

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

CONSOLIDATED FINANCIAL STATEMENTS  
AND ACCOMPANYING INFORMATION

*As of and for the Years Ended December 31, 2022 and 2021*

*And Report of Independent Auditor*

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

---

**REPORT OF INDEPENDENT AUDITOR**..... 1-2

**CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position ..... 3  
Consolidated Statements of Activities..... 4  
Consolidated Statements of Functional Expenses ..... 5-8  
Consolidated Statements of Cash Flows ..... 9  
Notes to the Consolidated Financial Statements ..... 10-25

**ACCOMPANYING INFORMATION**

Consolidating Schedule of Financial Position ..... 26  
Consolidating Schedule of Activities ..... 27  
Consolidating Schedule of Cash Flows ..... 28

## 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, 2022 and 2021, 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, 2022 and 2021, and the results of its operations 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.

### Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, Goodwill changed its method of accounting for leases as of January 1, 2022, due to the adoption of Accounting Standards Update 2016-02, *Leases (Topic 842)*, as amended.

### 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on 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 23, 2023

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

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 16,708,367	\$ 14,949,640
Accounts receivable and unreimbursed costs, net	3,189,351	3,318,246
Contributions receivable, net (Note 4)	61,733	60,428
Prepaid expenses	1,516,792	1,231,048
Inventory (Note 5)	6,008,817	5,198,475
Investments (Notes 6 and 10)	9,391,231	10,828,082
<b>Total Current Assets</b>	<b>36,876,291</b>	<b>35,585,919</b>
Note receivable (Note 7)	-	5,000,000
Land, buildings, and equipment, net (Note 8)	38,940,312	35,295,341
Operating right-of-use asset (Note 13)	36,065,555	-
Long-term contributions receivable, net (Note 4)	20,450	24,089
Deferred compensation investments (Notes 9 and 10)	518,392	623,614
Other noncurrent assets	84,478	45,270
<b>Total Assets</b>	<b>\$ 112,505,478</b>	<b>\$ 76,574,233</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current portion of long-term debt (Note 11)	\$ 817,683	\$ 6,906,764
Current portion of finance lease liabilities (Note 13)	275,531	35,844
Current portion of operating lease liabilities (Note 13)	3,366,649	-
Accounts payable	2,610,907	2,176,213
Contributions payable	1,000,000	-
Accrued liabilities	4,558,713	4,372,672
<b>Total Current Liabilities</b>	<b>12,629,483</b>	<b>13,491,493</b>
Deferred compensation	571,050	662,926
Long-term debt, less current portion (Note 11)	16,345,127	18,413,998
Finance lease liabilities, less current portion (Note 13)	1,000,130	63,024
Operating lease liabilities, less current portion (Note 13)	32,807,071	-
<b>Total Liabilities</b>	<b>63,352,861</b>	<b>32,631,441</b>
Net Assets:		
Without donor restrictions	49,102,617	43,601,925
With donor restrictions (Note 14)	50,000	340,867
<b>Total Net Assets</b>	<b>49,152,617</b>	<b>43,942,792</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 112,505,478</b>	<b>\$ 76,574,233</b>

