

GOODWILL INDUSTRIES OF CENTRAL TEXAS

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019 and 2018

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position.....	3
Consolidated Statements of Activities.....	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>	24
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	26
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards.....	30
Schedule of Findings and Questioned Costs	31



Independent Auditor's Report

To the Board of Directors
Goodwill Industries of Central Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of Central Texas (the Organization) and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Central Texas and its subsidiaries as of December 31, 2019 and 2018, 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.

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

CPAs AND ADVISORS | WEAVER.COM

The Board of Directors
Goodwill Industries of Central Texas

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2020 on our consideration of Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
May 4, 2020

GOODWILL INDUSTRIES OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,825,221	\$ 11,981,851
Investments	400,900	576,851
Receivable, net of allowance for doubtful accounts of \$94,893 and \$108,498 at December 2019 and 2018 respectively	4,144,177	3,900,364
Inventory restated for 2018	3,192,224	2,067,973
Other	1,118,488	521,114
Total current assets	<u>19,681,010</u>	<u>19,048,153</u>
ASSETS LIMITED TO USE	752,800	2,624,971
OTHER LONG TERM ASSETS	966,917	1,056,837
PROPERTY AND EQUIPMENT	<u>57,817,338</u>	<u>53,121,696</u>
TOTAL ASSETS	<u>\$ 79,218,065</u>	<u>\$ 75,851,657</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,983,922	\$ 2,617,791
Accrued liabilities and deferred revenue	6,127,533	5,652,736
Current portion of long-term debt	1,051,155	998,138
Total current liabilities	<u>10,162,610</u>	<u>9,268,665</u>
LONG-TERM LIABILITIES		
Other long-term liabilities	2,922,262	2,252,442
Interest rate swap	929,303	136,326
Long-term debt, net of current portion	22,245,234	22,990,550
Total long-term liabilities	<u>26,096,799</u>	<u>25,379,318</u>
TOTAL LIABILITIES	<u>36,259,409</u>	<u>34,647,983</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	41,436,620	37,725,685
Board designated endowment funds	400,900	576,851
	<u>41,837,520</u>	<u>38,302,536</u>
With donor restrictions	1,121,136	2,901,138
TOTAL NET ASSETS	<u>42,958,656</u>	<u>41,203,674</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 79,218,065</u>	<u>\$ 75,851,657</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Assisted employment - retail, net of cost of purchased goods sold of \$4.0 million	\$ 66,361,001	\$ -	\$ 66,361,001
Goodwill Temporary Services	13,670,527	-	13,670,527
Assisted employment - industrial	8,807,455	-	8,807,455
Evaluation and training	4,081,284	-	4,081,284
Grants	5,451,660	-	5,451,660
Contributed goods	545,856	-	545,856
Contributions	1,319,980	199,382	1,519,362
Other	325,277	-	325,277
Loss on fixed asset disposals	(96,847)	-	(96,847)
Satisfaction of restrictions	1,979,384	(1,979,384)	-
Total revenue	102,445,577	(1,780,002)	100,665,575
EXPENSES			
Program:			
Assisted employment - retail	55,452,676	-	55,452,676
Temporary Staffing Services	12,441,623	-	12,441,623
Assisted employment - industrial	7,703,814	-	7,703,814
Evaluation and training	14,457,297	-	14,457,297
Total program	90,055,410	-	90,055,410
Management and general	8,227,913	-	8,227,913
Fundraising	627,270	-	627,270
Total expenses	98,910,593	-	98,910,593
CHANGE IN NET ASSETS	3,534,984	(1,780,002)	1,754,982
NET ASSETS, beginning of year	38,302,536	2,901,138	41,203,674
NET ASSETS, end of year	\$ 41,837,520	\$ 1,121,136	\$ 42,958,656

