization expense of \$3,093,058 and \$2,899,753 for the years ended December 31, 2023 and 2022, respectively, is allocated among the various program and supporting services expenses in the accompanying consolidated statements of functional expenses.

**Note 9—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 \$53,336 and \$52,658 for the years ended December 31, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 21,446	\$ 18,475
Mutual funds	554,269	499,917
	<u>\$ 575,715</u>	<u>\$ 518,392</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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### Note 10—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, 2023 and 2022.

There have been no changes in the methodologies used as of December 31, 2023 and 2022.

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.

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

DECEMBER 31, 2023 AND 2022

**Note 10—Fair value of financial instruments (continued)**

The following table sets forth by level, within the fair value hierarchy, Goodwill's assets at fair value as of December 31, 2023:

	<b>2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments:			
Exchange-traded corporate bond funds	\$ 2,400,402	\$ -	\$ 2,400,402
Money market funds	338,492	-	338,492
Mutual funds	7,643,348	-	7,643,348
	<u>10,382,242</u>	<u>-</u>	<u>10,382,242</u>
Deferred compensation investments:			
Cash and cash equivalents	21,446	-	21,446
Mutual fund - balance fund	554,269	-	554,269
	<u>575,715</u>	<u>-</u>	<u>575,715</u>
	<u>\$ 10,957,957</u>	<u>\$ -</u>	<u>\$ 10,957,957</u>

The following table sets forth by level, within the fair value hierarchy, Goodwill's assets at fair value as of December 31, 2022:

	<b>2022</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Investments:			
Exchange-traded corporate bond funds	\$ 2,088,073	\$ -	\$ 2,088,073
Money market funds	96,951	-	96,951
Mutual funds	7,206,207	-	7,206,207
	<u>\$ 9,391,231</u>	<u>\$ -</u>	<u>\$ 9,391,231</u>
Deferred compensation investments:			
Cash and cash equivalents	\$ 18,475	\$ -	\$ 18,475
Mutual fund - balance fund	499,917	-	499,917
	<u>518,392</u>	<u>-</u>	<u>518,392</u>
	<u>\$ 9,909,623</u>	<u>\$ -</u>	<u>\$ 9,909,623</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.

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, 2023, there were no significant transfers in or out of Levels 1 or 2.

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

DECEMBER 31, 2023 AND 2022

**Note 11—Long-term debt and pledged assets**

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

	<u>2023</u>	<u>2022</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 \$1,863,160 at December 31, 2023.	\$ 357,778	\$ 556,177
Note payable to bank due in monthly installments of \$12,833 including interest at 4.65% per annum, through November 2028, collateralized by land and buildings with a depreciated cost of \$1,619,927 at December 31, 2023.	674,050	793,202
Note payable to bank; due in monthly payments at a fixed rate of 4.53% commencing on November 7, 2022 and continuing through October 7, 2032. At maturity, the remaining principal balance plus any unpaid interest will be due. Collateralized by GOC land and other assets with a depreciated cost of \$14,474,908 at December 31, 2023.	15,422,671	15,919,699
	16,454,499	17,269,078
Less deferred loan costs	<u>(92,497)</u>	<u>(106,268)</u>
	16,362,002	17,162,810
Less current maturities	<u>(853,379)</u>	<u>(817,683)</u>
	<u>\$ 15,508,623</u>	<u>\$ 16,345,127</u>

During the year ended December 31, 2022, Goodwill had note agreements for \$5,000,000, \$2,000,000, \$3,407,000, and \$1,593,000 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. In January 2022, the lenders executed the options described above and the notes were settled for \$1,000 each, plus any unpaid interest. The extinguishment of these notes are reflected as realized gain on forgiveness of debt on the consolidated statement of activities for the year ended December 31, 2022.

Interest expense on long-term debt was \$720,723 and \$547,127 for the years ended December 31, 2023 and 2022, 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,**

2024	\$ 853,379
2025	826,094
2026	709,017
2027	742,452
2028	754,303
Thereafter	12,569,254
	<u>\$ 16,454,499</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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### Note 12—Employee retirement plans

Goodwill sponsored 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.

Effective January 15, 2022 and most recently July 1, 2022, the plan was amended and restated to allow for employee elective deferrals, matching contributions and employer discretionary contributions. All employees except, collective bargaining employees, nonresident aliens, leased employees, independent contractors, and temporary employees are eligible to participate in the plan.

These employees are eligible for elective deferrals after 30 days of employment, matching contributions after six months of employment and employer discretionary contributions once they have worked at least 1,000 hours in two specified 12-month periods.

