

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC.
AND AFFILIATES
(A NOT-FOR-PROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL REPORT

For the Years Ended December 31, 2022 and 2021



SMOAK, DAVIS & NIXON LLP
Certified Public Accountants
Providing Integrated Financial Solutions

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To the Board of Directors
Goodwill Industries of North Florida, Inc. and affiliates
Jacksonville, Florida

Independent Auditor's Report

Opinion

We have audited the accompanying consolidated financial statements of Goodwill Industries of North Florida, Inc. (a not-for-profit organization) and affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Florida, Inc. as of December 31, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. 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 North Florida, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 North Florida Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Independent Auditor's Report
(Continued)

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization'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.



Independent Auditor's Report
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of Goodwill Industries of North Florida, Inc.'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 Goodwill Industries of North Florida Inc.'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 Goodwill Industries of North Florida, Inc.'s internal control over financial reporting and compliance.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
April 27, 2023

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash & cash equivalents	\$ 8,468,489	\$ 7,499,254
Accounts receivable	1,184,154	1,430,255
Investments	15,590,336	18,709,040
Note receivable	85,500	85,500
Inventory	933,522	893,522
Prepaid expenses	167,929	567,662
Total current assets	<u>26,429,930</u>	<u>29,185,233</u>
Property and equipment, net	<u>37,484,557</u>	<u>30,709,713</u>
Other assets:		
Deposits	445,423	301,918
Note receivable, noncurrent	85,500	171,000
Other assets	202,906	160,000
Right of use assets - operating leases	44,376,152	-
Total other assets	<u>45,109,981</u>	<u>632,918</u>
Total assets	<u>\$ 109,024,468</u>	<u>\$ 60,527,864</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 840,601	\$ 542,169
Accrued expenses	2,255,550	1,857,651
State sales tax payable	198,614	167,764
Deferred revenue	229,416	295,981
Notes payable	596,860	634,723
Operating lease liabilities	3,771,194	-
Total current liabilities	<u>7,892,235</u>	<u>3,498,288</u>
Long-term liabilities:		
Deferred rent	-	1,303,195
Notes payable	9,200,468	6,417,843
Operating lease liabilities	42,092,746	-
Total long-term liabilities	<u>51,293,214</u>	<u>7,721,038</u>
Net assets:		
Without donor restrictions	48,866,014	48,482,284
With donor restrictions	973,005	826,254
Total net assets	<u>49,839,019</u>	<u>49,308,538</u>
Total liabilities and net assets	<u>\$ 109,024,468</u>	<u>\$ 60,527,864</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Sales to public	\$ 52,075,397	\$ -	\$ 52,075,397
Cost of sales	(15,017,000)	-	(15,017,000)
Net revenue from sales	<u>37,058,397</u>	<u>-</u>	<u>37,058,397</u>
Contract Revenues	<u>7,418,658</u>	<u>-</u>	<u>7,418,658</u>
Government support:			
City of Jacksonville	137,328	-	137,328
State of Florida	224,970	-	224,970
Children's Trust of Alachua County	237,820	-	237,820
Kids Hope Alliance	1,327,609	-	1,327,609
Total government support	<u>1,927,727</u>	<u>-</u>	<u>1,927,727</u>
Public support:			
Contributions	302,604	173,622	476,226
Grants	44,906	318,284	363,190
Total public support	<u>347,510</u>	<u>491,906</u>	<u>839,416</u>
Other revenue (expense):			
Rental revenue	345,003	-	345,003
Realized and unrealized gain (loss) on investments	(2,934,896)	-	(2,934,896)
Gain on sale of property and equipment	14,806	-	14,806
Interest and dividend income	606,220	-	606,220
Miscellaneous	48,726	-	48,726
Total other revenue (expense)	<u>(1,920,141)</u>	<u>-</u>	<u>(1,920,141)</u>
Net assets released from restrictions	<u>345,155</u>	<u>(345,155)</u>	<u>-</u>
Total support and revenue	45,177,306	146,751	45,324,057
EXPENSES:			
Program services	40,572,354	-	40,572,354
Supporting services	4,221,222	-	4,221,222
Total expenses	<u>44,793,576</u>	<u>-</u>	<u>44,793,576</u>
Increase in net assets before discontinued operations	383,730	146,751	530,481
Loss from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	383,730	146,751	530,481
Net assets, beginning of year	<u>48,482,284</u>	<u>826,254</u>	<u>49,308,538</u>
Net assets, end of year	<u>\$ 48,866,014</u>	<u>\$ 973,005</u>	<u>\$ 49,839,019</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Sales to public	\$ 48,292,199	\$ -	\$ 48,292,199
Cost of sales	(14,378,156)	-	(14,378,156)
Net revenue from sales	33,914,043	-	33,914,043
Contract Revenues	6,774,446	-	6,774,446
Government support:			
City of Jacksonville	168,400	-	168,400
State of Florida	210,689	-	210,689
Children's Trust of Alachua County	-	-	-
Kids Hope Alliance	712,748	-	712,748
Total government support	1,091,837	-	1,091,837
Public support:			
Contributions	10,290,657	69,721	10,360,378
Grants	195,123	253,344	448,467
Total public support	10,485,780	323,065	10,808,845
Other revenue (expense):			
Rental revenue	202,506	-	202,506
Realized and unrealized gain (loss) on investments	1,111,830	-	1,111,830
Gain on sale of property and equipment	-	-	-
Interest and dividend income	548,839	-	548,839
Miscellaneous	46,656	-	46,656
Total other revenue (expense)	1,909,831	-	1,909,831
Net assets released from restrictions	198,163	(198,163)	-
Total support and revenue	54,374,100	124,902	54,499,002
EXPENSES:			
Program services	36,154,585	-	36,154,585
Supporting services	3,245,657	-	3,245,657
Total expenses	39,400,242	-	39,400,242
Increase in net assets before discontinued operations	14,973,858	124,902	15,098,760
Loss from discontinued operations	(510,419)	-	(510,419)
Increase in net assets	14,463,439	124,902	14,588,341
Net assets, beginning of year	34,018,845	701,352	34,720,197
Net assets, end of year	\$ 48,482,284	\$ 826,254	\$ 49,308,538