The Notes to Consolidated Financial Statements
are an integral part of this statement.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Assisted employment retail restated, net of cost of purchased goods sold of \$3.8 million	\$ 60,220,653	\$ -	\$ 60,220,653
Goodwill Temporary Services	12,345,760	-	12,345,760
Assisted employment - industrial	8,342,253	-	8,342,253
Evaluation and training	2,787,768	-	2,787,768
Grants	6,097,114	-	6,097,114
Contributed goods restated	657,823	-	657,823
Contributions	737,818	844,634	1,582,452
Other	368,329	-	368,329
Loss on fixed asset disposals	(74,537)	-	(74,537)
Satisfaction of restrictions	437,490	(437,490)	-
Total revenue	91,920,471	407,144	92,327,615
EXPENSES			
Program:			
Assisted employment - retail	48,834,290	-	48,834,290
Temporary Staffing Services	11,103,754	-	11,103,754
Assisted employment - industrial	6,867,089	-	6,867,089
Evaluation and training	13,023,130	-	13,023,130
Total program	79,828,263	-	79,828,263
Management and general	8,834,017	-	8,834,017
Fundraising	778,403	-	778,403
Total expenses	89,440,683	-	89,440,683
CHANGE IN NET ASSETS previously reported	1,828,609	407,144	2,235,753
Change in net assets due to restatement	651,179	-	651,179
NET ASSETS, beginning of year	35,822,748	2,493,994	38,316,742
NET ASSETS, end of year	\$ 38,302,536	\$ 2,901,138	\$ 41,203,674

4

The Notes to Consolidated Financial Statements
are an integral part of this statement.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>				<u>Support Services</u>		Total
	Assisted Employment Retail	Temporary Staffing Services	Assisted Employment Industrial	Evaluation and Training	Management and General	Fundraising	
Wages	\$ 24,894,820	\$ 10,017,171	\$ 4,780,401	\$ 9,253,607	\$ 4,118,756	\$ 244,482	\$ 53,309,236
Payroll Taxes	1,933,729	741,862	367,755	472,402	285,858	15,878	3,817,484
Employee Benefits	3,264,638	464,977	434,902	1,055,842	413,520	80,253	5,714,132
Professional Fees	453,322	30,982	22,127	191,491	1,268,613	116,479	2,083,014
Supplies	1,475,891	13,995	628,449	271,810	250,882	11,729	2,652,756
Telephone & Internet	264,184	9,111	28,021	79,081	226,860	2,354	609,611
Repair and Maintenance	1,362,266	10	107,722	99,348	228,661		1,798,007
Postage and Freight	1,169,801	2,059	730,543	1,791	6,912	628	1,911,734
Rents	11,316,929		339,339	85,647	7,802		11,749,717
Utility and Trash	2,071,242		113,327	5,200	307,844		2,497,613
Printing and Publications	70,953	159	1,226	12,106	13,996	14,366	112,806
Recruitment and Advertising	1,403,353	64,638	300	116,600	142,333	49,909	1,777,133
Equipment Rental	586,057		230,673	33,476	292,068	(52)	1,142,222
Travel, Convention, Meetings	101,223	22,570	39,883	145,623	69,242	6,249	384,790
Commissions and Fees	422,078	562,532	327,506				1,312,116
Membership Dues	2,241	1,110	75	6,745	207,069	2,181	219,421
Interest Expense	897,320		1,379		827,370		1,726,069
Depreciation/Amortization	1,933,703	3,790	49,396	134,559	1,141,662		3,263,110
Insurance	743,010	206,613	94,551	47,726	94,270	309	1,186,479
Assistance & Training	1,814	61,576	3,942	544,488	3,810	2,298	617,928
Other Miscellaneous	1,084,102	238,468	(597,703)	1,899,755	(1,679,615)	80,207	1,025,214
	\$ 55,452,676	\$ 12,441,623	\$ 7,703,814	\$ 14,457,297	\$ 8,227,913	\$ 627,270	\$ 98,910,593

The Notes to Consolidated Financial Statements
are an integral part of this statement.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDED DECEMBER 31, 2018

