Goodwill Industries of Central Texas

Consolidated Financial Statements
and Single Audit Reports and Schedules

December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Goodwill Industries of Central Texas

Opinion

We have audited the accompanying consolidated financial statements of Goodwill Industries of Central Texas, which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and 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 Industries of Central Texas as of December 31, 2024 and 2023, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Goodwill Industries of Central Texas and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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 Industries of Central Texas'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 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 and *Government 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Industries of Central Texas'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 Industries of Central Texas'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2025, 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 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 Organization's 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 Organization's internal control over financial reporting and compliance.

Armanino LLP

Austin, Texas

May 15, 2025

Goodwill Industries of Central Texas
Consolidated Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 17,718,856	$ 14,806,151
Investments, at fair value	11,870,346	10,782,162
Receivables, net	7,692,209	10,140,669
Inventory	2,897,358	2,990,367
Prepaid expenses and other assets	2,219,684	1,272,175
Total current assets	42,398,453	39,991,524
Non-current assets		
Other assets	483,586	550,465
Operating lease right-of-use assets, net	48,565,168	49,870,324
Finance lease right-of-use assets, net	1,857,041	1,690,819
Interest rate swap asset	5,574,117	5,032,172
Property and equipment, net	68,597,431	69,492,308
Total non-current assets	125,077,343	126,636,088
Total assets	$ 167,475,796	$ 166,627,612
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 4,813,795	$ 4,617,919
Accrued liabilities	7,912,322	7,833,734
Current portion of operating lease liabilities	9,632,342	9,318,746
Current portion of finance lease liabilities	641,865	614,321
Current portion of long-term debt	1,329,781	1,293,966
Total current liabilities	24,330,105	23,678,686
Non-current liabilities		
Other liabilities	111,424	159,845
Operating lease liabilities, net of current portion	43,012,273	44,642,653
Finance lease liabilities, net of current portion	1,383,988	1,229,290
Long-term debt, net of current portion and debt issuance costs	36,811,219	38,074,509
Total liabilities	105,649,009	107,784,983
Net assets		
Without donor restrictions	54,963,998	55,728,552
With donor restrictions	6,862,789	3,114,077
Total net assets	61,826,787	58,842,629
Total liabilities and net assets	$ 167,475,796	$ 166,627,612

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

Goodwill Industries of Central Texas
Consolidated Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Assisted employment - retail	$ 90,761,355	$ -	$ 90,761,355
Contributed goods	78,340,443	-	78,340,443
Temporary staffing services	31,788,294	-	31,788,294
Assisted employment - industrial	10,043,736	-	10,043,736
Education evaluation and training	61,076	14,688,796	14,749,872
Federal grants from governmental agencies	4,401,566	182,429	4,583,995
Other grants	2,810,384	267,205	3,077,589
Contributions	488,836	1,607,512	2,096,348
Other revenue	741,744	-	741,744
Investment income, net	1,087,524	-	1,087,524
Change in value on interest rate swap	541,945	-	541,945
Gain (loss) on fixed asset disposals	1,560,989	(7,818)	1,553,171
Net assets released from restrictions	12,989,412	(12,989,412)	-
Total revenues, gains (losses) and other support	235,617,304	3,748,712	239,366,016
Functional expenses			
Program services			
Assisted employment - retail	152,410,499	-	152,410,499
Temporary staffing services	26,714,925	-	26,714,925
Assisted employment - industrial	12,902,701	-	12,902,701
Education, evaluation and training	24,465,584	-	24,465,584
Total program services	216,493,709	-	216,493,709
Support services			
Management and general	19,208,710	-	19,208,710
Fundraising	679,439	-	679,439
Total support services	19,888,149	-	19,888,149
Total functional expenses	236,381,858	-	236,381,858
Change in net assets	(764,554)	3,748,712	2,984,158
Net assets, beginning of year	55,728,552	3,114,077	58,842,629
Net assets, end of year	$ 54,963,998	$ 6,862,789	$ 61,826,787

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

Goodwill Industries of Central Texas
Consolidated Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Assisted employment - retail	$ 90,367,765	$ -	$ 90,367,765
Contributed goods	75,823,485	-	75,823,485
Temporary staffing services	31,201,661	-	31,201,661
Assisted employment - industrial	10,458,126	-	10,458,126
Education evaluation and training	119,645	9,256,887	9,376,532
Federal grants from governmental agencies	5,977,705	1,296,097	7,273,802
Other grants	3,032,455	215,445	3,247,900
Contributions	476,374	642,349	1,118,723
Other revenue	821,782	-	821,782
Investment income, net	1,150,395	-	1,150,395
Change in value on interest rate swap	(682,571)	-	(682,571)
Loss on fixed asset disposals	(21,712)	-	(21,712)
Gain on forgiveness of PPP loan	2,357,088	-	2,357,088
Net assets released from restrictions	11,039,699	(11,039,699)	-
Total revenues, gains (losses) and other support	232,121,897	371,079	232,492,976
Functional expenses			
Program services			
Assisted employment - retail	146,903,967	-	146,903,967
Temporary staffing services	26,091,107	-	26,091,107
Assisted employment - industrial	12,667,482	-	12,667,482
Education, evaluation and training	23,539,844	-	23,539,844
Total program services	209,202,400	-	209,202,400
Support services			
Management and general	18,914,533	-	18,914,533
Fundraising	562,051	-	562,051
Total support services	19,476,584	-	19,476,584
Total functional expenses	228,678,984	-	228,678,984
Change in net assets	3,442,913	371,079	3,813,992
Net assets, beginning of year	52,285,639	2,742,998	55,028,637
Net assets, end of year	$ 55,728,552	$ 3,114,077	$ 58,842,629