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

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2022

	Program Services						Supporting Services				Total
	Operations	Stores	Contract Revenues	Mission Services	Management Specific	Housing & Occupancy	Total Program Services	Management & General	Miscellaneous Supporting Services	Total Supporting Services	
Salaries	\$ 1,964,805	\$ 9,866,007	\$ 4,135,050	\$ 3,427,959	\$ 522,509	\$ 616,499	\$ 20,532,829	\$ 1,720,928	\$ -	\$ 1,720,928	\$ 22,253,757
Employee benefits/payroll taxes	298,195	1,362,733	709,379	505,485	92,495	118,411	3,086,698	314,052	-	314,052	3,400,750
Total salaries and related expenses	2,263,000	11,228,740	4,844,429	3,933,444	615,004	734,910	23,619,527	2,034,980	-	2,034,980	25,654,507
Professional services	6,896	197,403	244,807	129,455	5,903	-	584,464	516,560	-	516,560	1,101,024
Supplies	14,228	615,322	655,581	85,400	15,195	44,997	1,430,723	264,459	-	264,459	1,695,182
Telephone and communication	67,945	169,432	27,543	42,736	9,807	24,163	341,626	40,872	-	40,872	382,498
Postage and shipping	-	450,908	820	597	73	453	452,851	9,110	-	9,110	461,961
Occupancy	1,495,837	5,749,477	64,669	135,736	9,434	248,459	7,703,612	503,428	-	503,428	8,207,040
Equipment rental and maintenance	(173)	156,241	66,484	1,638	-	3,821	228,011	101,182	-	101,182	329,193
Printing and publications	3,206	656,518	40,261	31,308	80	258	731,631	25,645	-	25,645	757,276
Agency vehicles and travel	1,194,702	27,005	252,657	70,872	39,378	45,066	1,629,680	67,274	-	67,274	1,696,954
Specific assistance to individuals	1,000	-	-	488,538	-	-	489,538	91,332	-	91,332	580,870
Membership, dues and support payments	-	-	9,750	16,237	-	-	25,987	42,723	166,356	209,079	235,066
Bank charges and credit card fees	-	775,823	3,118	-	-	-	778,941	43,071	-	43,071	822,012
Miscellaneous	16,870	29,135	58,294	20,307	4,518	7,177	136,301	104,855	-	104,855	241,156
Total expenses	5,063,511	20,056,004	6,268,413	4,956,268	699,392	1,109,304	38,152,892	3,845,491	166,356	4,011,847	42,164,739
Depreciation and amortization	426,069	1,652,751	98,557	39,622	955	201,508	2,419,462	209,375	-	209,375	2,628,837
Total expenses	<u>\$ 5,489,580</u>	<u>\$ 21,708,755</u>	<u>\$ 6,366,970</u>	<u>\$ 4,995,890</u>	<u>\$ 700,347</u>	<u>\$ 1,310,812</u>	<u>\$ 40,572,354</u>	<u>\$ 4,054,866</u>	<u>\$ 166,356</u>	<u>\$ 4,221,222</u>	<u>\$ 44,793,576</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year ended December 31, 2021