	Program Services				Support Services		Total
	Assisted Employment Retail	Temporary Staffing Services	Assisted Employment Industrial	Evaluation and Training	Management and General	Fundraising	
Wages	\$ 22,804,619	\$ 9,107,962	\$ 4,326,514	\$ 8,648,169	4,854,232	\$ 419,764	\$ 50,161,260
Payroll Taxes	1,722,755	706,618	314,008	459,981	291,492	11,728	3,506,582
Employee Benefits	2,293,438	340,970	234,738	741,374	381,774	13,091	4,005,385
Professional Fees	455,483	33,761	80,109	252,606	1,192,894	87,981	2,102,834
Supplies	1,311,115	7,896	598,686	266,575	220,440	6,077	2,410,789
Telephone & Internet	283,154	12,539	29,289	79,125	207,198	2,219	613,524
Repair and Maintenance	1,314,882	79	86,003	95,306	254,444		1,750,714
Postage and Freight	1,170,139	2,038	688,557	1,009	6,905	1,153	1,869,801
Rents	9,305,551		53,719	11,640	2,632		9,373,542
Utility and Trash	1,877,970		22,673		329,097		2,229,740
Printing and Publications	75,013	2,058	2,778	18,002	6,525	25,151	129,527
Recruitment and Advertising	1,440,213	56,060	(2,506)	107,982	97,233	1,441	1,700,423
Equipment Rental	519,013	697	202,898	13,633	318,000	902	1,055,143
Travel, Convention, Meetings	73,078	10,034	33,742	119,801	52,080	2,269	291,004
Commissions and Fees	391,922	508,201	322,328				1,222,451
Membership Dues	19,848	3,508	(545)	5,248	224,255	4,397	256,711
Interest Expense	274,664		(268)		328,502		602,898
Depreciation/Amortization	1,871,593	19,961	44,940	245,045	1,195,604	117	3,377,260
Insurance	690,051	161,329	86,292	54,750	100,999	668	1,094,089
Assistance & Training	3,449	25,136	432	702,237	7,019	(138)	738,135
Other Miscellaneous	936,340	104,907	(257,298)	1,200,647	(1,237,308)	201,583	948,871
	\$ 48,834,290	\$ 11,103,754	\$ 6,867,089	\$ 13,023,130	\$ 8,834,017	\$ 778,403	\$ 89,440,683

The Notes to Consolidated Financial Statements
are an integral part of this statement.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets without donor restrictions, net of release of donor restrictions	\$ 1,555,600	\$ 2,042,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,264,713	3,384,837
Bad debt recoveries	21,282	-
Net (gain) loss on disposal of fixed assets	96,847	74,537
Change in fair value of interest rate swaps	792,977	(351,474)
Interest income	(9,050)	-
Net assets released from restrictions	(19,668)	(112,958)
Restricted contributions additions	219,050	957,592
Change in operating assets and liabilities:		
Receivables	(265,095)	(223,799)
Inventory	(1,124,251)	(428,551)
Other assets	(597,374)	(2,639)
Other long term assets	89,920	138,580
Accounts payable and accrued expenses	366,131	1,510,994
Other long-term liabilities	669,820	62,012
Deferred revenue	474,797	(172,543)
	<hr/>	<hr/>
Net cash provided by operating activities	5,535,699	6,878,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(7,947,884)	(1,546,063)
Proceeds (Expense) from the sale of fixed assets	(85,204)	27,735
Purchase of investments	185,000	38,380
(Increase) / decrease in assets limited to use	1,872,171	(623,597)
	<hr/>	<hr/>
Net cash used by investing activities	(5,975,917)	(2,103,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt, net	329,621	417,662
Principal payment on debt	(1,046,033)	(951,338)
	<hr/>	<hr/>
Net cash provided by financing activities	(716,412)	(533,676)
NET CHANGE IN CASH	(1,156,630)	4,241,665
CASH AND CASH EQUIVALENTS, beginning of year	<hr/>	<hr/>
	11,981,851	7,740,186
CASH AND CASH EQUIVALENTS, end of year	<hr/>	<hr/>
	\$ 10,825,221	\$ 11,981,851
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<hr/>	<hr/>
	\$ 1,726,069	\$ 954,372

The Notes to Consolidated Financial Statements are an integral part of these statements.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Goodwill Industries of Central Texas (GCT) is a corporation organized under the Nonprofit Corporation Act of the State of Texas. These consolidated financial statements include the accounts of GCT and its supporting organization, Goodwill Temporary Services, Inc., dba Goodwill Staffing Group (GSG) and Blue Solutions, which is a controlled corporation.

GCT receives grants and contracts from governmental programs to conduct various training programs. GCT also operates retail stores that sell materials donated by the public, and performs work-related services through contracts with various entities in the Central Texas area. GCT operates a free public charter school that provides adults 17-50 the opportunity to earn their high school diploma.

GSG is a nonprofit corporation organized for the purpose of providing training and employment for people who are disabled or economically disadvantaged through temporary employment and contracts with various entities in the Central Texas area.

Blue Solutions is a nonprofit corporation organized for the purpose of providing employment for disabled and severely handicapped persons under and pursuant to contracts with the United States government and others.