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support:						
Retail program (Note 15)	\$ 53,345,867	\$ -	\$ 53,345,867	\$ 42,280,137	\$ -	\$ 42,280,137
Government service fees and grants	79,631	-	79,631	23,740	-	23,740
Other service fees and grants	1,036,540	-	1,036,540	736,116	-	736,116
GoodWork staffing	7,097,493	-	7,097,493	6,588,698	-	6,588,698
Food services	36,381	-	36,381	10,830	-	10,830
Environmental enterprises (Note 15)	1,971,959	-	1,971,959	1,981,918	-	1,981,918
Cars for work program	146,783	-	146,783	240,786	-	240,786
Contributions - donated goods (Note 2 and 15)	15,338,757	-	15,338,757	18,413,979	-	18,413,979
Contributions - United Way	-	-	-	85,150	-	85,150
Contributions - other	615,311	50,000	665,311	10,754,020	-	10,754,020
Other income	709,260	-	709,260	1,073,792	-	1,073,792
Investment return (Note 6)	(1,360,909)	-	(1,360,909)	131,251	-	131,251
Release from restriction	340,867	(340,867)	-	350,509	(350,509)	-
Total Revenues, Gains, and Other Support	79,357,940	(290,867)	79,067,073	82,670,926	(350,509)	82,320,417
Expenses:						
Program Services:						
Career development services	1,515,302	-	1,515,302	1,068,569	-	1,068,569
Occupational skills and job training support	6,504,959	-	6,504,959	5,809,948	-	5,809,948
Employment services	7,585,451	-	7,585,451	7,104,796	-	7,104,796
Retail program (Note 15)	55,317,826	-	55,317,826	44,262,055	-	44,262,055
Total Program Services	70,923,538	-	70,923,538	58,245,368	-	58,245,368
Supporting Services:						
Management and general	8,537,144	-	8,537,144	7,284,633	-	7,284,633
Fundraising	489,566	-	489,566	478,930	-	478,930
Total Supporting Services	9,026,710	-	9,026,710	7,763,563	-	7,763,563
Total Expenses	79,950,248	-	79,950,248	66,008,931	-	66,008,931
Change in net assets before nonoperating changes	(592,308)	(290,867)	(883,175)	16,661,995	(350,509)	16,311,486
Nonoperating Changes:						
Gain on forgiveness of debt	3,593,000	-	3,593,000	-	-	-
Transfer from Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	3,500,000	-	3,500,000	-	-	-
Transfer to Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	(1,000,000)	-	(1,000,000)	(12,300,000)	-	(12,300,000)
Total Nonoperating Changes	6,093,000	-	6,093,000	(12,300,000)	-	(12,300,000)
Change in net assets	5,500,692	(290,867)	5,209,825	4,361,995	(350,509)	4,011,486
Net assets, beginning of year	43,601,925	340,867	43,942,792	39,239,930	691,376	39,931,306
Net assets, end of year	\$ 49,102,617	\$ 50,000	\$ 49,152,617	\$ 43,601,925	\$ 340,867	\$ 43,942,792

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

	<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	\$ 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	<u>\$ 1,515,302</u>	<u>\$ 6,504,959</u>	<u>\$ 7,585,451</u>	<u>\$ 55,317,826</u>	<u>\$ 70,923,538</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, 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 STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2021

	<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	\$ 743,430	\$ 3,332,279	\$ 5,700,981	\$ 22,059,245	\$ 31,835,935
Employee benefits	81,825	350,710	94,194	2,502,596	3,029,325
Payroll taxes	72,073	326,718	705,868	2,262,914	3,367,573
Total Salaries and Related Expenses	897,328	4,009,707	6,501,043	26,824,755	38,232,833
Professional fees and contract services	40,659	550,161	259,467	1,866,653	2,716,940
Staff training and development	1,652	14,882	743	1,309	18,586
Supplies	23,167	110,252	13,555	2,481,956	2,628,930
Telephone	14,804	68,749	15,514	249,438	348,505
Postage and shipping	1	61	29	1,002,311	1,002,402
Occupancy	25,786	418,146	49,693	8,079,973	8,573,598
Rental and maintenance of equipment	3,367	9,196	3,675	842,825	859,063
Printing and publications	13,425	53,208	64,646	238,746	370,025
Travel and transportation	2,365	4,515	58,540	534,433	599,853
Conferences, conventions, and meetings	152	5,357	755	66,653	72,917
Special assistance to individuals and organizations	147	-	-	-	147
Membership dues and support	114	852	1,856	3,713	6,535
Awards and grants	1,014	4,190	4,421	36,056	45,681
Miscellaneous expenses	-	-	33,389	190,435	223,824
Depreciation and amortization	44,588	560,672	97,470	1,842,799	2,545,529
Total Expenses	<u>\$ 1,068,569</u>	<u>\$ 5,809,948</u>	<u>\$ 7,104,796</u>	<u>\$ 44,262,055</u>	<u>\$ 58,245,368</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, 2021