	Program Services						Supporting Services				Total
	Operations	Stores	Contract Revenues	Mission Services	Management Specific	Housing & Occupancy	Total Program Services	Management & General	Miscellaneous Supporting Services	Total Supporting Services	
Salaries	\$ 1,976,720	\$ 9,122,224	\$ 4,514,013	\$ 1,551,901	\$ 495,871	\$ 429,091	\$ 18,089,820	\$ 1,343,724	\$ -	\$ 1,343,724	\$ 19,433,544
Employee benefits/payroll taxes	275,329	1,299,576	775,635	230,660	85,471	88,007	2,754,678	253,357	-	253,357	3,008,035
Total salaries and related expenses	2,252,049	10,421,800	5,289,648	1,782,561	581,342	517,098	20,844,498	1,597,081	-	1,597,081	22,441,579
Professional services	(534)	161,132	290,736	92,106	2,860	-	546,300	392,707	-	392,707	939,007
Supplies	13,743	650,149	238,074	52,855	2,027	38,448	995,296	153,634	-	153,634	1,148,930
Telephone and communication	70,029	129,409	31,037	29,057	8,754	16,356	284,642	30,348	-	30,348	314,990
Postage and shipping	455	364,173	1,914	682	210	10	367,444	6,584	-	6,584	374,028
Occupancy	1,308,651	5,432,587	168,293	130,943	1,501	164,937	7,206,912	271,318	-	271,318	7,478,230
Equipment rental and maintenance	1,795	118,688	35,772	-	-	2,546	158,801	94,413	-	94,413	253,214
Printing and publications	366	539,041	65,339	15,166	120	150	620,182	31,175	-	31,175	651,357
Agency vehicles and travel	1,126,523	18,540	215,536	46,926	30,594	35,703	1,473,822	46,572	-	46,572	1,520,394
Specific assistance to individuals	-	-	-	683,973	-	-	683,973	21,881	-	21,881	705,854
Membership, dues and support payments	-	-	9,000	17,058	-	-	26,058	25,399	151,890	177,289	203,347
Bank charges and credit card fees	-	691,330	2,348	-	-	-	693,678	31,531	-	31,531	725,209
Miscellaneous	2,701	11,721	22,260	15,767	277	277	53,003	44,081	-	44,081	97,084
Total expenses	4,775,778	18,538,570	6,369,957	2,867,094	627,685	775,525	33,954,609	2,746,724	151,890	2,898,614	36,853,223
Depreciation and amortization	405,104	1,481,669	84,481	33,256	274	195,192	2,199,976	347,043	-	347,043	2,547,019
Total expenses	<u>\$ 5,180,882</u>	<u>\$ 20,020,239</u>	<u>\$ 6,454,438</u>	<u>\$ 2,900,350</u>	<u>\$ 627,959</u>	<u>\$ 970,717</u>	<u>\$ 36,154,585</u>	<u>\$ 3,093,767</u>	<u>\$ 151,890</u>	<u>\$ 3,245,657</u>	<u>\$ 39,400,242</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 530,481	\$ 14,588,341
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	72,868	12,049
Depreciation and amortization	2,628,837	2,645,354
(Gain) loss on investments	2,934,896	(1,111,830)
(Gain) loss on sale of property and equipment	(15,203)	697,927
Right of use assets and operating lease liabilities, net	1,487,788	-
Changes in assets and liabilities:		
Accounts receivable	173,230	(177,857)
Inventory	(40,000)	(45,000)
Prepaid expenses	399,733	(165,981)
Deposits	(143,505)	128,108
Note receivable	85,500	85,500
Other assets	(42,906)	5,000
Accounts payable	298,432	146,635
Accrued expenses	(905,293)	634,455
State sales tax payable	30,850	22,173
Deferred revenue	(66,565)	(23,563)
Net cash flows provided by operating activities	<u>7,429,143</u>	<u>17,441,311</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,026,321	2,794,320
Proceeds from sale of property and equipment	24,000	25,200
Purchases of property and equipment	(9,412,478)	(5,772,651)
Purchases of investments	(3,842,513)	(13,248,228)
Net cash used in investing activities	<u>(9,204,670)</u>	<u>(16,201,359)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings of notes payable	3,554,143	-
Principal repayments of notes payable	(809,381)	(1,168,611)
Net cash provided by (used in) financing activities	<u>2,744,762</u>	<u>(1,168,611)</u>
Net increase in cash and cash equivalents	969,235	71,341
Cash and cash equivalents, beginning of year	7,499,254	7,427,913
Cash and cash equivalents, end of year	<u>\$ 8,468,489</u>	<u>\$ 7,499,254</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING & FINANCING ACTIVITIES		
Cash paid during the period for interest	<u>\$ 438,809</u>	<u>\$ 356,687</u>
Property and equipment purchased with note payable	<u>\$ -</u>	<u>\$ 2,720,367</u>
Operating right of use assets recorded on adoption of ASC 842	<u>\$ 38,592,657</u>	<u>\$ -</u>
Operating lease liabilities recorded on adoption of ASC 842	<u>\$ 39,761,467</u>	<u>\$ -</u>
Operating right of use assets entered into during the year	<u>\$ 9,786,622</u>	<u>\$ -</u>
Operating lease liabilities entered into during the year	<u>\$ 9,786,622</u>	<u>\$ -</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 1. Nature of Organization

Goodwill Industries of North Florida Inc. is a local, not-for-profit organization that removes barriers to employment through training, education, and career opportunities for the communities we serve. Goodwill Industries of North Florida, Inc. is affiliated with Goodwill Industries International, the largest private provider of training and employment services in the United States.

In 2022, five GoodCareers centers operated by Goodwill Industries of North Florida, Inc. provided more than 10,750 services to members of the community, which resulted in fulfillment of more than 4,100 open employment positions, again ranking Goodwill Industries of North Florida, Inc. as one of the top Goodwill's nationwide. Five years ago, Goodwill Industries of North Florida, Inc. expanded efforts to serve more individuals by adding Goodwill Temps as a resource to employment opportunities. Goodwill Temps offers temporary staffing and direct hire services to members of our community.