Programs consist of:

Assisted employment – retail: The collection process and sale of donations. Program provides employment and training, outside placement, community service restitution, diversion of waste from the landfills, and increasing environmental awareness within GCT.

Goodwill temporary staffing services: Program provides employment through temporary jobs for people with disabilities or other barriers to employment.

Assisted employment – industrial: Program provides employment and training for disabled or disadvantaged persons.

Evaluation and training: Program provides identification of work skills and aptitude, instruction in good work habits, employer relationships and methods of locating jobs, skills training and job placement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. GCT reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. GCT currently has no net assets permanently restricted by donors.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets Without Donor Restrictions

Net assets without donor restrictions result from operating revenues, unrestricted contributions, unrestricted dividend and interest income, less expenses incurred in operations to raise contributions and for administrative functions.

Donor Restricted Net Assets

Support that is restricted by the donor is recorded as an increase in donor restricted net assets. When a restriction is satisfied, donor restricted net assets are reclassified to unrestricted net assets.

Basis of Accounting

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Tuition revenue is recorded when collected.

Consolidation

As discussed in Note 1, these financial statements are consolidated to include the activities of the subsidiary entities. All intercompany balances have been eliminated for consolidation purposes.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Grants	Time and effort
Occupancy	Square Footage
Depreciation	Square Footage

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments that are readily convertible to cash.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories consist of purchased or donated items for resale in stores.

Donated Goods

Donated goods received by GCT from the public are recognized as contributions at the time of receipt at estimated fair value and are included as inventory in the accompanying consolidated statement of financial position. Costs related to bringing donated goods to a salable condition are included in expenses as incurred, and the proceeds from the sale of such materials are recognized as revenue when sold.

During 2019 GCT identified an error in the inventory turnover rate and time frame used for the calculation of the estimated value of donated goods inventory and related revenue and has elected to correct the error and restate the 2018 financials. GCT uses the retail inventory method to estimate the ending inventory at cost by employing a cost to retail (selling price) ratio. Cash flow from retail sales is the basis of valuation used to determine the fair value of donated goods at year end. Year end inventory of donated goods is calculated by applying the inventory turnover rate to the value of the retail sales of donated goods for the period net of cost to bring the donated goods to market.

Additionally, in the prior balance a portion of the calculated cost of goods sold for donated goods was netted with Assisted Employment Retail revenue. This was corrected to net these costs of goods sold with the corresponding contributed goods revenue line item.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The table below details the changes related to the restatement of donated goods inventory and related revenue.

	2018		
	Previous Balance	Corrected Balance	Variance
Donated Goods Inventory	487,836	1,139,015	651,179
Contributed Goods Revenue	4,451,495	657,823	(3,793,672)
Assisted Employment Retail net of COGS	55,775,802	60,220,653	4,444,851

Receivables

GCT accounts for its accounts receivables based on contract terms. Receivables are considered past due based on contractual terms. GCT provides for uncollectible accounts receivable and pledges receivable through the allowance method of accounting. Under this method, a provision for uncollectible accounts is charged to expense and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the account. Grants receivable are considered 100 percent collectible.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are included in the change in net assets.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and / or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed purpose or time stipulations are recorded as net assets

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Property and Equipment

Property and equipment acquisitions of items costing greater than \$5,000 and with more than one-year useful service life are capitalized at cost or estimated fair value for donated assets. Assets purchased to which grant funders retain title are capitalized when the cost of the individual assets purchased exceeds \$5,000 and useful service life exceeds one year. Proceeds from the sale of property and equipment are considered income to the funding source that originally purchased the asset. Depreciation is computed under the straight-line method and is based on the asset's estimated useful lives as follows:

Furniture and equipment	3 to 10 years
Building	30 to 50 years
Transportation equipment	3 to 7 years

Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

Assets Limited to Use

Assets limited to use are assets set aside for future use based on time or purpose restrictions by donors. These assets are released for use when the donor restrictions are met.

Derivative Instruments

GCT recognizes all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at their fair value. Changes in the fair value are reported in earnings. GCT's derivative instruments consist of interest rate swaps.