	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses 2021</u>
	<u>Management and General</u>	<u>Fundraising</u>		
Expenses:				
Salaries and wages	\$ 4,015,212	\$ 319,544	\$ 4,334,756	\$ 36,170,691
Employee benefits	789,468	28,944	818,412	3,847,737
Payroll taxes	355,034	30,367	385,401	3,752,974
Total Salaries and Related Expenses	5,159,714	378,855	5,538,569	43,771,402
Professional fees and contract services	1,130,646	31,103	1,161,749	3,878,689
Staff training and development	166,064	312	166,376	184,962
Supplies	77,767	16,157	93,924	2,722,854
Telephone	20,134	891	21,025	369,530
Postage and shipping	3,311	32	3,343	1,005,745
Occupancy	141,940	8,968	150,908	8,724,506
Rental and maintenance of equipment	825	56	881	859,944
Printing and publications	36,069	11,680	47,749	417,774
Travel and transportation	9,613	453	10,066	609,919
Conferences, conventions, and meetings	24,440	1,515	25,955	98,872
Special assistance to individuals and organizations	200	-	200	347
Membership dues and support	206,347	865	207,212	213,747
Awards and grants	33,819	6,822	40,641	86,322
Miscellaneous expenses	42,935	7,837	50,772	274,596
Depreciation and amortization	230,809	13,384	244,193	2,789,722
Total Expenses	<u>\$ 7,284,633</u>	<u>\$ 478,930</u>	<u>\$ 7,763,563</u>	<u>\$ 66,008,931</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,209,825	\$ 4,011,486
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	2,899,753	2,748,282
Amortization of debt issuance costs	449,790	41,440
Amortization of operating right-of-use asset	3,024,518	-
Loss on disposal of land, buildings, and equipment	63,716	-
Net unrealized and realized losses on investments	1,763,091	305,891
Gain on forgiveness of debt	(3,593,000)	-
Change in:		
Inventory	(810,342)	(531,510)
Accounts receivable and unreimbursed costs	128,895	50,813
Contributions receivable	2,334	293,326
Prepaid expenses	(285,744)	(123,983)
Deferred compensation investments	105,222	28,807
Other noncurrent assets	(39,208)	-
Accounts payable	437,194	(963,759)
Contributions receivable	1,000,000	-
Accrued liabilities	186,041	275,651
Operating lease liabilities	(2,916,353)	(366,698)
Deferred compensation	(91,876)	(21,634)
Net cash flows from operating activities	<u>7,533,856</u>	<u>5,748,112</u>
<b>Cash flows from investing activities:</b>		
Purchase of land, buildings, and equipment	(7,165,051)	(1,147,420)
Purchases of investments	(12,994,047)	(12,994,047)
Proceeds from sales of investments	12,667,807	12,648,085
Proceeds from sale of land, buildings, and equipment	554,111	-
Net cash flows from investing activities	<u>(6,937,180)</u>	<u>(1,493,382)</u>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(14,742)	(1,162,966)
Principal payments on finance lease liabilities	1,176,793	(35,844)
Net cash flows from financing activities	<u>1,162,051</u>	<u>(1,198,810)</u>
Net change in cash and cash equivalents	1,758,727	3,055,920
Cash and cash equivalents, beginning of year	14,949,640	11,893,720
Cash and cash equivalents, end of year	<u>\$ 16,708,367</u>	<u>\$ 14,949,640</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 512,962</u>	<u>\$ 546,947</u>
<b>Supplemental noncash financing activity:</b>		
Note receivable written-off during the fiscal year	5,000,000	-
Debt forgiven during the fiscal year	8,593,000	-
	<u>\$ 13,593,000</u>	<u>\$ -</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, 2022 AND 2021

---

### 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, 2022 AND 2021

---

### 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 three key donors that comprise approximately 87% and 62% of the gross contributions receivable as of December 31, 2022 and 2021, respectively, summarized in Note 4.