Goodwill Industries of North Florida, Inc. generates funding primarily through a network of 20 retail stores, 1 secondary market location, and online sales that convert donations of gently used clothing, furniture, household goods and other items into revenue. In addition to stores and GoodCareers centers, Goodwill Industries of North Florida, Inc.'s operations include landscaping and food service at two U.S. military bases in the Jacksonville, Florida area.

Goodwill Industries of North Florida, Inc. also partners with the State of Florida's Take Stock in Children Program as the operating organization for the program in Duval, Putnam, and Suwannee Counties, improving graduation rates for high school students, while providing a prepaid college scholarship. Goodwill Industries of North Florida, Inc. also offers adults education and job advancement opportunities via Academic Support Through the Employment Process (A-STEP). The A-STEP program aims to provide working adults in North Florida access to higher education in order to elevate earning potential and job security with a significant increase to their average wage. Starting in 2021, Goodwill Industries of North Florida, Inc. also partnered with the Mayor's Young Leaders Advisory Council (MYLAC) and Mayor's Youth at Work Partnership (MYAWP). MYLAC gives high school students (juniors and seniors) that exhibit leadership potential the opportunity to learn more about city government and effective citizenship so they can make a positive difference as young leaders. The MYAWP program provides eligible high school students work-related experiences that prepare them to succeed in employment. In 2022, Goodwill Industries of North Florida, Inc. extended the high school program to Alachua County, working through the Children's Trust of Alachua County to bring high school students work-related experiences that prepare them to succeed in employment.

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of Goodwill Industries of North Florida, Inc. and its affiliates is presented to assist in understanding the consolidated financial statements.

Financial Statement Estimates:

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation:

Goodwill Industries of North Florida, Inc. operates GINFL Services, Inc., Goodwill Endowment, Inc., Yulee Junction LLC, and GW Timuquana LLC (all five are collectively referred to as the "Organization"). Goodwill Industries of North Florida, Inc. has both economic interest in and control over the two not-for-profit corporations, and is the sole member of the limited liability corporations. The accompanying consolidated financial statements include the accounts and activities of the five corporations. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Liquidity:

Assets are presented in the accompanying consolidated statements of financial position according to their nearness of conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash.

Financial Statement Presentation:

These consolidated financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into two classes of net assets - net assets without donor restrictions, and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets which are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year which the contributions are recognized.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions - Net assets which consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable:

Accounts receivable consist primarily of government and contract receivables. Management estimates the allowance on its accounts receivable based on historical experience and a review of specific accounts. The Organization does not charge interest on past due accounts receivable. The Organization charges off delinquent accounts when it exhausts its normal collection procedures and it is probable that collection is unlikely. The allowance for doubtful accounts was \$44,406 and \$0 for the years ended December 31, 2022 and 2021, respectively.

Inventory:

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail stores, secondary markets, and online. Accounting standards generally accepted in the United States of America require that contributions received be recognized as revenue or gains in the period received, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Contributions should be measured at their fair value.

The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable, with sufficient reliability to determine an inventory value at the time of donation. Accordingly, the items are not valued upon receipt. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. The Organization adjusts the estimate of fair value of ending inventory by the costs associated with bringing the inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventory.

Investments:

Investments are carried at fair value (see Note 3 for fair value measurements). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Property and equipment:

Property and equipment is stated at historical cost if purchased or if donated, at the estimated fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in the consolidated statements of activities.

The Organization's current policy is to capitalize all assets acquired in excess of \$2,500 with estimated useful lives of greater than one year. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are amortized over the life of the lease or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the amortization period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured). Asset lives for reporting depreciation in the consolidated financial statements are:

Land improvements	5 - 20 years
Building and improvements	2 - 40 years
Autos and trucks	2 - 15 years
Furniture and equipment	5 - 10 years

Management reviews the carrying value of its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group is expected to generate. If the expected undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. Management believes that there are no impairment losses on long-lived assets as of December 31, 2022 and 2021.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs:

Costs incurred to obtain debt are capitalized and amortized over the life of the loan agreement on a straight-line basis. The Organization follows the provision of FASB Accounting Standards Update ("ASU") 2015-03, *Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs*, which requires that the debt issuance costs related to a recognized debt liability be presented in the consolidated statements of financial position as a direct deduction from the debt liability, consistent with the presentation of a debt discount. The standard also requires that the amortization of such debt issuance costs be presented in the consolidated statements of activities as interest expense. The Organization reports amortization of debt issuance costs as interest expense.

Goodwill:

Goodwill represents the excess of the purchase price over the fair values assigned to the tangible assets acquired, the identifiable intangible assets that are required to be valued and reported and the liabilities assumed. During the year ended December 31, 2021 management elected to adopt the accounting alternative to amortize goodwill offered by ASU 2014-02, *Intangibles - Goodwill and Other*. As a result of this adoption, management elected to amortize the entire balance in 2021. Amortization of goodwill in the amount of \$0 and \$234,660 was recorded for the years ended December 31, 2022 and 2021, respectively.