Income Taxes

GCT and subsidiaries are exempt from income taxes under IRS Code Section 501(c)(3). Therefore, no provision has been made for Federal income taxes in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2019 and 2018 were approximately \$1,617,000 and \$1,600,000.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3. RECEIVABLES

Accounts receivables at December 31 are categorized as follows:

	2019	2018
Accounts receivable	\$ 4,151,415	\$ 3,939,754
Contributions receivable	68,126	64,442
Other receivables	19,528	4,666
Allowance for doubtful accounts	(94,893)	(108,498)
	\$ 4,144,177	\$ 3,900,364

Contributions receivable due in greater than one year, included in other long-term assets on the statement of consolidated financial position, have not been discounted due to management's determination that any discount would not be material. Contributions receivable at December 31 are due as follows:

	2019	2018
Less than one year	\$ 68,126	\$ 64,442
One year to five years	186,214	226,070
	254,340	290,512
Less:		
Allowance for uncollectible contributions receivable	(125,918)	(97,378)
	\$ 128,422	\$ 193,134

NOTE 4. INVENTORY

Inventories at December 31 are categorized as follows:

	2019	2018
Inventory of donated goods, restated for 2018	\$ 1,684,872	\$ 1,139,015
Inventory of goods purchased for resale	1,507,352	928,958
	\$ 3,192,224	\$ 2,067,973

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. COMPENSATED ABSENCES

GCT provides its employees with leave time based on the personnel policy. Unused leave time is paid to eligible employees upon termination based on their current rate of pay and years of service. At December 31, 2019 and 2018 GCT had accrued approximately \$1,286,000 and \$1,120,000 in leave time respectively. These amounts are included in accrued liabilities in the financial statements.

NOTE 6. INVESTMENTS

Investment consists of a money market investment with Edward Jones® Investments and is categorized as follows:

	2019	2018
Mutual Funds:		
Cash and money market	\$ 400,900	\$ 576,851
Total	\$ 400,900	\$ 576,851
Net investment income is summarized as follows:		
Interest and dividends	\$ 9,049	\$ 7,635

NOTE 7. BOARD-DESIGNATED FUNDS

GCT's board-designated funds consist of one fund established for operations.

Board-designated net asset composition type by fund as of December 31:

	Unrestricted	Donor Restricted	Total
Board-designated fund 2019	\$ 400,900	\$ -	\$ 400,900
Board-designated fund 2018	576,851	-	\$ 576,851

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. BOARD-DESIGNATED FUNDS (CONTINUED)

Changes in board-designated net assets for the year ended December 31:

	2019	2018
Board-designated net assets, beginning of year	\$ 576,851	\$ 615,231
Fees	-	(7,745)
Investment income	9,049	7,635
Withdrawal	(185,000)	
Investment appreciation/loss	-	(38,270)
Board-designated net assets, end of year	\$ 400,900	\$ 576,851

Spending of board-designated funds and earnings are to be authorized at the discretion of the Board of Directors. In 2018 the governing board of GTC authorized liquidation of equity and bond positions in the fund to help finance the build out of the Goodwill Career and Technical Academy while waiting to collect on pledges made to the capital campaign. As of December 31, 2019, \$185,000 had been withdrawn for this purpose.

NOTE 8. LEASE COMMITMENTS

GCT is obligated under various lease agreements for space and equipment. Total expense for operating leases, including base rent, common area maintenance and other reimbursements to landlords in 2019 and 2018 was approximately \$12,196,000 and \$9,774,000 respectively. The following is a schedule of future minimum lease payments for non-cancelable operating leases of more than one year:

Year Ending December 31,

2020	9,636,322
2021	8,892,569
2022	8,392,683
2023	7,940,779
2024	7,269,854
Thereafter	40,945,163
	\$ 83,077,369

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2018	Additions	Deletions	December 31, 2019
Buildings	\$ 37,552,396	\$ -	\$ -	\$ 37,552,396
Building improvements	16,603,357	1,925,661	(413,047)	18,115,971
Furniture and equipment	13,095,295	1,256,714	(816,164)	13,535,845
Land	12,835,591	1,935,909		14,771,500
Vehicles	1,633,198	284,662	(280,995)	1,636,865
Construction in progress	472,580	2,532,022	856	3,005,458
Excel equipment	645,894	12,916	-	658,810
GTS equipment	319,004			319,004
GTS vehicles	114,299		-	114,299
Blue Solutions equipment	56,182	-		56,182
Blue Solutions vehicles	122,835			122,835
Accumulated depreciation	<u>(30,328,935)</u>	<u>(3,238,998)</u>	<u>1,496,106</u>	<u>(32,071,827)</u>
	<u>\$ 53,121,696</u>	<u>\$ 4,708,886</u>	<u>\$ (13,244)</u>	<u>\$ 57,817,338</u>

Depreciation expense for the year ended December 31, 2019 and 2018 was \$3,238,998 and \$3,348,661 respectively.