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 \$156,402 and \$313,457 as of December 31, 2022 and 2021, 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 INDUSTRIES OF THE SOUTHERN PIEDMONT, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

---

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

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

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

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

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

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

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

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

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

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

*Advertising* – Goodwill expenses advertising expenses when they are incurred. Advertising expenses totaled \$716,500 and \$417,777 for the years ended December 31, 2022 and 2021, 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 \$489,566 and \$478,930 for the years ended December 31, 2022 and 2021, respectively.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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

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

*Accounting Pronouncements Recently Adopted* – 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. The adoption did not have a significant impact on the consolidated financial statements, with the exception of increased information disclosed in Note 2.

*Change in Accounting Principle – Leases* – In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for operating leases on the balance sheets.

Goodwill adopted these ASUs effective January 1, 2022 using the modified retrospective approach. As a result of adopting these ASUs, Goodwill recorded ROU assets and operating lease liabilities of approximately \$39,327,910. Adoption of the new standard did not materially impact Goodwill’s consolidated statement of activities and had no impact on cash flows.

### Note 2—Contributions of nonfinancial assets

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

	<u>2022</u>	<u>2021</u>
Contributed nonfinancial assets:		
Donated goods	\$ 15,338,757	\$ 18,413,979
Cars for work program	146,783	240,786
Total contributed nonfinancial assets	<u>\$ 15,485,540</u>	<u>\$ 18,654,765</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.

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

DECEMBER 31, 2022 AND 2021

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

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Short-term financial assets at year-end:		
Cash and cash equivalents	\$ 16,708,367	\$ 14,949,640
Accounts receivable and unreimbursed costs, net	3,189,351	3,318,246
Contributions receivable, net	61,733	60,428
Investments	<u>9,391,231</u>	<u>10,828,082</u>
Total short-term financial assets	29,350,682	29,156,396
Less amounts not available to be used for general expenditures within one year:		
Subject to purpose restriction	<u>50,000</u>	<u>340,867</u>
Financial assets available to meet general expenditures within one year	<u>\$ 29,300,682</u>	<u>\$ 28,815,529</u>

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, 2022 and 2021, contributions receivable relate primarily to the capital campaign for Digital Literacy. Contributions receivable are discounted at rates ranging from 0.19% to 11.30%. At December 31, 2022 and 2021, contributions receivable are expected to be realized in the following periods:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 61,733	\$ 63,551
One to three years	37,064	31,540
Less discount to present value	(10,296)	(5,469)
Less allowance for doubtful contributions receivable	<u>(6,318)</u>	<u>(5,105)</u>
	82,183	84,517
Less current portion, net	<u>61,733</u>	<u>60,428</u>
Noncurrent portion, net	<u>\$ 20,450</u>	<u>\$ 24,089</u>

**Note 5—Inventory**

Inventory at December 31 is comprised of the following:

	<u>2022</u>	<u>2021</u>
Donated goods	<u>\$ 6,008,817</u>	<u>\$ 5,198,475</u>



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

DECEMBER 31, 2022 AND 2021

**Note 6—Investments**

Investments at December 31 are as follows:

	<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>

  

	<b>2021</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Gains (Losses)</b>
Exchange-traded corporate bond funds	\$ 2,260,975	\$ 2,312,058	\$ 51,083
Money market funds	435,472	435,472	-
Collateralized mortgage obligations	1	23	22
Mutual funds	8,122,730	8,080,529	(42,201)
	<u>\$ 10,819,178</u>	<u>\$ 10,828,082</u>	<u>\$ 8,904</u>

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

	<b>2022</b>	<b>2021</b>
Interest and dividends	\$ 439,240	\$ 481,035
Realized gains (losses) on sale of investments	(75,070)	110,556
Unrealized losses on investments	(1,688,021)	(416,447)
Investment fees	(37,058)	(43,893)
	<u>\$ (1,360,909)</u>	<u>\$ 131,251</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, 2022 AND 2021