Upon meeting eligibility requirements, employees are automatically enrolled in the plan with a 2% deferral per pay period. Employees may choose a different deferral percentage, including zero, by completing an elective deferral agreement. These salary reduction contributions may not exceed 90%. These elective deferrals are also subject to the IRS maximum contribution limits.

The plan will make a matching contribution equal to 100% of the participant 401(k) elective deferral contributions which are not over 3% of the participant's pay, plus 50% of 401(k) elective deferral contributions which are over 3% of pay but are not over 5% of pay. The plan may make a discretionary employer contribution which will be determined by the plan Sponsor each year.

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—Lease liabilities

Goodwill leases certain equipment and retail store locations. Goodwill determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by Goodwill. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. In order to determine the present value of lease payments, Goodwill uses the implicit rate when it is readily determinable. As Goodwill's leases do not provide an implicit rate, management uses Goodwill's incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments.

Lease agreements do not contain any material residual value guarantee or material restrictive covenants. Goodwill does not have a lease where it is involved with the construction or design of an underlying asset. Goodwill has no material obligation for leases signed but not yet commenced as of December 31, 2023. Goodwill does not have any material sublease activities.

Goodwill elected the three transition practical expedients that permit an entity to: (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.

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

DECEMBER 31, 2023 AND 2022

**Note 13—Lease liabilities (continued)**

Goodwill has elected the practical expedient not to recognize leases with terms of 12 months or less on the balance sheet and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended December 31, 2023.

Goodwill has elected to account for lease and non-lease components as a single component.

Finance lease ROU assets of \$31,907 and \$64,406 are included in property and equipment, net as of December 31, 2023 and 2022, respectively.

Future minimum lease payments as of December 31, 2023 is as follows:

<u>Years Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 5,122,201	\$ 272,547
2025	4,442,478	242,527
2026	4,251,256	242,527
2027	4,229,049	238,030
2028	4,181,926	-
Thereafter	29,246,795	-
Total lease payments	<u>51,473,705</u>	<u>995,631</u>
Less interest	<u>(11,860,900)</u>	<u>(707)</u>
Present value of lease liabilities	<u>\$ 39,612,805</u>	<u>\$ 994,924</u>

Required supplemental information relating to our leases for the years ended December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (i.e., interest)	\$ 2,100	\$ 3,179
Financing cash flows from finance leases (i.e., principal portion)	273,431	49,399
Operating cash flows from operating leases	4,922,729	3,917,312
ROU assets obtained in exchange for new operating lease liabilities	9,334,486	-
Weighted average remaining lease term - operating leases	11.82 years	11.6 years
Weighted average remaining lease term - financing leases	3.8 years	4.8 years
Weighted average discount rate - operating leases	4.53%	4.53%
Weighted average discount rate - financing leases	0.14%	0.14%
Lease expense:		
Operating lease expense	\$ 5,099,273	\$ 4,293,453
Finance lease expense:		
Amortization of ROU assets	273,511	83,763
Interest on lease liabilities	1,983	2,855
Total	<u>\$ 5,374,767</u>	<u>\$ 4,380,071</u>



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

DECEMBER 31, 2023 AND 2022

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

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

	<u>2023</u>	<u>2022</u>
Benefits Cliffs Project	\$ -	\$ 50,000

During the years ended December 31, 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>2023</u>	<u>2022</u>
Benefits Cliff	\$ 87,870	\$ -
BankWork\$	80,000	-
Digital literacy	-	340,867
	<u>\$ 167,870</u>	<u>\$ 340,867</u>

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

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

	<u>2023</u>	<u>2022</u>
Store sales	\$ 71,807,822	\$ 63,028,161
Salvage sales	3,827,785	4,842,651
Inventory adjustment	579,864	813,812
	76,215,471	68,684,624
Less contributions - donated goods (net retail revenue)	<u>(13,039,784)</u>	<u>(15,338,757)</u>
Retail program	<u>\$ 63,175,687</u>	<u>\$ 53,345,867</u>

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

	<u>2023</u>	<u>2022</u>
Store sales	\$ 71,807,822	\$ 63,028,161
Environmental enterprises	35,769	1,971,959
Salvage sales	3,827,785	4,842,651
Food services	80,581	-
Inventory adjustment	579,864	813,812
	76,331,821	70,656,583
Less cost of retail program	<u>(63,292,037)</u>	<u>(55,317,826)</u>
Contributions - donated goods (net retail revenue)	<u>\$ 13,039,784</u>	<u>\$ 15,338,757</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, 2023 AND 2022

**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 \$28,000 and \$43,047 as of December 31, 2023 and 2022, 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 and results of its operations and changes in its net assets are not included in Goodwill’s consolidated financial statements.