NOTE 10. DEBT

	2019	2018
Loan payable to Compass Mortgage Corporation in scheduled monthly principal installments, plus interest at 65% of LIBOR plus 2.10% per annum, collateralized by land and building with a carrying value of \$59,950,000 due September 2027.	\$ 22,671,698	\$ 23,535,793
Capital leases	811,557	663,873
Unamortized debt issuance costs	<u>(186,866)</u>	<u>(210,978)</u>
	<u>\$ 23,296,389</u>	<u>\$ 23,988,689</u>
Current portion	\$ 1,051,155	\$ 998,138
Long-term	<u>22,245,234</u>	<u>22,990,550</u>
	<u>\$ 23,296,389</u>	<u>\$ 23,988,689</u>

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. DEBT (CONTINUED)

Debt maturities:

2020	\$ 1,075,267
2021	1,125,465
2022	1,168,429
2023	1,167,648
2024	1,132,982
Thereafter	17,813,464
Total	<u>\$ 23,483,255</u>
Less: Unamortized debt issuance costs	<u>(186,866)</u>
Total debt	<u>\$ 23,296,389</u>

Interest expense for 2019 was approximately \$1,726,000. Interest paid in 2019 was approximately \$1,726,000 and interest swap expense in 2019 was approximately \$793,000. Interest expense for 2018 was approximately \$954,000. Interest paid in 2018 was approximately \$954,000 and interest swap expense in 2018 was approximately (\$351,000).

GCT's loan agreement with the Compass Mortgage Corporation includes various covenants, including:

1. Audited financial statements due within 180 days of the close of each fiscal year.
2. Quarterly financial statements within 45 days of each quarter.
3. Budget within 30 days after the start of each fiscal year.
4. Proper maintenance of properties.
5. Maintain a Fixed Charge Coverage Ratio greater than or equal to 1.25 beginning fiscal year end of 2018 measured on a trailing four-quarter basis.
6. Maintain at least 30 days of Days Cash on Hand.
7. Obtaining a written consent of the lender to pledge or mortgage any of its assets.
8. Not create, incur, permit or assume any indebtedness, other than (a) indebtedness to Compass Bank, (b) indebtedness outstanding in the closing date which has been disclosed to and approved by the bank in writing and (c) indebtedness in an aggregate amount not to exceed \$1,000,000.

NOTE 11. PENSION PLAN OBLIGATIONS

GCT offers a 403(b) tax deferred retirement plan. All employees are eligible to participate on their first day of employment. For employees that are 21 years of age or older, GCT will match 50% of an employee's contributions up to 6% of their salary deferral after an employee has been employed for one year and worked 1,000 hours. Employees of the Excel Center and Goodwill Staffing Group are not eligible for matching contributions. Any employee

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. PENSION PLAN OBLIGATIONS (CONTINUED)

contributions made toward the retirement plan are 100% vested. Participating employees vest employer contributions at 20% per year of service, reaching 100% after five years. The Excel Center staff participate in the Teacher Retirement System of Texas. Pension expense for the years ended December 31, 2019 and 2018 was approximately \$315,000 and \$246,000 respectively.

NOTE 12. INTEREST RATE SWAP

GCT uses interest rate swaps as part of its interest rate management strategy. GCT entered into no-hedge interest rate swap transactions to effectively convert variable rate loans to a fixed rate of 3.846%. The interest rate swap, which expires December 2022, is recorded on the statement of financial position at fair value. Changes in fair value of the interest rate swap are recognized in earnings. The fair value of the interest rate swap was \$929,303 and \$136,326 on December 31, 2019 and 2018 respectively and is recorded as a liability on the Consolidated Statement of Financial Position.

NOTE 13. COMMITMENTS

GCT has a deferred compensation agreement with an employee subject to IRS Code 457(f). Under the terms of the agreement, GCT will contribute \$30,000 annually to the account maintained for the benefit of the employee less any amounts contributed annually to the 457(b) Eligible Deferred Compensation Plan. The employee shall be entitled to the 457(f) account benefit upon:

- a) Deferred vesting date – defined as age 63
- b) Disability
- c) Death
- d) Termination of employment for any reason other than reasonable cause as defined by the plan.