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

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

	<u>2022</u>	<u>2021</u>
Land	\$ 11,214,138	\$ 11,214,138
Land improvements	2,576,684	2,490,508
Buildings	32,562,386	30,896,532
Furniture, fixtures, and software	22,197,111	22,471,651
Leasehold improvements	4,937,796	2,569,328
Financing lease right-to-use assets	174,090	174,090
Construction in progress	597,095	94,720
	<u>74,259,300</u>	<u>69,910,967</u>
Less accumulated depreciation	<u>(35,318,988)</u>	<u>(34,615,626)</u>
	<u>\$ 38,940,312</u>	<u>\$ 35,295,341</u>

Depreciation and amortization expense of \$2,899,752 and \$2,748,282 for 2022 and 2021, 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 \$39,313 for the years ended December 31, 2022 and 2021. 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ -	\$ 96,557
Mutual funds	518,392	527,057
	<u>\$ 518,392</u>	<u>\$ 623,614</u>

**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.

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

DECEMBER 31, 2022 AND 2021

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

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, 2022 and 2021.

There have been no changes in the methodologies used as of December 31, 2022 and 2021.

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 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:			
Mutual fund - balance fund	518,392	-	518,392
	<u>518,392</u>	<u>-</u>	<u>518,392</u>
	<u>\$ 9,909,623</u>	<u>\$ -</u>	<u>\$ 9,909,623</u>

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

DECEMBER 31, 2022 AND 2021

**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, 2021:

	<b>2021</b>		<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	
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>

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, 2022, 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, 2022 AND 2021

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

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

	<u>2022</u>	<u>2021</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, 2022.	\$ 556,177	\$ 746,320
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. This loan was repaid in full in March 2022.	-	6,052,590
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 \$1,656,344 at December 31, 2022.	793,202	906,876
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. This loan was repaid in full in March 2022.	-	6,171,035
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. This loan was extinguished in full in January of 2022 as further described below.	-	5,000,000
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. This loan was extinguished in full in January of 2022 as further described below.	-	2,000,000
Balance to carry forward	<u>1,349,379</u>	<u>20,876,821</u>

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

DECEMBER 31, 2022 AND 2021

**Note 11—Long-term debt and pledged assets (continued)**

	<u>2022</u>	<u>2021</u>
Balance carried forward	\$ 1,349,379	\$ 20,876,821
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. This loan was repaid in full in March 2022.	-	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. This loan was extinguished in full in January of 2022 as further described below.	-	1,593,000
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 \$13,982,192 at December 31, 2022.	15,919,699	-
Less deferred loan costs	<u>17,269,078</u> <u>(106,268)</u>	<u>25,876,821</u> <u>(556,059)</u>
	17,162,810	25,320,762
Less current maturities	<u>(817,683)</u>	<u>(6,906,764)</u>
	<u>\$ 16,345,127</u>	<u>\$ 18,413,998</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. 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### Note 11—Long-term debt and pledged assets (continued)

Interest expense on long-term debt was \$547,127 and \$545,844 for the years ended December 31, 2022 and 2021, 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,

2023	\$	817,683
2024		853,379
2025		824,379
2026		709,017
2027		742,452
Thereafter		13,322,168
	\$	<u>17,269,078</u>

### 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% or be less than 1% of an employee's compensation for the year. 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.

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

DECEMBER 31, 2022 AND 2021

**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, 2022. 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 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, 2022.

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

Finance lease ROU assets of \$64,406 are included in property and equipment, net.

Future minimum lease payments as of December 31, 2022 is as follows:

<u>Years Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>
2023	\$ 3,366,649	\$ 275,531
2024	4,165,000	240,811
2025	3,587,299	240,859
2026	3,545,631	240,907
2027	3,690,788	232,597
Thereafter	17,818,352	44,956
Present value of lease liabilities	<u>\$ 36,173,720</u>	<u>\$ 1,275,661</u>



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

DECEMBER 31, 2022 AND 2021

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

Required supplemental information relating to our leases for the years ended December 31, 2022 is as follows:

**Operating:**

Operating leases, included in occupancy expenses \$ 4,293,453

**Finance:**

Amortization of assets, included in depreciation and amortization	83,763
Interest, included in interest expense	2,855
Net operating and finance lease cost	\$ 4,380,071

**Lease Term and Discount Rate:**

(in years)