A summary of the Foundation’s financial position at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash	\$ 57,514	\$ 48,070
Investments	6,023,591	7,390,951
Contributions receivable	-	1,000,000
<b>Total Assets</b>	<u>\$ 6,081,105</u>	<u>\$ 8,439,021</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 16,380	\$ 810
Net assets without donor restrictions	<u>6,064,725</u>	<u>8,438,211</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 6,081,105</u>	<u>\$ 8,439,021</u>

A summary of the Foundation’s changes in net assets without donor restrictions at December 31 is as follows:

	<u>2023</u>	<u>2022</u>
Revenue and Support Without Donor Restrictions:		
Contributions from Goodwill Industries of the Southern Piedmont, Inc.	\$ -	\$ 1,000,000
Investment return, net	646,845	(1,341,232)
Total Revenue and Support Without Donor Restrictions	<u>646,845</u>	<u>(341,232)</u>
Expenses:		
Program Services:		
Contributions to Goodwill Industries of the Southern Piedmont, Inc.	3,000,000	3,500,000
Management and General:		
Professional fees	20,331	27,740
Total Expenses	<u>3,020,331</u>	<u>3,527,740</u>
Change in net assets without donor restrictions	(2,373,486)	(3,868,972)
Net assets without donor restrictions, beginning of year	8,438,211	12,307,183

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

*DECEMBER 31, 2023 AND 2022*

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**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 June 10, 2024, the date which the consolidated 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, 2023

	<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	\$ 7,882,122	\$ 2,278,255	\$ -	\$ 10,160,377
Accounts receivable and unreimbursed costs, net	4,038,007	7,313,899	(6,564,476)	4,787,430
Contributions receivable, net (Note 4)	40,251	-	-	40,251
Prepaid expenses	1,723,438	-	-	1,723,438
Inventory (Note 5)	6,589,846	-	-	6,589,846
Investments (Notes 6 and 10)	10,382,242	-	-	10,382,242
Total Current Assets	30,655,906	9,592,154	(6,564,476)	33,683,584
Land, buildings, and equipment, net (Note 8)	26,692,746	14,629,822	-	41,322,568
Operating right-of-use assets (Note 13)	39,328,868	-	-	39,328,868
Investment in Goodwill Opportunity Campus, LLC	1,925,911	-	(1,925,911)	-
Deferred compensation investments (Notes 9 and 10)	575,715	-	-	575,715
Other noncurrent assets	90,253	-	-	90,253
<b>Total Assets</b>	<b>\$ 99,269,399</b>	<b>\$ 24,221,976</b>	<b>\$ (8,490,387)</b>	<b>\$ 115,000,988</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 9,427,689	\$ 1,540,788	\$ (6,564,476)	\$ 4,404,001
Accrued liabilities	4,033,775	29,110	-	4,062,885
Current portion of long-term debt (Note 11)	529,413	323,966	-	853,379
Current portion of finance lease liabilities (Note 13)	280,557	-	-	280,557
Current portion of operating lease liabilities (Note 13)	3,419,354	-	-	3,419,354
Total Current Liabilities	17,690,788	1,893,864	(6,564,476)	13,020,176
Deferred compensation	629,054	-	-	629,054
Long-term debt, less current portion (Note 11)	6,267,166	9,241,457	-	15,508,623
Finance lease liabilities, less current portion (Note 13)	714,367	-	-	714,367
Operating lease liabilities, less current portion (Note 13)	36,193,451	-	-	36,193,451
Total Liabilities	61,494,826	11,135,321	(6,564,476)	66,065,671
Net Assets:				
Without donor restrictions	37,774,573	13,086,655	(1,925,911)	48,935,317
With donor restrictions (Note 14)	-	-	-	-
Total Net Assets	37,774,573	13,086,655	(1,925,911)	48,935,317
<b>Total Liabilities and Net Assets</b>	<b>\$ 99,269,399</b>	<b>\$ 24,221,976</b>	<b>\$ (8,490,387)</b>	<b>\$ 115,000,988</b>