Leases:

For any new or modified lease, the Organization, at the inception of the contract, determines whether a contract is or contains a lease. The Organization records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. The Organization calculates operating lease liabilities with a risk-free discount rate, using a comparable period with the lease term. Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. All lease and non-lease components are combined for all leases. The non-lease components are variable payments, which are primarily composed of common area maintenance and real estate taxes that are passed on from the lessor in proportion to the space leased. The variable lease payments are recognized in general and administrative expenses in the period in which the obligation for those payments was incurred. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

Income Taxes:

Goodwill Industries of North Florida, Inc., GINFL Services, Inc. and Goodwill Endowment, Inc., are private not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. Yulee Junction LLC and GW Timuquana LLC are considered to be disregarded entities for federal and state income tax purpose, and all of their income and expense is reported on the Organization's tax returns.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2022 and 2021, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the consolidated financial statements.

Management is required to analyze all open tax years, as defined by the Statute of Limitations, for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at December 31, 2022 and 2021, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2019. As of and for the years ended December 31, 2022 and 2021, the Organization does not have a liability for any unrecognized taxes. The Organization has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Sales to Public:

All revenues are recorded in accordance with ASC 606, which is recognized when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Organization has satisfied the applicable performance obligation at a point in time or over time.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Continued)

The Organization recognizes revenue when control of the promised goods or services is transferred to customers in an amount that reflects consideration the Organization is expected to be entitled to in exchange for those goods or services. The sale of the Organization's store merchandise is considered to be a single performance obligation satisfied at a point in time. For in-store sales, revenue is recognized at the point in time the sale is made, as the customer is deemed to have obtained sufficient control. For sales made through the Organization's website, revenue is recognized upon shipment to the customer as that is when the customer is deemed to obtain sufficient control of the promised goods.

Government Support:

Support from fees and grants from governmental entities are considered contribution transactions and are recognized in the period services are provided to the individual referred by the sponsoring organization as outlined in the respective contract. Income from these programs is recognized when expenses are incurred as these are cost reimbursement contracts.

Contract Revenues:

The Organization derives revenue from operations related to staffing services, landscaping services, and food service for two U.S. military bases in the Jacksonville, Florida area. The Organization recognizes revenue from these services when the performance obligations are satisfied, as the customer is deemed to have obtained sufficient control of the provided service.

Contributed Services:

A number of volunteers have donated amounts of their time to the Organization and its educational programs; however, these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

Functional Expenses:

The Organization allocates its expenses on a functional basis among its various programs and activities. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several activities are allocated based on estimates of benefit to each function.

Advertising:

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2022 was \$694,884 which includes \$622,808 for the donated goods program, \$59,752 for recruitment and staffing, and \$12,324 for community relations. Advertising expense for the year ended December 31, 2021 was \$610,221, which includes \$529,083 for the donated goods program, \$62,820 for recruitment and staffing, and \$18,318 for community relations.

Recently Issued Accounting Standards Not Yet Adopted:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be effected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2020, and interim periods beginning after December 15, 2021. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which defers the effective date of ASU 2016-13 until annual periods beginning after December 15, 2022. Management is in the process of evaluating the effects the adoption of this update may have on the financial statements.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a further date are not expected to have a material impact on the consolidated financial statements upon adoption.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Standards:

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC Topic 842), which requires lease assets and liabilities to be recorded on the balance sheet. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Under the new standard, disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted this ASU and related amendments as of January 1, 2022 under the modified retrospective approach such that comparative information has not been restated and continues to be reported under the previous standard - ASC 840, *Leases*. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, including carrying forward the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases. The Organization elected to exempt leases with an initial term of twelve months or less from balance sheet recognition. The Organization elected to combine non-lease components with lease components.

The adoption of this ASU and related amendments resulted in a \$38,952,657 net increase to total assets and \$39,761,467 increase to total liabilities on January 1, 2022, respectively. The Organization's Consolidated Statement of Activities was not materially impacted.

Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 27, 2023, the date the consolidated financial statements were available to be issued.

Note 3. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying amount reflected in the consolidated statements of financial position for cash, cash equivalents, accounts receivable, note receivable, prepaid expenses, accounts payable, accrued expenses, and state sales tax payable approximates fair value due to the relative terms and/or short maturity of the financial instruments. Investments are reflected in the accompanying financial statements at fair value. The fair value of the notes payable and operating leases at December 31, 2022 and 2021 approximates carrying value due to the interest rates in effect.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies during the years ended December 31, 2022 and 2021. Following is a description of the valuation methodologies used for assets measured at fair value:

ETFs: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value of the units reported on the active market on which the individual securities are traded.

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Bond funds: Valued at the net asset value of the units reported on the active market on which the individual securities are traded.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 3. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at December 31, 2022:

	Level 1	Level 2	Level 3	Total
ETFs:				
iShares Core S&P 500	\$ 1,850,740	\$ -	\$ -	\$ 1,850,740
Vanguard S&P 500	1,850,859	-	-	1,850,859
Total equities	<u>3,701,599</u>	<u>-</u>	<u>-</u>	<u>3,701,599</u>
Mutual funds:				
Small cap	565,021	-	-	565,021
Small-Mid cap	625,235	-	-	625,235
Large cap	2,668,481	-	-	2,668,481
Other	1,052,555	-	-	1,052,555
Total mutual funds	<u>4,911,292</u>	<u>-</u>	<u>-</u>	<u>4,911,292</u>
Stocks:				
Illumina Inc. - ILMN	5,459	-	-	5,459
Total stocks:	<u>5,459</u>	<u>-</u>	<u>-</u>	<u>5,459</u>
Bond funds:	<u>6,971,986</u>	<u>-</u>	<u>-</u>	<u>6,971,986</u>
Total	<u>\$ 15,590,336</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,590,336</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at December 31, 2021:

	Level 1	Level 2	Level 3	Total
ETFs:				
iShares Core S&P 500	\$ 2,235,652	\$ -	\$ -	\$ 2,235,652
Vanguard S&P 500	2,235,238	-	-	2,235,238
Total equities	<u>4,470,890</u>	<u>-</u>	<u>-</u>	<u>4,470,890</u>
Mutual funds:				
Small cap	723,765	-	-	723,765
Small-Mid cap	1,410,974	-	-	1,410,974
Large cap	3,166,803	-	-	3,166,803
Other	593,569	-	-	593,569
Total mutual funds	<u>5,895,111</u>	<u>-</u>	<u>-</u>	<u>5,895,111</u>
Bond funds:	<u>8,343,039</u>	<u>-</u>	<u>-</u>	<u>8,343,039</u>
Total	<u>\$ 18,709,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,709,040</u>

When applicable, the Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 investments during the years ended December 31, 2022 and 2021.

Note 4. Note Receivable

The Organization entered into a note agreement with a Florida corporation related to the sale of the Organization's holiday decorating business, represented as a secured note receivable with interest at the rate of 6% per annum. The outstanding long-term note receivable balance was \$85,500 and \$171,000 plus a current portion of \$85,500, as of December 31, 2022 and 2021, respectively.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 5. Property and Equipment

Major classes of property and equipment and accumulated depreciation at December 31, 2022 and 2021 are as follows:

	2022	2021
Land and improvements	\$ 13,504,763	\$ 11,628,621
Buildings and improvements	31,863,553	26,573,920
Autos and trucks	3,827,200	3,604,963
Furniture and equipment	16,702,235	14,686,870
	65,897,751	56,494,374
Accumulated depreciation	(28,413,194)	(25,784,661)
Property and equipment, net	\$ 37,484,557	\$ 30,709,713

Note 6. Endowment

The State of Florida enacted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date.

Investments held in the Goodwill Endowment Fund (the Endowment) are designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There have been no donor restricted contributions to the Endowment as of December 31, 2022 or 2021.

Investment Return Objectives, Risk Parameters and Strategies: The Endowment has adopted investment and spending policies, approved by the Endowment Board of Directors, for endowment assets that attempt to maintain reasonable investment returns for the Endowment. Endowment assets are invested in a well-diversified asset mix, which includes equity securities, debt securities and money market funds. The Endowment's objectives for equity investments is to earn a total rate of return over any three year period that equals or exceeds the return of a weighted average benchmark, defined as the Standard and Poor's 500 Total Return Index for the equity allocation and the Barclays Capital Aggregate Bond Index for Fixed Income allocation. It is expected that the rate of return for mutual and exchange traded funds must rank in the top half two out of four periods when compared to a representative universe of other, similar portfolios. Investment performance will be reviewed on a semi-annual basis by the Investment Manager and the Investment Committee to determine the continued feasibility of achieving the investment objectives. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy: The Endowment appropriates distributions from its fund to Goodwill Industries of North Florida, Inc. based on its needs and resources. The amount of the distributions are determined annually by the Endowment's Board of Directors and the CEO of Goodwill Industries of North Florida, Inc.

All endowment funds are board-designated and therefore classified as unrestricted net assets. It is the intention of the Board of Directors to have these funds treated as an endowment, with principal to remain intact and only earnings to be spent, although any portion of the endowment may be spent at the Board's discretion. Therefore, the Endowment has been included in unrestricted net assets.

Composition of and changes in board designated endowment net assets for the years ended December 31, 2022 and 2021 were as follows:

Endowment net assets - unrestricted, January 1, 2021	\$ 9,559,818
Investment income	349,896
Investment return	1,064,518
Net lending to affiliates	113,238
Investment management fees	(40,901)
	11,046,569
Endowment net assets - unrestricted, December 31, 2021	11,046,569
Investment income	365,336
Investment return	(1,983,555)
Net lending to affiliates	162,451
Investment management fees	(49,628)
	9,541,173
Endowment net assets - unrestricted, December 31, 2022	\$ 9,541,173

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
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DECEMBER 31, 2022 AND 2021

Note 6. Endowment (Continued)

As of December 31, 2022 and 2021, the Endowment has made various loans totaling \$5,554,136 to Goodwill Industries of North Florida, Inc., to assist with mission expansion, at an interest rate of 5%. In 2022, the Endowment loaned \$1,200,000 to GW Timuquana LLC to assist with expansion, at an interest rate of 5%. In 2021, the Endowment loaned \$1,000,000 to Yulee Junction LLC to assist with expansion, at an interest rate of 5%. At December 31, 2022 and 2021, the outstanding balance on these loans was \$2,368,674 and \$2,424,585, respectively. The intercompany loan receivable and payable have been eliminated in these consolidated financial statements.