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

Goodwill Industries of Central Texas
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services				Support Services		
	Assisted Employment - Retail	Temporary Staffing Services	Assisted Employment - Industrial	Education, Evaluation and Training	Management and General	Fundraising	Total
Salaries and wages	$ 33,921,538	$ 21,972,903	$ 6,964,990	$ 15,231,358	$ 8,851,926	$ 328,831	$ 87,271,546
Cost of goods sold - new goods	3,206,529	-	-	-	-	-	3,206,529
Cost of goods sold - donated goods	78,269,502	-	-	-	-	-	78,269,502
Payroll taxes	2,464,199	1,608,017	517,737	671,785	1,083,749	16,595	6,362,082
Employee benefits	4,296,900	1,131,762	667,889	3,235,665	827,008	53,288	10,212,512
Professional fees	1,120,534	12,681	200,291	625,705	1,068,363	22,571	3,050,145
Supplies	2,391,952	61,582	704,434	653,383	2,276,584	45,296	6,133,231
Telephone and internet	206,365	12,350	48,279	218,608	73,822	1,469	560,893
Repairs and maintenance	1,995,007	4,236	200,648	22,310	217,108	9	2,439,318
Postage and freight	1,396,219	80	876,281	8,335	8,273	482	2,289,670
Rent	12,129,824	-	1,293,955	153,064	-	-	13,576,843
Utility and trash	3,474,550	310	136,025	-	298,740	-	3,909,625
Printing and publication	41,416	334	365	24,239	64,308	32,270	162,932
Recruitment and advertising	494,254	115,090	52,849	45,606	232,833	-	940,632
Equipment rental	519,975	-	119,602	22,330	48,391	-	710,298
Travel, convention and meetings	150,542	22,953	85,048	403,572	193,012	8,646	863,773
Fundraising company events	-	-	-	-	-	157,797	157,797
Commissions and fees	593,146	1,495,110	386,428	-	124,953	-	2,599,637
Membership dues	2,240	10,060	2,154	54,442	292,458	1,389	362,743
Interest expense	38,838	-	18,601	-	1,049,896	-	1,107,335
Depreciation and amortization	3,029,515	9,729	304,821	276,765	1,521,638	-	5,142,468
Insurance	981,091	181,682	185,432	123,522	124,993	1,584	1,598,304
Assistance and training	2,139	15,576	9,161	1,698,664	2,817	-	1,728,357
Other miscellaneous expenses	1,684,224	60,470	127,711	996,231	847,838	9,212	3,725,686
	$ 152,410,499	$ 26,714,925	$ 12,902,701	$ 24,465,584	$ 19,208,710	$ 679,439	$ 236,381,858

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

Goodwill Industries of Central Texas
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services				Support Services		
	Assisted Employment - Retail	Temporary Staffing Services	Assisted Employment - Industrial	Education, Evaluation and Training	Management and General	Fundraising	Total
Salaries and wages	$ 31,566,592	$ 21,959,592	$ 6,854,268	$ 15,373,843	$ 8,492,701	$ 246,173	$ 84,493,169
Cost of goods sold - new goods	3,774,959	-	-	-	-	-	3,774,959
Cost of goods sold - donated goods	75,884,350	-	-	-	-	-	75,884,350
Payroll taxes	2,266,723	1,593,502	503,870	695,420	881,349	13,963	5,954,827
Employee benefits	3,334,726	624,292	554,124	1,961,278	1,716,367	40,621	8,231,408
Professional fees	1,144,339	24,269	121,991	700,748	834,366	42,138	2,867,851
Professional fees - ERP implementation	-	-	-	-	235,551	-	235,551
Supplies	1,809,264	57,386	683,549	869,359	1,839,132	46,198	5,304,888
Telephone and internet	201,871	12,505	48,933	144,160	53,900	1,594	462,963
Repairs and maintenance	1,770,192	-	301,545	20,589	197,001	-	2,289,327
Postage and freight	1,915,623	13	918,076	20,617	16,528	513	2,871,370
Rent	12,467,940	-	1,360,845	214,296	6,265	-	14,049,346
Utility and trash	3,219,902	473	126,356	1,484	266,037	-	3,614,252
Printing and publication	102,030	10	1,500	38,279	30,003	26,009	197,831
Recruitment and advertising	674,956	111,370	48,216	99,431	264,631	2,045	1,200,649
Equipment rental	523,032	-	119,562	66,275	104,132	65	813,066
Travel, convention and meetings	172,043	10,879	72,532	220,847	275,209	14,954	766,464
Fundraising company events	-	-	-	-	-	123,313	123,313
Commissions and fees	739,014	1,390,580	414,173	-	93,751	-	2,637,518
Membership dues	20,760	7,734	1,586	50,213	279,505	845	360,643
Interest expense	27,590	-	60,071	-	1,086,454	-	1,174,115
Depreciation and amortization	2,851,790	9,729	275,057	247,896	1,446,299	-	4,830,771
Insurance	778,625	253,018	125,287	165,208	139,131	1,245	1,462,514
Assistance and training	5,268	25,981	7,307	2,474,471	4,952	-	2,517,979
Other miscellaneous expenses	1,652,378	9,774	68,634	175,430	651,269	2,375	2,559,860
	$ 146,903,967	$ 26,091,107	$ 12,667,482	$ 23,539,844	$ 18,914,533	$ 562,051	$ 228,678,984