GCT also has a 457(b) Eligible Deferred Compensation Plan (Plan). Annual contributions are made by GCT in accordance with the Plan. Ownership of the assets remains the sole property of GCT until an employee is eligible and withdraws the funds. GCT at any time may terminate the agreement and cease contributions to the plan.

Both the 457(f) and 457(b) are subject to the claims of general creditors.

The value of this deferred compensation agreement and Plan are included in Long-Term Assets and Liabilities as of December 31, 2019 and 2018 for \$494,152 and \$481,172.

As of the date of this report the employee has retired and the funds have been disbursed.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. CONTINGENCIES

Letters of Credit

As of December 31, 2019, GCT had not drawn upon any letters of credit, which have been issued in the maximum amounts of \$59,344, \$28,500, and \$31,666 to cover security deposits for individual leased properties.

NOTE 15. FAIR VALUE DISCLOSURES

GCT measures certain assets using the guidance in FASB ASC 820, "Fair Value Measurement". FASB ASC 820 establishes a framework for using fair value to measure assets and liabilities, and defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, as opposed to the price that would be paid to acquire the asset, or received to assume the liability. A fair values measurement assumes that the transaction to sell the asset of transfer the liability occurs in the principal market for the asset of liability or, in the absence of a principal market, the most advantageous market.

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale of use of an asset, and the value based on inputs

GCT uses to derive fair value measurements. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs: Quoted market prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 inputs: Quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 inputs: Unobservable inputs for the asset or liability and rely on management's own estimates for assumptions that market participants would use in pricing the asset or liability that include option pricing model, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. FAIR VALUE DISCLOSURES (CONTINUED)

The following summarizes the valuation of GCT's assets (liabilities) measured using the market approach under the fair value standard hierarchy at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap	\$ -	(929,303)	-	\$ (929,303)

The following summarizes the valuation of GCT's assets (liabilities) measured using the market approach under the fair value standard hierarchy at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest rate swap	\$ -	(136,326)	-	\$ (136,326)

There were no significant transfers between levels 1, 2, or 3 for the year ended December 31, 2019 or 2018.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Interest Rate Swap: The interest rate swap is valued using observable interest rates on similar duration securities and debt-obligations as determined by a third party.

NOTE 16. DONOR RESTRICTED NET ASSETS

Donor restricted net assets as of December 31, consist of:

	<u>2019</u>	<u>2018</u>
Restricted for Future Building	\$ -	\$ 9,075
Restricted for Evaluation and Training Programs	111,444	93,900
Restricted for Community Education	-	18,288
Restricted for The Excel Center	147,868	26,212
Restricted Pledge Receivables	861,824	2,753,663
	<u>1,121,136</u>	<u>2,901,138</u>
Total Donor Restricted Net Assets	<u>\$ 1,121,136</u>	<u>\$ 2,901,138</u>

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the years ended December 31, 2019 and 2018, net assets with donor restrictions totaling \$1,979,384 and \$437,490 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors.

NOTE 18. CONCENTRATIONS

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. GCT deposits its cash with high quality financial institutions, and management believes GCT is not exposed to significant credit risk on those amounts.

Approximately 75% and 74% of revenues flowing through accounts receivable are from various agencies of the State of Texas or the Federal Government at December 31, 2019 and 2018 respectively.

NOTE 19. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

GCT regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. GCT has various sources of liquidity at its disposal, including cash, cash equivalents and letters of credit. See Note 13 for information about GCT's letters of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, GCT considers all expenditures related to its ongoing activities of evaluation and training, assisted employment, and temporary employment as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months,

GCT operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of GCT's cash and shows positive cash generated by operations for 2018 and 2019.

As of December 31, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 10,825,221
Liquid investments	400,900
Accounts receivable, net	4,144,177
Inventory	3,192,224
	<hr/>
	\$ 18,562,522

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20. SUBSEQUENT EVENT

The extent of the operational and financial impact the COVID-19 pandemic may have on the Organization has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. Goodwill is actively exploring options to ensure business continuity for the organization throughout this unprecedented time and is currently implementing temporary reduction in workforce among other cost saving measures to ensure the financial stability of the organization. The organization is unable to accurately predict how COVID-19 will affect the results of its operations because the virus's severity and the duration of the pandemic are uncertain. However, while it is premature to accurately predict its full impact, we are anticipating a decrease in revenues for the quarter ending March 31, 2020 exceeding 30% of budget, and may have potential continuing, adverse impacts beyond March 31, 2020.