The endowment net assets include the cash and cash equivalents of \$542,192 and \$133,915 reported on the consolidated statements of financial position as of December 31, 2022 and 2021, respectively.

Note 7. Notes Payable

The Organization has a note payable with a bank that provides for maximum borrowings of \$10,300,000 to be used for acquiring land, construction, renovation, and equipment purchases for multiple locations. In 2015, the note agreement was amended to reflect two maturity dates: one for the borrowings used for tenant improvements and one for the borrowings used to purchase real property. At December 31, 2021, borrowings of \$4,406,602 for purchases of real property were payable in monthly installments of principal and interest of \$65,730 through March 2024, then \$23,927 through November 2025. The borrowings for purchases of real property bear interest at interest rates ranging from 4.1% to 4.73% per annum. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. During 2022, \$2,329,671 of this balance was refinanced, along with assuming additional debt for an aggregate amount of \$5,839,000 at a fixed rate of 4.29%. The balance at December 31, 2022 of \$5,652,574 and is payable in monthly installments of principal and interest ranging from \$21,211 to \$23,021, with a maturity date of April 14, 2037.

The note payable contains various restrictions, including, but not limited to, maintenance of certain financial ratios including minimum fixed charge coverage ratio and minimum unrestricted liquidity ratio. The Organization was in compliance with these covenants at December 31, 2022 and 2021.

During 2021, the Organization assumed a note payable in the amount of \$2,720,367 as part of the acquisition of property and a building. The loan bears interest at a fixed rate of 5.30%, and the balances at December 31, 2022 and 2021 of \$2,560,444 and \$2,645,964, respectively, are payable in monthly installments of principal and interest of \$18,628, with a maturity date of September 1, 2028.

Principal payments on long-term debt in the succeeding five years are due as follows:

2023	\$	596,860
2024		622,973
2025		1,559,787
2026		436,546
2027 and thereafter		6,581,162
	<u>\$</u>	<u>9,797,328</u>

Note 8. Leases

The Organization leases certain stores and donation centers under non-cancelable operating lease agreements that expire at various dates between January 2023 and February 2040. Some leases include renewal options which can extend the term of the lease on an annual basis. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantee or restrictive covenants.

The Organization's lease costs recognized in the Statement of Activities for the year ended December 31, 2022 were as follows:

Operating lease cost	\$	4,020,790
Variable lease cost		1,254,451
		<u>5,275,241</u>

Other information about the lease amounts recognized in financial statements for the year ended December 31, 2022 are as follows:

Cash paid for amounts included in measurement of lease obligations:		
Operating cash flows for operating leases	\$	677,309
Assets obtained in exchange for operating lease obligations	\$	9,786,622
Weighted-average remaining lease term - operating leases		11.69 years
Weighted-average discount rate - operating leases		1.77%

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8. Leases (Continued)

The aggregate annual lease obligations at December 31, 2022 are as follows:

	2023	\$	4,529,102
	2024		4,569,626
	2025		4,586,704
	2026		4,628,742
	2027 and thereafter		32,767,937
Total undiscounted lease obligations			51,082,111
Less imputed interest			(5,218,171)
Net lease obligation		\$	<u>45,863,940</u>

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for use in the following programs at December 31, 2022 and 2021:

		2022		2021
Take Stock In Children of Duval	\$	611,549	\$	646,877
A-STEP		361,456		179,377
	\$	<u>973,005</u>	\$	<u>826,254</u>

Note 10. City of Jacksonville Goodwill Industries of North Florida Inc.'s A-STEP Program Grant

An analysis of the City of Jacksonville Goodwill Industries of North Florida Inc.'s A-STEP Program grant for the year ended December 31, 2022, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

2021				
Contract 1460128-v1				
Receipts	Budget	10/01/21 - 12/31/2021	01/01/22 - 09/30/2022	Remaining Balance
Appropriations	\$ 225,000	\$ 24,592	\$ 156,367	\$ 44,041
Expenditures	Budget	10/01/21 - 12/31/2021	01/01/22 - 09/30/2022	Remaining Balance
Salaries and Wages	\$ 66,220	\$ 15,544	\$ 48,050	\$ 2,626
Benefits	14,107	3,296	8,681	2,130
Office Supplies	-	-	-	-
Direct Client Expense	144,673	40,368	65,020	39,285
Total	\$ 225,000	\$ 59,208	\$ 121,751	\$ 44,041
2022				
Contract 1537003-v1				
Receipts	Budget	10/01/22 - 12/31/2022	Received In Prior Audit Periods	Remaining Balance
Appropriations	\$ 175,000	\$ -	\$ -	\$ 175,000
Expenditures	Budget	10/01/22 - 12/31/2022	Spent In Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 67,720	\$ 10,472	\$ -	\$ 57,248
Benefits	8,201	1,266	-	6,935
Office Supplies	-	-	-	-
Direct Client Expense	99,079	4,666	-	94,413
Total	\$ 175,000	\$ 16,404	\$ -	\$ 158,596

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 11. Employee Benefit Plans

The Organization has adopted a defined contribution plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to contribute to the plan upon employment. After 1 year of employment, the Organization matches 50% of the employees' contributions up to 10% of their eligible wages per period. The Organization contributed \$91,229 and \$80,949 for the years ended December 31, 2022 and 2021, respectively.