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

Goodwill Industries of Central Texas
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	$ 2,984,158	$ 3,813,992
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,422,194	4,201,068
(Gain) loss on disposal of fixed assets	(1,553,171)	21,712
Change in fair value of interest rate swap	(541,945)	682,571
Net realized and unrealized gains on investments	(868,367)	(941,002)
Amortization of debt issuance costs	72,342	72,342
Amortization of finance lease right-of-use assets	720,274	629,703
Gain on forgiveness of PPP loan	-	(2,357,088)
Imputed interest on finance leases	68,439	61,050
Changes in operating assets and liabilities		
Receivables, net	2,448,460	(181,403)
Inventory	93,009	396,867
Prepaid expenses and other assets	(947,509)	(92,622)
Other assets	66,879	(4,667)
Operating lease right-of-use assets, net	8,728,066	9,279,088
Accounts payable	195,876	(2,047,283)
Accrued liabilities	78,588	2,445,124
Other liabilities	(48,421)	157,895
Operating lease liabilities	(8,739,694)	(9,446,123)
Net cash provided by operating activities	7,179,178	6,691,224
Cash flows from investing activities		
Purchases of property and equipment	(4,318,306)	(2,268,728)
Purchases of investments	(222,940)	(15,290,269)
Proceeds from sales of investments	3,123	15,100,096
Proceeds from insurance recoveries	2,344,160	-
Net cash used in investing activities	(2,193,963)	(2,458,901)
Cash flows from financing activities		
Principal payments on long-term debt	(1,299,817)	(1,325,004)
Refunded loan payments from PPP loan	-	319,356
Payments on finance lease liabilities	(772,693)	(686,311)
Net cash used in financing activities	(2,072,510)	(1,691,959)
Net increase in cash and cash equivalents	2,912,705	2,540,364
Cash and cash equivalents, beginning of year	14,806,151	12,265,787
Cash and cash equivalents, end of year	$ 17,718,856	$ 14,806,151

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 966,554	$ 1,070,723

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

Goodwill Industries of Central Texas
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Supplemental schedule of noncash investing and financing activities		
Operating lease right-of-use assets obtained in exchange for lease liabilities	$ 7,422,910	$ 972,872
Finance lease right-of-use assets obtained in exchange for lease liabilities	$ 886,496	$ 1,013,046

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

1. NATURE OF OPERATIONS

Goodwill Industries of Central Texas ("GICT") is a nonprofit organized under the Nonprofit Corporation Act of the State of Texas and designated as a 501(c)(3) nonprofit organization by the Internal Revenue Service. These consolidated financial statements include the accounts of GICT and its 100% owned supporting organizations, Goodwill Temporary Services, Inc., dba Goodwill Staffing Group ("GSG") and Blue Solutions, which is a controlled corporation.

GICT receives grants and contracts from governmental programs to conduct various education and training programs. GICT also operates retail stores that sell materials primarily donated by the public, performs work-related services through contracts with various entities in the Central Texas area and provides employment to many individuals facing barriers to finding employment. GICT operates The Excel Center (for Adults) (the "Charter School") that provides adults up to 50 years old the opportunity to earn their high school diploma. The Charter School also has campuses in some Texas prisons to help reduce the rate of recidivism by providing inmates an opportunity to earn a high school diploma that can lead to additional work opportunities upon release.

GSG is a 501(c)(3) nonprofit corporation organized for the purpose of providing training and employment to people who are disabled or economically disadvantaged through temporary employment and contracts with various entities.

Blue Solutions is a 501(c)(3) nonprofit corporation organized for the purpose of providing employment to individuals with disabilities or severe disabilities pursuant to contracts with the United States government and others. A minimum of 75% of Blue Solutions' employee base is comprised of individuals with severe disabilities.