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Goodwill Industries of Central Texas

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Goodwill Industries of Central Texas (the Organization), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated May 4, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Weaver and Tidwell, L.L.P.
1601 South MoPac Expressway, Suite D250 | Austin, Texas 78746
Main: 512.609.1900

The Board of Directors
Goodwill Industries of Central Texas

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
May 4, 2020



**Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

To the Board of Directors
Goodwill Industries of Central Texas

Report on Compliance for Each Major Federal Program

We have audited Goodwill Industries of Central Texas' (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Goodwill Industries of Central Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
May 4, 2020

SUPPLEMENTARY INFORMATION

GOODWILL INDUSTRIES OF CENTRAL TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

Federal Grantor/Pass-Through Grantor Program or Cluster Title	CFDA Number	Pass through Number	(A) Expenditures Including Indirect Costs	(B) Amount in (A) Relating to Pass-Through to Subrecipients
<u>U.S. Department of Labor</u>				
Passed through Workforce Solutions- Capital Area Workforce Workforce Board				
WIOA Title I Youth	17.259	WIOA1415-1920	\$ 1,048,146	\$ 40,219
WIOA Title I Youth	17.259	WIOA1415-1920	344,492	10,252
			<u>1,392,638</u>	<u>50,471</u>
Passed through Goodwill Industries International, Inc				
Reintegration of Ex-Offenders				
LifeLaunch Reentry Demonstration Project for Young Adults	17.270	YF-29325-16-60-A-24	254,185	-
LifeLaunch Adult Reintegration Project	17.270	PE-30788-17-60-A-24	369,818	-
Goodwill Careers in Technology (Techhire)	17.268	HG-29347-16-60-A-24	163,415	-
			<u>787,418</u>	<u>-</u>
Passed through Texas Workforce Commission				
Texas Talent Connection	17.207	1420WPB002	9,630	-
Direct Funding:				
Training 2 Work 4	17.270	PE-29373-16-60-A-48	58,672	-
Total Department of Labor			2,248,358	50,471
<u>Department of Education</u>				
Passed through Texas Workforce Commission				
Adult Education - State Grant Program - Accelerate Texas III: Integrated Education and Training				
	84.002A	0617AEL001	25,881	-
Adult Education - State Grant Program - Accelerate Texas V: Integrated Education and Training				
	84.002A	1419AEL001	20,066	-
			<u>45,947</u>	<u>-</u>
Passed through Texas Education Agency				
IDEA-B Formula	84.027A	186600012278286600	851	-
IDEA-B Formula	84.027A	196600012278286600	36,863	-
IDEA-B Formula	84.027A	206600012278286600	-	-
			<u>37,714</u>	<u>-</u>
Total Department of Education			83,661	-
<u>U.S. Department of Health and Human Services</u>				
Passed through Texas Workforce Commission				
Temporary Assistance for Needy Families (TANF) - Foster Youth Dropout Prevention and Recovery High School Completion Pilot Program				
	93.558	1417TAN002	56,132	-
Temporary Assistance for Needy Families (TANF) - Self Sufficiency				
	93.558	1417SSF000	9,728	-
Total Department of Health and Human Services			65,860	-
Total Federal Assistance			\$ 2,397,879	\$ 50,471

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this statement.

GOODWILL INDUSTRIES OF CENTRAL TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE 1. BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the schedule) includes the grant activity of GCT under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited reimbursement. The 10% de minimis indirect cost rate was used.

Pass-through entity identifying numbers are presented where available.

Goodwill Industries of Central Texas

Schedule of Findings and Questioned Costs

December 31, 2019

Section 1. Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, or State of Texas Uniform Grant Management Standards? _____ Yes X No

Identification of major federal programs:

WIOA Cluster
17.259 - WIA/WIOA Youth Activities

Dollar threshold use to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section 2. Financial Statement Findings

Current year – none

Prior year – none

Section 3. Federal Award Findings and Questioned Costs

None noted