The Organization has adopted a 457(b) non-qualified tax advantaged deferred compensation retirement plan under Section 457(b) of the Internal Revenue Code. After 1 year of employment, the Organization matches 50% of the eligible employees' contributions up to 10% of their gross pay per paycheck. The Organization contributed \$25,763 and \$30,224 for the years ended December 31, 2022 and 2021, respectively.

The Organization makes contributions on behalf of employees participating in the McNamara-O-Hara Service Contract Act, whereby contributions have been made on behalf of the employees into a designated Money Purchase 401 Plan. The Organization contributed \$24,841 and \$21,997 for the years ended December 31, 2022 and 2021, respectively.

Note 12. Commitments and Contingencies

Concentrations of Credit Risk:

The Organization places its temporary cash investments with FDIC insured financial institutions. At times, the account balances may exceed the FDIC insured limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash.

Major Customers:

For the year ended December 31, 2022, three customers made up 11%, 10%, and 27% individually of total accounts receivable. For the year ended December 31, 2021, two customers made up 25% and 24% of total accounts receivable.

Contingencies:

From time to time, the Organization is subject to various legal actions and claims incidental to its business. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. After discussions with counsel, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the financial position, results of operations or cash flows of the Organization.

Note 13. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statements of financial position date for general expenditures at December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	\$ 8,468,489	\$ 7,499,254
Accounts receivable	1,184,154	1,430,255
Investments	15,590,336	18,709,040
Note receivable	85,500	85,500
Total financial assets available within one year	<u>25,328,479</u>	<u>27,724,049</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(973,005)</u>	<u>(826,254)</u>
Total amounts unavailable for general expenditures within one year	<u>(973,005)</u>	<u>(826,254)</u>
Amounts unavailable to management without Board's approval:		
Board designated - MacKenzie Scott contribution	(7,238,598)	(7,556,623)
Board designated for endowment	<u>(9,541,173)</u>	<u>(11,046,569)</u>
Total amounts unavailable without board approval	<u>(16,779,771)</u>	<u>(18,603,192)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 7,575,703</u>	<u>\$ 8,294,603</u>

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 13. Liquidity and Availability of Resources (Continued)

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs the Organization has a line of credit agreement with a bank that provides for maximum borrowings of \$5,000,000 at December 31, 2022. The line of credit bears an interest rate of one month SOFR plus 1.75% (6.44% at December 31, 2022) to be paid monthly and expires on November 30, 2023. The line of credit is secured by the assets held by the bank on behalf of the Organization (\$3,036,338 and \$6,439,280 as of December 31, 2022 and 2021, respectively, which is included in cash, cash equivalents, and investments on the consolidated statements of financial position) and is guaranteed by Goodwill Endowment, Inc. The outstanding balance was \$0 at December 31, 2022 and 2021.

The line of credit agreements contains various restrictions, including, but not limited to, maintenance of certain financial ratios including debt service coverage ratio, tangible net worth ratio, and liquidity ratio. The Organization was in compliance with these covenants at December 31, 2022 and 2021.

In 2021, the Organization received an unrestricted contribution of \$10,000,000 from author and philanthropist MacKenzie Scott. Goodwill Industries of North Florida, Inc. was one of 384 organizations in the U.S., Puerto Rico and Washington, D.C. to be selected for a donation. According to Ms. Scott, her team selected recipients based on the non-profit's capacity to make effective use of funding and because of its strong leadership.

The Organization's board designated the following areas to utilize the unrestricted contribution:

Purpose	Total Contribution	2021 Funds Used	2022 Funds Used	Remaining
Mission Impact Advancement	\$ 1,500,000	\$ 253,145	\$ 263,025	\$ 983,830
Secondary Market Expansion	1,000,000	-	-	1,000,000
Equipment/Point of Sale	1,000,000	-	-	1,000,000
Donated Goods Expansion	4,000,000	2,155,232	-	1,844,768
New Ventures	1,500,000	-	-	1,500,000
Excel Center	1,000,000	35,000	55,000	910,000
Total	<u>\$ 10,000,000</u>	<u>\$ 2,443,377</u>	<u>\$ 318,025</u>	<u>\$ 7,238,598</u>

Note 14. Discontinued Operations

During 2021, the Organization discontinued its commercial laundry operation, which is presented separately on the consolidated statements of activities for the years ended December 31, 2022 and 2021. The 2021 loss from discontinued operations includes a loss on disposal of equipment of \$698,324. Related depreciation expense for the years ended December 31, 2022 and 2021 was \$0 and \$98,336, respectively.

A summary of discontinued operations for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Contract revenues	\$ -	\$ 1,379,623
Program service expenses	-	(1,890,042)
Income (loss) from discontinued operations	<u>\$ -</u>	<u>\$ (510,419)</u>



To the Board of Directors
Goodwill Industries of North Florida, Inc. and
Jacksonville, Florida

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

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 financial statements of Goodwill Industries of North Florida, Inc. (a not-for-profit organization) and affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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 and have issued our report thereon dated April 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits 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 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 effective 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.



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*

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.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
April 27, 2023