GICT, the Charter School, GSG and Blue Solutions programs consist of:

Assisted employment - retail: This program includes collection, processing and sale of donations and a limited amount of new goods. This program provides employment and training, outside placement, employee counseling and career coaching, community service restitution, diversion of waste from the landfills and increasing environmental awareness.

Goodwill temporary staffing services: This program provides employment through temporary jobs for people with disabilities or other barriers to employment and strives to place such individuals in full-time employment when possible.

Assisted employment - industrial: This program provides employment and training for individuals with disabilities or disadvantages.

Education evaluation and training: This program provides identification of work skills and aptitude, instruction in good work habits, career coaching, academic and technical skills education, employer relationships, methods of locating jobs and job placement.

1. NATURE OF OPERATIONS (continued)

Principles of consolidation

Under the provisions of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 958-810-10, *Consolidations,* the consolidated financial statements include the activities of the subsidiary entities. All inter-organizational and inter-company transactions and balances have been eliminated in consolidation. GICT, the Charter School, GSG and Blue Solutions are hereinafter collectively referred to as the "Organization."

The Charter School is a nonprofit charter school that began operations in August 2014. GICT is the charter holder and controlling entity of the Charter School. Accordingly, the amounts of the Charter School have been consolidated herein, as required by generally accepted accounting principles. However, the charter is granted pursuant to Chapter 12 of the Texas Education Code. Consequently, the net assets of the Charter School are restricted for the narrowed purpose of the Charter School's operations and are unavailable for use by the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements of the Organization 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").

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Organization's governing Board of Directors (the "Board") may designate net assets without restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors that may be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

Revenues are 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 restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. Cash held temporarily for reinvestment is classified as investments in the accompanying consolidated financial statements.

Investments, at fair value

Investments are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Interest and dividend income is presented net of investment management fees on the accompanying consolidated statements of activities. Cash designated for purchases of investments is included within the investment balance as presented in the accompanying consolidated statements of financial position.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the Organization to disclose assets and liabilities measured at fair value based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates based on available data.

The Organization holds fixed income investments in corporate bonds that are reported using Level 2 inputs. The fair value of the Organization's fixed income investments is measured on a recurring basis based on the cost of the investment plus accumulated fixed interest.

The Organization classifies its interest rate swap agreement within Level 2. The value of the interest rate swap agreement is determined using a third party's proprietary discounted cash flow model, which considers past, present and future assumptions regarding interest rates and market conditions to estimate the fair value of the agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The Organization holds U.S. Treasury Bills within its fixed income investments that were transferred from Level 2 investments to Level 1 on a retrospective basis during the year ended December 31, 2024 after the Organization evaluated the measurement within the fair value hierarchy.

Receivables, net

- Accounts receivable - Accounts receivable are recorded at net realizable value. The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Organization assesses collectibility by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those characteristics and are considered at risk or uncollectible. The allowance for expected credit losses was $117,020 and $187,007 as of December 31, 2024 and 2023, respectively.

- Contributions receivable - Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. As of December 31, 2024 and 2023, management considers all contributions receivable to be fully collectible. Accordingly, no allowance for expected credit losses is recorded in the accompanying consolidated financial statements.

- Grants receivable - Grants receivable represent allowable program expenses incurred as of year-end, both billed and unbilled, that will be reimbursed from funding sources in the subsequent year. As of December 31, 2024 and 2023, management considers all grants receivable to be fully collectible. Accordingly, no allowance for expected credit losses is recorded in the accompanying consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or net realizable value. Inventory consists of purchased or donated items for resale in stores.

Donated goods received by the Organization 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 statements 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.

The Organization 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 costs to bring the donated goods to market.

Derivative instruments

The Organization uses an interest rate swap to manage exposure to interest rate risks. The Organization entered into an interest rate swap on December 15, 2021, to effectively convert its new variable rate tax-exempt loan to a fixed rate of 2.42% for the first twelve years of its term. The Organization's objective for holding the derivative is to minimize risk using the most effective methods to eliminate or reduce the exposure to interest rate fluctuations. Derivative instruments are to be recorded as assets or liabilities, measured at fair value. For each period, the changes in fair value are reported as change in value on interest rate swap in the accompanying consolidated statements of activities.

Property and equipment

The Organization capitalizes all property and equipment with a cost greater than $5,000 and an estimated useful life in excess of one year. Property and equipment are recorded at cost or, if donated, at the estimated fair value on the date of the donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Maintenance and repairs are charged to expense when incurred. Major improvements are capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	3 - 10 years
Transportation equipment	5 - 15 years

Building improvements are depreciated over the remaining lives of the respective buildings to which the improvements are made. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews the carrying value of long-lived identifiable assets to be held and used in the future for impairment. No long-lived assets were deemed to be impaired as of December 31, 2024 or 2023.