Weighted average remaining lease term—Operating leases 11.6

Weighted average remaining lease term—Financing leases 4.8

Weighted average discount rate—Operating leases 4.53%

Weighted average discount rate—Financing leases 4.53%

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

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

	<b>2022</b>	<b>2021</b>
Benefits Cliffs Project	\$ 50,000	\$ -
Digital literacy	-	340,867
	\$ 50,000	\$ 340,867

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:

	<b>2022</b>	<b>2021</b>
Digital literacy	\$ 340,867	\$ 350,509

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

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

	<b>2022</b>	<b>2021</b>
Store sales	\$ 63,028,161	\$ 55,443,500
Salvage sales	4,842,651	4,727,498
Inventory adjustment	813,812	523,118
	68,684,624	60,694,116
Less contributions - donated goods (net retail revenue)	(15,338,757)	(18,413,979)
Retail program	\$ 53,345,867	\$ 42,280,137

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

DECEMBER 31, 2022 AND 2021

**Note 15—Retail program revenue and donated goods (continued)**

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

	<b>2022</b>	<b>2021</b>
Store sales	\$ 63,028,161	\$ 55,443,500
Environmental enterprises	1,971,959	1,981,918
Salvage sales	4,842,651	4,727,498
Inventory adjustment	813,812	523,118
	<u>70,656,583</u>	<u>62,676,034</u>
Less cost of retail program	<u>(55,317,826)</u>	<u>(44,262,055)</u>
Contributions - donated goods (net retail revenue)	<u>\$ 15,338,757</u>	<u>\$ 18,413,979</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 \$43,047 and \$45,808 as of December 31, 2022 and 2021, 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.

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

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash	\$ 48,070	\$ -
Investments	7,390,951	12,307,183
Contributions receivable	1,000,000	-
<b>Total Assets</b>	<u>\$ 8,439,021</u>	<u>\$ 12,307,183</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ 810	\$ -
Total Current Liabilities	810	-
Net assets without donor restrictions	<u>8,438,211</u>	<u>12,307,183</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 8,439,021</u>	<u>\$ 12,307,183</u>

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

DECEMBER 31, 2022 AND 2021

**Note 16—Related parties (continued)**

A summary of the Foundation's changes in unrestricted net assets at December 31 is as follows:

	<b>Year Ended December 31, 2022</b>	<b>Period June 9, 2021 to December 31, 2021</b>
Revenue and Support Without Donor Restrictions:		
Contributions from Goodwill	\$ 1,000,000	\$ 12,300,000
Investment return, net	(1,341,232)	7,183
Total Revenue and Support Without Donor Restrictions	<u>(341,232)</u>	<u>12,307,185</u>
Expenses:		
Contributions to Goodwill	3,500,000	-
Professional fees	27,740	-
Total Expenses	<u>3,527,740</u>	<u>-</u>
Change in net assets without donor restrictions	(3,868,972)	12,307,183
Net assets without donor restrictions, at inception	12,307,183	-
Net assets without donor restrictions, end of period	<u>\$ 8,438,211</u>	<u>\$ 12,307,183</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 June 23, 2023, 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, 2022