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

YEAR ENDED DECEMBER 31, 2023

	<b>Goodwill Industries of the Southern Piedmont, Inc.</b>	<b>Goodwill Opportunity Campus LLC</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Revenues, Gains, and Other Support:</b>				
Retail program (Note 15)	\$ 63,175,687	\$ -	\$ -	\$ 63,175,687
Program service fees and grants	576,156	-	-	576,156
GoodWork staffing	6,464,067	-	-	6,464,067
Food services	80,581	-	-	80,581
Environmental enterprises (Note 15)	35,769	-	-	35,769
Cars for work program (Note 2)	156,306	-	-	156,306
Contributions - donated goods (Note 2 and 15)	13,039,784	-	-	13,039,784
Contributions - other	781,833	-	-	781,833
Other income	438,305	2,470,867	(2,381,995)	527,177
Investment return (Note 5)	1,097,832	-	-	1,097,832
Total Revenues, Gains, and Other Support	<u>85,846,320</u>	<u>2,470,867</u>	<u>(2,381,995)</u>	<u>85,935,192</u>
<b>Expenses:</b>				
<b>Program Services:</b>				
Career development services	3,569,968	53,843	-	3,623,811
Occupational skills and job training support	5,292,419	112,797	-	5,405,216
Employment services	6,879,552	11,052	-	6,890,604
Retail program (Note 15)	63,307,894	2,366,138	(2,381,995)	63,292,037
Total Program Services	<u>79,049,833</u>	<u>2,543,830</u>	<u>(2,381,995)</u>	<u>79,211,668</u>
<b>Supporting Services:</b>				
Management and general	9,320,197	231,355	-	9,551,552
Fundraising	387,086	2,186	-	389,272
Total Supporting Services	<u>9,707,283</u>	<u>233,541</u>	<u>-</u>	<u>9,940,824</u>
Total Expenses	<u>88,757,116</u>	<u>2,777,371</u>	<u>(2,381,995)</u>	<u>89,152,492</u>
Change in net assets before nonoperating changes	(2,910,796)	(306,504)	-	(3,217,300)
<b>Nonoperating Changes:</b>				
Transfer from Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	3,000,000	-	-	3,000,000
Change in net assets	89,204	(306,504)	-	(217,300)
Net assets, beginning of year	<u>37,685,369</u>	<u>13,393,159</u>	<u>(1,925,911)</u>	<u>49,152,617</u>
Net assets, end of year	<u>\$ 37,774,573</u>	<u>\$ 13,086,655</u>	<u>\$ (1,925,911)</u>	<u>\$ 48,935,317</u>

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

YEAR ENDED DECEMBER 31, 2023

	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	\$ 89,204	\$ (306,504)	\$ -	\$ (217,300)
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	2,379,575	805,981	-	3,185,556
Amortization of debt issuance costs	5,422	8,349	-	13,771
Noncash lease expense	175,772	-	-	175,772
Net unrealized and realized gains on investments	(600,272)	-	-	(600,272)
Change in:				
Accounts receivable and unreimbursed costs	(1,146,999)	(451,080)	-	(1,598,079)
Contributions receivable	41,932	-	-	41,932
Prepaid expenses	(206,646)	-	-	(206,646)
Inventory	(581,029)	-	-	(581,029)
Deferred compensation investments	(57,323)	-	-	(57,323)
Other noncurrent assets	(15,683)	9,908	-	(5,775)
Increase (decrease) in:				
Accounts payable	424,410	1,368,684	-	1,793,094
Contributions payable	(1,000,000)	-	-	(1,000,000)
Accrued liabilities	(524,938)	29,110	-	(495,828)
Deferred compensation	58,004	-	-	58,004
Net cash flows from operating activities	<u>(958,571)</u>	<u>1,464,448</u>	<u>-</u>	<u>505,877</u>
<b>Cash flows from investing activities:</b>				
Purchase of land, buildings, and equipment	(4,156,267)	(1,411,545)	-	(5,567,812)
Purchases of investments	(550,095)	-	-	(550,095)
Proceeds from sales of investments	159,356	-	-	159,356
Net cash flows from investing activities	<u>(4,547,006)</u>	<u>(1,411,545)</u>	<u>-</u>	<u>(5,958,551)</u>
<b>Cash flows from financing activities:</b>				
Payments on long-term debt	(503,935)	(310,644)	-	(814,579)
Principal payments on finance lease liabilities	(280,737)	-	-	(280,737)
Net cash flows from financing activities	<u>(784,672)</u>	<u>(310,644)</u>	<u>-</u>	<u>(1,095,316)</u>
Net change in cash and cash equivalents	(6,290,249)	(257,741)	-	(6,547,990)
Cash and cash equivalents, beginning of year	14,172,371	2,535,996	-	16,708,367
Cash and cash equivalents, end of year	<u>\$ 7,882,122</u>	<u>\$ 2,278,255</u>	<u>\$ -</u>	<u>\$ 10,160,377</u>
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for interest	<u>\$ 696,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 696,257</u>
<b>Supplemental noncash investing and financing activity:</b>				
Right-of-use asset obtained in exchange for operating lease liabilities	<u>\$ 9,334,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,334,486</u>