Revenue recognition

A description of the Organization's primary revenue streams are as follows:

- Assisted employment - retail revenues consist of the sale of donated goods and, to a lesser extent, new goods. The sale of each individual item is recorded at the point of sale, which is the point at which the performance obligation for each individual item sold is met. Store sales do not include sales tax because the Organization is a pass-through conduit for collecting and remitting sales taxes. E-commerce merchandise is priced as advertised online including shipping charges. Salvage revenue consists of donated goods that were not sold in retail or outlet stores but were sold on the after-retail market. Salvage is bundled, and each individual bundle is a separate performance obligation. Revenue is recorded when the bundles are purchased and picked up.

- Temporary staffing services includes temporary employment for people with disabilities and other barriers to employment by local area employers. These services are primarily provided through cost-reimbursable agreements with various employers. The Organization's costs in providing these services consist of the employees' wages and benefits, sales commissions and other administrative costs. The Organization recognizes revenue for its temporary staffing services over time as services are performed in an amount that reflects the consideration it expects to be entitled to in exchange for its services, which is generally calculated as hours worked multiplied by the agreed-upon hourly bill rate. The customer simultaneously receives and consumes the benefits of the services as they are provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- Assisted employment - industrial consists of services that are provided under state government, private commercial and federal AbilityOne programs. Services include janitorial, landscape maintenance, packaging and mail room. Services are ongoing as defined by the contracts, and performance obligations under each contract are defined in terms of various performance indicators including but not limited to hours worked and units produced. The Organization invoices the customers receiving the services monthly based on the appropriate performance indicators and records revenue as the services are performed.
- The Organization receives grant awards from federal, state and local agencies to fund specific programs administered by the Organization. Such grant awards are subject to specific compliance requirements. Federal grants are considered conditional contributions until requirements stipulated under the grant agreements are met by the Organization. Revenue is recognized as the related qualifying expenses are incurred as allowable by grants.

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending on the presence or absence of donor restrictions. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received.

Conditional promises to give are not recognized until they become unconditional; that is, when the barriers on which they depend are substantially overcome, and there is no longer a right of return of the asset or right of release from the obligation. The Organization receives federal, state and local grants, which are conditioned upon certain performance requirements, the incurrence of allowable qualifying expenditures or both. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the underlying grant. As of December 31, 2024 and 2023, the Organization has approximately $2,900,000 and $3,600,000, respectively, of conditional funding related to government grants for which qualifying expenditures have not been incurred.

Contributed goods and services

Contributed goods are reflected as contributions in the accompanying consolidated statements of activities at their estimated fair values at the date of receipt. The Organization received $78,340,443 and $75,823,485 in donated clothes, household goods, and supplies ("contributed goods") during the years ended December 31, 2024 and 2023, respectively. The Organization utilizes these contributed goods to support its Assisted employment - retail program. There are no donor-imposed restrictions associated with these contributed goods. The Organization calculates the estimated fair value of contributed goods as the selling price less the cost to bring to market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services (continued)

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recognized for these services in the accompanying consolidated statements of activities because the criteria for recognition contributed services have not been satisfied.

Functional allocation of expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain expenses have been allocated among program services and supporting services benefited. Certain salaries and wages and employee benefits are allocated based on estimates of time and effort. Rent and depreciation and amortization are allocated based on the estimated usage of square footage by various departments.

Income taxes

The Organization is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Management has evaluated the Organization's federal and state tax positions and has concluded there are no significant uncertain tax positions as of December 31, 2024 and 2023, for which a reserve would be necessary.

The Organization has concluded that it does not have any unrecognized tax benefits or obligations resulting from current or prior period tax positions. The Organization does not have any outstanding interest or penalties, and none have been recorded in the accompanying consolidated statements of activities for the years ended December 31, 2024 and 2023. The Organization does not have any significant uncertain tax positions for which a reserve would be considered necessary. However, the conclusions regarding accounting for uncertainty in income taxes are subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws and regulations and interpretations thereof.

Advertising costs

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2024 and 2023 were approximately $805,000 and $1,046,000, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity 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. Uses of estimates include, but are not limited to, the estimated useful lives of property and equipment, the estimated value of donated goods inventory at year-end, the estimated fair value of the interest rate swap agreement, the allowances for expected credit losses and the allocation of expenses by function. Actual results could differ from those estimates.

Reclassifications

Certain prior year balances related to education evaluation and training, federal grants from governmental agencies, other grants, and contributions, along with net assets released from restrictions, have been reclassified from without donor restrictions to with donor restrictions to more accurately reflect the narrowed purpose of the Charter School compared to the broader purpose of GICT at the consolidated level.

Additionally, certain prior year amounts have been reclassified for consistency with the current year presentation. Total net assets and the change in net assets are unchanged due to these reclassifications.

Subsequent events

The Organization has evaluated subsequent events through May 15, 2025, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's consolidated financial statements.

3. LIQUIDITY AND FUNDS AVAILABLE

The Organization monitors its liquidity to meet operating needs and other contractual commitments while maintaining sufficient resources to meet donor restrictions placed on contributed financial assets. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a line of credit with a maximum amount of $10,000,000, as described in Note 10, which can be drawn on in the event of a liquidity need. The Organization's board-designated investments can also be utilized in the event of a liquidity need.

3. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following quantitative disclosure describes financial assets that are available or expected to be available within one year of December 31, 2024 to fund general expenditures and obligations as they become due:

Current financial assets:	
Cash and cash equivalents	$ 17,718,856
Investments, at fair value	11,870,346
Receivables, net	7,692,209
Inventory	2,897,358
	40,178,769
Less amounts unavailable for general expenditure within one year due to:	
Board-designated investments	(561,090)
Purpose restricted net assets	(6,862,789)
	(7,423,879)
	$ 32,754,890

4. RECEIVABLES, NET

Receivables, net consisted of the following:

	2024	2023
Accounts receivable	$ 2,998,997	$ 6,427,188
Less: allowance for expected credit losses	(117,020)	(187,007)
	2,881,977	6,240,181
Contributions receivable	31,230	58,398
Grants receivable	4,779,002	3,842,090
	$ 7,692,209	$ 10,140,669

Management expects all receivables to be collected within one year of December 31, 2024.

5. INVENTORY

Inventory consisted of the following:

	2024	2023
Donated goods	$ 2,238,298	$ 2,167,357
Goods purchased for resale	659,060	823,010
	$ 2,897,358	$ 2,990,367

6. INVESTMENTS, AT FAIR VALUE

Investments, at fair value consisted of the following:

	2024	2023
Cash and cash equivalents	$ 4,002,757	$ 2,364,676
Fixed income	4,009,116	2,940,115
Equities	3,858,473	5,477,371
	$ 11,870,346	$ 10,782,162

Investment income, net consisted of the following:

	2024	2023
Interest and dividends	$ 279,393	$ 255,220
Realized and unrealized gains on investments	868,367	941,002
Investment fees	(60,236)	(45,827)
	$ 1,087,524	$ 1,150,395

7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024:

	Level 1	Level 2	Level 3	Fair Value
Fixed income	$ 2,615,161	$ 1,393,955	$ -	$ 4,009,116
Equities	3,858,473	-	-	3,858,473
	6,473,634	1,393,955	-	7,867,589
Interest rate swap asset	-	5,574,117	-	5,574,117
	$ 6,473,634	$ 6,968,072	$ -	13,441,706
Cash and cash equivalents				4,002,757
				$ 17,444,463

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

	Level 1	Level 2	Level 3	Fair Value
Fixed income	$ 1,756,605	$ 1,183,510	$ -	$ 2,940,115
Equities	5,477,371	-	-	5,477,371
	7,233,976	1,183,510	-	8,417,486
Interest rate swap asset	-	5,032,172	-	5,032,172
	$ 7,233,976	$ 6,215,682	$ -	13,449,658
Cash and cash equivalents				2,364,676
				$ 15,814,334

8. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	2024	2023
Land	$ 16,949,815	$ 16,949,815
Buildings and improvements	62,146,175	60,706,653
Leasehold improvements	8,969,722	8,847,939
Furniture and equipment	18,125,823	17,352,486
Transportation equipment	1,510,597	1,410,597
Construction in progress	614,447	87,580
	108,316,579	105,355,070
Less: accumulated depreciation and amortization	(39,719,148)	(35,862,762)
	$ 68,597,431	$ 69,492,308

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was $4,422,194 and $4,201,068, respectively.

9. LEASES

The Organization has entered into operating and finance leases which expire on various dates through 2034. Rent expense, which includes expenses such as utilities and property taxes, totaled $14,287,141 and $14,862,412, respectively, for the years ended December 31, 2024 and 2023.

Additional information related to leases for the year ended December 31, 2024 is as follows:

	Finance Leases	Operating Leases
Lease composition:		
Weighted average remaining lease term	6 years	13 years
Weighted average discount rate	3.32 %	1.96 %
Lease costs:		
Amortization of lease assets included in depreciation and amortization	720,274	-
Interest on lease liability	68,439	-
Operating lease expense included within rent on the consolidated statements of functional expenses	-	8,728,066
	788,713	8,728,066
Other information:		
Cash paid for amounts included in the measurement of lease liabilities	772,693	9,613,318
Right-of-use assets obtained in exchange for lease liabilities	886,496	7,422,910

9. LEASES (continued)

Additional information related to leases for the year ended December 31, 2023 is as follows:

	Finance Leases	Operating Leases
Lease composition:		
Weighted average remaining lease term	5 years	12 years
Weighted average discount rate	3.25 %	1.49 %
Lease costs:		
Amortization of lease assets included in depreciation and amortization	669,940	-
Interest on lease liability	61,050	-
Operating lease expense included within rent on the consolidated statements of functional expenses	-	9,279,088
	730,990	9,279,088
Other information:		
Cash paid for amounts included in the measurement of lease liabilities	686,311	10,212,486
Right-of-use assets obtained in exchange for lease liabilities	1,013,046	972,872