	<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	\$ 14,172,371	\$ 2,535,996	\$ -	\$ 16,708,367
Accounts receivable and unreimbursed costs, net	2,891,008	6,862,819	(6,564,476)	3,189,351
Contributions receivable, net (Note 4)	61,733	-	-	61,733
Prepaid expenses	1,516,792	-	-	1,516,792
Inventory (Note 5)	6,008,817	-	-	6,008,817
Investments (Notes 6 and 10)	9,391,231	-	-	9,391,231
<b>Total Current Assets</b>	<b>34,041,952</b>	<b>9,398,815</b>	<b>(6,564,476)</b>	<b>36,876,291</b>
Note receivable (Note 7)	-	-	-	-
Land, buildings, and equipment, net (Note 8)	24,916,054	14,024,258	-	38,940,312
Operating right-of-use asset (Note 13)	36,065,555	-	-	36,065,555
Long-term contributions receivable, net (Note 4)	20,450	-	-	20,450
Investment in Goodwill Opportunity Campus, LLC	1,925,911	-	(1,925,911)	-
Deferred compensation investments (Notes 9 and 10)	518,392	-	-	518,392
Other noncurrent assets	74,570	9,908	-	84,478
<b>Total Assets</b>	<b>\$ 97,562,884</b>	<b>\$ 23,432,981</b>	<b>\$ (8,490,387)</b>	<b>\$ 112,505,478</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Current portion of long-term debt (Note 11)	\$ 507,040	\$ 310,643	\$ -	\$ 817,683
Current portion of finance lease liabilities (Note 13)	275,531	-	-	275,531
Current portion of operating lease liabilities (Note 13)	3,366,649	-	-	3,366,649
Accounts payable	9,003,279	172,104	(6,564,476)	2,610,907
Contributions payable	1,000,000	-	-	1,000,000
Accrued liabilities	4,558,713	-	-	4,558,713
<b>Total Current Liabilities</b>	<b>18,711,212</b>	<b>482,747</b>	<b>(6,564,476)</b>	<b>12,629,483</b>
Deferred compensation	571,050	-	-	571,050
Long-term debt, less current portion (Note 11)	6,788,052	9,557,075	-	16,345,127
Finance lease liabilities, less current portion (Note 13)	1,000,130	-	-	1,000,130
Operating lease liabilities, less current portion (Note 13)	32,807,071	-	-	32,807,071
<b>Total Liabilities</b>	<b>59,877,515</b>	<b>10,039,822</b>	<b>(6,564,476)</b>	<b>63,352,861</b>
Net Assets:				
Without donor restrictions	37,635,369	13,393,159	(1,925,911)	49,102,617
With donor restrictions (Note 14)	50,000	-	-	50,000
<b>Total Net Assets</b>	<b>37,685,369</b>	<b>13,393,159</b>	<b>(1,925,911)</b>	<b>49,152,617</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 97,562,884</b>	<b>\$ 23,432,981</b>	<b>\$ (8,490,387)</b>	<b>\$ 112,505,478</b>

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

YEAR ENDED DECEMBER 31, 2022

	<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)	\$ 53,345,867	\$ -	\$ -	\$ 53,345,867
Government service fees and grants	79,631	-	-	79,631
Program service fees and grants	1,036,540	-	-	1,036,540
GoodWork staffing	7,097,493	-	-	7,097,493
Food services	36,381	-	-	36,381
Environmental enterprises (Note 15)	1,971,959	-	-	1,971,959
Cars for work program	146,783	-	-	146,783
Contributions - donated goods (Note 2 and 15)	15,338,757	-	-	15,338,757
Contributions - other	665,311	-	-	665,311
Other income	687,691	2,620,109	(2,598,540)	709,260
Investment return (Note 5)	(1,360,909)	-	-	(1,360,909)
Total Revenues, Gains, and Other Support	<u>79,045,504</u>	<u>2,620,109</u>	<u>(2,598,540)</u>	<u>79,067,073</u>
<b>Expenses:</b>				
<b>Program Services:</b>				
Career development services	1,488,511	26,791	-	1,515,302
Occupational skills and job training support	6,150,882	354,077	-	6,504,959
Employment services	7,526,316	59,135	-	7,585,451
Retail program (Note 15)	55,549,941	2,366,425	(2,598,540)	55,317,826
Total Program Services	<u>70,715,650</u>	<u>2,806,428</u>	<u>(2,598,540)</u>	<u>70,923,538</u>
<b>Supporting Services:</b>				
Management and general	8,387,401	149,743	-	8,537,144
Fundraising	481,108	8,458	-	489,566
Total Supporting Services	<u>8,868,509</u>	<u>158,201</u>	<u>-</u>	<u>9,026,710</u>
Total Expenses	<u>79,584,159</u>	<u>2,964,629</u>	<u>(2,598,540)</u>	<u>79,950,248</u>
Change in net assets before nonoperating changes	<u>(538,655)</u>	<u>(344,520)</u>	<u>-</u>	<u>(883,175)</u>
<b>Nonoperating Changes:</b>				
Gain on forgiveness of debt	-	3,593,000	-	3,593,000
Note receivable and note payable settlement	(5,000,000)	5,000,000	-	-
Transfer from Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	3,500,000	-	-	3,500,000
Transfer to Goodwill Industries of Southern Piedmont Foundation, Inc. (Note 16)	(1,000,000)	-	-	(1,000,000)
	<u>(2,500,000)</u>	<u>8,593,000</u>	<u>-</u>	<u>6,093,000</u>
Change in net assets	(3,038,655)	8,248,480	-	5,209,825
Net assets, beginning of year	40,724,024	5,144,679	(1,925,911)	43,942,792
Net assets, end of year	<u>\$ 37,685,369</u>	<u>\$ 13,393,159</u>	<u>\$ (1,925,911)</u>	<u>\$ 49,152,617</u>

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

YEAR ENDED DECEMBER 31, 2022

	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	\$ (3,038,655)	\$ 8,248,480	\$ -	\$ 5,209,825
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	1,539,388	1,360,365	-	2,899,753
Amortization of debt issuance costs	17,825	431,965	-	449,790
Amortization of operating right-of-use asset	3,024,518	-	-	3,024,518
Loss on disposal of land, buildings, and equipment	-	63,716	-	63,716
Note receivable and note payable settlement	5,000,000	(5,000,000)	-	-
Net unrealized and realized losses on investments	1,763,091	-	-	1,763,091
Gain on forgiveness of debt	-	(3,593,000)	-	(3,593,000)
Change in:				
Inventory	(810,342)	-	-	(810,342)
Accounts receivable and unreimbursed costs	(101,854)	230,756	(7)	128,895
Contributions receivable	2,334	-	-	2,334
Prepaid expenses	(285,744)	-	-	(285,744)
Deferred compensation investments	105,222	-	-	105,222
Other noncurrent assets	(35,714)	(3,494)	-	(39,208)
Accounts payable	304,564	132,623	7	437,194
Contributions receivable	1,000,000	-	-	1,000,000
Accrued liabilities	186,041	-	-	186,041
Operating lease liabilities	(2,916,353)	-	-	(2,916,353)
Deferred compensation	(91,876)	-	-	(91,876)
Net cash flows from operating activities	<u>5,662,445</u>	<u>1,871,411</u>	<u>-</u>	<u>7,533,856</u>
<b>Cash flows from investing activities:</b>				
Purchase of land, buildings, and equipment	(6,209,981)	(955,070)	-	(7,165,051)
Purchases of investments	(12,994,047)	-	-	(12,994,047)
Proceeds from sales of investments	12,667,807	-	-	12,667,807
Proceeds from sale of land, buildings, and equipment	554,111	-	-	554,111
Net cash flows from investing activities	<u>(5,982,110)</u>	<u>(955,070)</u>	<u>-</u>	<u>(6,937,180)</u>
<b>Cash flows from financing activities:</b>				
Payments on long-term debt	(386,519)	371,777	-	(14,742)
Principal payments on finance lease liabilities	1,176,793	-	-	1,176,793
Net cash flows from financing activities	<u>790,274</u>	<u>371,777</u>	<u>-</u>	<u>1,162,051</u>
Net change in cash and cash equivalents	470,609	1,288,118	-	1,758,727
Cash and cash equivalents, beginning of year	13,701,762	1,247,878	-	14,949,640
Cash and cash equivalents, end of year	<u>\$ 14,172,371</u>	<u>\$ 2,535,996</u>	<u>\$ -</u>	<u>\$ 16,708,367</u>
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for interest	<u>\$ 235,440</u>	<u>\$ 277,522</u>	<u>\$ -</u>	<u>\$ 512,962</u>
<b>Supplemental noncash investing and financing activity:</b>				
Note receivable written-off during the fiscal year	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000
Debt forgiven during the fiscal year	-	8,593,000	-	8,593,000
	<u>\$ 5,235,440</u>	<u>\$ 8,870,522</u>	<u>\$ -</u>	<u>\$ 14,105,962</u>