A summary of future minimum lease payments required under the above leases as follows:

Year ending December 31,	Finance Leases	Operating Leases	Total
2025	$ 680,497	$ 9,632,342	$ 10,312,839
2026	637,846	8,508,888	9,146,734
2027	427,017	7,808,709	8,235,726
2028	221,829	7,577,830	7,799,659
2029	100,527	6,258,993	6,359,520
Thereafter	29,403	17,439,784	17,469,187
	2,097,119	57,226,546	59,323,665
Less: amounts representing interest	(71,266)	(4,581,931)	(4,653,197)
	$ 2,025,853	$ 52,644,615	$ 54,670,468

10. LONG-TERM DEBT

Long-term debt, net consisted of the following:

	2024	2023
On December 15, 2021, the Organization obtained a tax-exempt loan in the original principal amount of $42,450,000, which was ultimately assigned to a bank. Interest on the unpaid principal balance of the note is computed at a per annum rate equal to 87.4% of the Daily Simple Secured Overnight Financing Rate ("SOFR") plus the applicable margin (effective rate of 4.31% and 5.31% at December 31, 2024 and 2023, respectively.) The loan matures on December 15, 2046, but is callable by the bank after December 15, 2033. Through the use of an interest rate swap, interest has been effectively fixed at 2.42% for the initial twelve-year term of the loan.	$ 38,639,068	$ 39,938,885
Economic Injury Disaster Loan payable to the Small Business Administration, with an interest rate of 2.75% per annum and maturing in October 2050.	150,000	150,000
	38,789,068	40,088,885
Less: unamortized debt issuance costs	(648,068)	(720,410)
	38,141,000	39,368,475
Less: current portion	(1,329,781)	(1,293,966)
	$ 36,811,219	$ 38,074,509

Future maturities of long-term debt are as follows:

Year ending December 31,	
2025	$ 1,329,781
2026	1,363,712
2027	1,398,508
2028	1,431,773
2029	1,470,724
Thereafter	31,794,570
	38,789,068
Less: unamortized debt issuance costs	(648,068)
	$ 38,141,000

As part of the long-term debt agreements, there are certain debt covenant requirements the Organization must meet. As of December 31, 2024 and 2023, management evaluated debt covenants and determined the Organization to be in compliance.

10. LONG-TERM DEBT (continued)

Lines of credit

On December 15, 2021, the Organization obtained a taxable line of credit up to $37,550,000 to be drawn for construction and the purchase of property. Advances on this loan will have 25-year maturities with interest being calculated on the unpaid principal each day principal is outstanding with interest computed at a per annum rate equal to the Daily Simple SOFR plus the applicable margin (effective rate of 4.30% and 5.31% at December 31, 2024 and 2023, respectively.) As of December 31, 2024 and 2023, the Organization had not drawn on these funds. Any availability not drawn by December 15, 2026 will expire.

On December 15, 2021, the Organization obtained a revolving line of credit that may be drawn on up to $10,000,000 to fund working capital or other short-term needs. The line of credit maturity date was December 15, 2023. On December 15, 2023, the Organization renewed the line of credit with a maturity date of December 15, 2025. Interest on any outstanding principal is computed on a per annum rate equal to the American Interbank Offered Rate ("AMERIBOR") Term-30 plus 2.00%, adjusted monthly with a floor of 1.00% (effective rate of 6.62% and 7.38% as of December 31, 2024 and 2023, respectively). Interest only shall be due and payable monthly until maturity, at which time any remaining principal and interest are due. As of December 31, 2024 and 2023, there were no draws on this line of credit.

Letters of credit

As of December 31, 2024 and 2023, the Organization had not drawn upon its four letters of credit to cover security deposits for individual leased properties. The total amount available under the letters of credit is approximately $283,000.

11. PAYCHECK PROTECTION PROGRAM LOANS

During 2021, the Organization received loan proceeds of $2,671,094 from two promissory notes issued under the PPP, which was established through the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the United States Small Business Administration. The term of the loans was five years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first ten months of the loans plus 24 weeks. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

11. PAYCHECK PROTECTION PROGRAM LOANS (continued)

The loans were originally accounted for as financial liabilities in accordance with applicable accounting guidance, with extinguishments of the debt to take place when the Organization is legally released as the primary obligor. In February 2023, the Organization qualified for forgiveness of $2,311,500 in loan proceeds and $45,588 in accrued interest. Therefore, the Organization recorded a gain on forgiveness of the PPP loan in the accompanying consolidated statements of activities during the year ended December 31, 2023. The Organization received $319,356 in refunded principal and interest payments made on PPP loans during the year ended December 31, 2023.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2024	2023
Evaluation and training programs	$ 167,585	$ 176,049
Charter School	6,234,746	2,533,753
Other purpose restricted net assets	429,228	345,877
Time restricted contributions receivable	31,230	58,398
	$ 6,862,789	$ 3,114,077

Net assets with donor restrictions released from restriction during the year were as follows:

	2024	2023
Evaluation and training programs	$ 89,027	$ 61,487
Charter School	12,358,041	9,630,743
Expiration of time restrictions	226,164	50,797
Qualifying expenditure of federal grant dollars	182,429	1,296,097
Other	133,751	575
	$ 12,989,412	$ 11,039,699

13. BOARD-DESIGNATED FUNDS

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

Changes in board-designated net assets during the year were as follows:

	2024	2023
Board-designated net assets, beginning of year	$ 507,402	$ 450,307
Investment income, net	53,688	57,095
Board-designated assets, end of year	$ 561,090	$ 507,402

14. RETIREMENT PLANS

The Organization offers a 403(b) tax-deferred retirement plan (the "Retirement Plan"). All employees are eligible to participate on their first day of employment. For employees that are 21 years of age or older, the Organization 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 Charter School and GSG are not eligible for matching contributions. Any employee contributions made toward the retirement plan are 100% vested. Employer contributions vest at 20% per year of service, reaching 100% vested after five years. The Charter School staff participate in the Teacher Retirement System of Texas pension plan. Employer contributions for the years ended December 31, 2024 and 2023 was approximately $301,000 and $309,000, respectively.

The Organization also has a 457(b) Eligible Deferred Compensation Plan (the "Deferred Compensation Plan"). Annual contributions are made by the Organization in accordance with the Deferred Compensation Plan. Ownership of the assets remains the sole property of the Organization until an employee is eligible and withdraws the funds. The Organization may terminate the agreement and cease contributions to the plan at any time. There were no assets related to the Deferred Compensation Plan as of December 31, 2024 and 2023 as the Deferred Compensation Plan had no participants. The 457(b) plan is subject to the claims of general creditors.

15. RISKS AND CONCENTRATIONS

Cash and cash equivalents potentially subject the Organization to concentrations of credit risk. The Organization maintains its cash and cash equivalents at institutions with demonstrated financial strength which, at times, exceeds federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

15. RISKS AND CONCENTRATIONS (continued)

The Organization invests in fixed income securities and equities. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Approximately 40% and 55% of receivables, net are from various agencies of the State of Texas or the Federal Government at December 31, 2024 and 2023, respectively.

SINGLE AUDIT REPORTS AND SCHEDULES

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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 the 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 statements of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated May 15, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. 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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Austin, Texas

May 15, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Goodwill Industries of Central Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Goodwill Industries of Central Texas (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the 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, 2024. 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.

In our opinion, the Organization 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, 2024.

Basis for Opinion on Each Major Federal Program

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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Armanino LLP

Austin, Texas

May 15, 2025

Goodwill Industries of Central Texas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Number	Total Federal Expenditures	Passed Through to Subrecipients
Expenditures of Federal Awards				
U.S. Department of Labor				
Passed through Workforce Solutions - Capital Area Workforce Board				
Workforce Innovation and Opportunity Act (WIOA) Title I Youth Activities	17.259	YOUTH2020-2025	$ 2,307,096	$ 107,181
Passed through Texas Workforce Commission				
Employment Service/Wagner-Peyser Funded Activities				
Texas Talent Connection	17.207	1422WPB002 & 1424WPB002	213,462	-
Veteran's Workforce Outreach	17.278	2922WOS003	14,048	-
Total Passed through Texas Workforce Commission			227,510	-
Total U.S. Department of Labor			2,534,606	107,181
U.S. Department of Education				
Passed through Texas Workforce Commission				
Adult Education - Basic Grants to States				
Accelerate Texas III: Integrated Education and Training	84.002A	1421AEL001	4,409	-
Passed through Texas Education Agency				
Special Education - Grants to States (IDEA Part B)	84.027A	216600012278276000	40,525	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER) III	84.425U	21528043227827	140,604	-
Title III, Part A - Emergent Language Learners	84.365A	25671003227827	1,300	-
Total Passed through Texas Education Agency			182,429	-
Total U.S. Department of Education			186,838	-
U.S. Department of Health and Human Services				
Direct awards				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90ZJ0044	1,452,519	-
U.S. Department of Treasury				
Passed through Texas Department of Housing and Community Affairs				
COVID-19 Emergency Rental Assistance Round 2 Program Housing Stability Services and Other Financial Assistance	21.023	YU13JH2N42K3	402,186	-
U.S. Federal Communications Commission				
Affordable Connectivity Outreach Grant Program	32.011	ACOGP2340046	7,846	-
Total Expenditures of Federal Awards			$ 4,583,995	$ 107,181

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Goodwill Industries of Central Texas (the "Organization") under programs of the federal government for the year ended December 31, 2024, except as described in the Other Matters - Federal Expenditures Not Included in the Compliance Audit section of the Report on Compliance of Each Major Program. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

The Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Goodwill Industries of Central Texas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
WIOA Title I Youth Activities	17.259
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Goodwill Industries of Central Texas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Goodwill Industries of Central Texas
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

There were no prior year findings.