

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

CONSOLIDATED FINANCIAL REPORT

For the Years Ended December 31, 2023 and 2022



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, 2023 and 2022, 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 North Florida, Inc. as of December 31, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 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 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.



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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 26, 2024, 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 26, 2024

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current assets:		
Cash & cash equivalents	\$ 19,157,920	\$ 8,468,489
Accounts receivable, net	1,912,711	1,184,154
Investments	11,153,726	15,590,336
Note receivable	85,500	85,500
Inventory	1,058,522	933,522
Prepaid expenses	344,014	167,929
Total current assets	<u>33,712,393</u>	<u>26,429,930</u>
Property and equipment, net	<u>45,267,894</u>	<u>37,484,557</u>
Other assets:		
Deposits	396,389	445,423
Note receivable, noncurrent	-	85,500
Other assets	233,499	202,906
Right of use assets - operating leases	45,455,011	44,376,152
Total other assets	<u>46,084,899</u>	<u>45,109,981</u>
Total assets	<u>\$ 125,065,186</u>	<u>\$ 109,024,468</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 966,521	\$ 840,601
Accrued expenses	1,788,676	2,255,550
State sales tax payable	224,223	198,614
Deferred revenue	263,905	229,416
Notes payable	889,945	596,860
Operating lease liabilities	3,963,050	3,771,194
Total current liabilities	<u>8,096,320</u>	<u>7,892,235</u>
Long-term liabilities:		
Notes payable	17,918,326	9,200,468
Operating lease liabilities	43,331,055	42,092,746
Total long-term liabilities	<u>61,249,381</u>	<u>51,293,214</u>
Net assets:		
Without donor restrictions	54,822,673	48,866,014
With donor restrictions	896,812	973,005
Total net assets	<u>55,719,485</u>	<u>49,839,019</u>
Total liabilities and net assets	<u>\$ 125,065,186</u>	<u>\$ 109,024,468</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, 2023

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Sales to public	\$ 58,235,201	\$ -	\$ 58,235,201
Cost of sales	(16,900,376)	-	(16,900,376)
Net revenue from sales	41,334,825	-	41,334,825
Contract Revenues	5,583,925	-	5,583,925
Government contracts/support:			
US Government - American Rescue Plan			
Passed through United Way of St. Johns County, FL	90,680	9,320	100,000
City of Jacksonville	204,978	-	204,978
State of Florida	274,625	-	274,625
Children's Trust of Alachua County	689,148		689,148
Kids Hope Alliance	2,133,130	-	2,133,130
Total government support	3,392,561	9,320	3,401,881
Public support:			
Contributions	529,866	76,899	606,765
Grants	157,834	259,158	416,992
Total public support	687,700	336,057	1,023,757
Other revenue (expense):			
Rental revenue	344,347	-	344,347
Realized and unrealized gain (loss) on investments	1,373,782	-	1,373,782
Gain on sale of property and equipment	1,050,241	-	1,050,241
Interest and dividend income	821,413	-	821,413
Miscellaneous	47,808	-	47,808
Total other revenue (expense), net	3,637,591	-	3,637,591
Net assets released from restrictions	421,570	(421,570)	-
Total support and revenue	55,058,172	(76,193)	54,981,979
EXPENSES:			
Program services	44,368,949	-	44,368,949
Supporting services	4,732,564	-	4,732,564
Total expenses	49,101,513	-	49,101,513
Increase (decrease) in net assets	5,956,659	(76,193)	5,880,466
Net assets, beginning of year	48,866,014	973,005	49,839,019
Net assets, end of year	\$ 54,822,673	\$ 896,812	\$ 55,719,485

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, 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 contracts/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), net	<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 (decrease) 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 FUNCTIONAL EXPENSES

For the Year ended December 31, 2023

	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	\$ 2,057,804	\$ 11,473,821	\$ 3,037,825	\$ 4,229,422	\$ 826,183	\$ 676,869	\$ 22,301,924	\$ 1,861,496	\$ -	\$ 1,861,496	\$ 24,163,420
Employee benefits/payroll taxes	320,519	1,659,379	481,992	583,668	155,484	117,091	3,318,133	373,092	-	373,092	3,691,225
Total salaries and related expenses	2,378,323	13,133,200	3,519,817	4,813,090	981,667	793,960	25,620,057	2,234,588	-	2,234,588	27,854,645
Professional services	400	296,424	136,157	131,088	3,162	287	567,518	548,496	-	548,496	1,116,014
Supplies	19,907	775,175	231,140	110,451	15,897	44,750	1,197,320	287,033	-	287,033	1,484,353
Telephone and communication	76,380	235,480	27,045	53,447	13,823	31,620	437,795	38,612	-	38,612	476,407
Postage and shipping	-	468,092	200	446	-	30	468,768	9,822	-	9,822	478,590
Occupancy	1,533,718	6,632,572	133,463	113,526	29,745	663,157	9,106,181	644,739	-	644,739	9,750,920
Equipment rental and maintenance	-	167,564	23,967	4,880	-	10,780	207,191	84,862	-	84,862	292,053
Printing and publications	19,411	492,065	20,737	170,117	398	342	703,070	152,246	-	152,246	855,316
Agency vehicles and travel	1,262,339	25,575	193,784	80,372	48,807	60,766	1,671,643	78,648	-	78,648	1,750,291
Specific assistance to individuals	700	363	1,770	826,885	60	-	829,778	6,698	-	6,698	836,476
Membership, dues and support payments	-	-	9,060	21,778	-	-	30,838	35,034	174,293	209,327	240,165
Bank charges and credit card fees	-	909,242	3,439	-	-	-	912,681	45,655	-	45,655	958,336
Miscellaneous	2,268	25,573	400	18,939	3,762	(3,819)	47,123	118,950	-	118,950	166,073
Total expenses	5,293,446	23,161,325	4,300,979	6,345,019	1,097,321	1,601,873	41,799,963	4,285,383	174,293	4,459,676	46,259,639
Depreciation and amortization	522,281	1,692,271	89,277	49,209	1,309	214,639	2,568,986	272,888	-	272,888	2,841,874
Total expenses	\$ 5,815,727	\$ 24,853,596	\$ 4,390,256	\$ 6,394,228	\$ 1,098,630	\$ 1,816,512	\$ 44,368,949	\$ 4,558,271	\$ 174,293	\$ 4,732,564	\$ 49,101,513

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	\$ 5,489,580	\$ 21,708,755	\$ 6,366,970	\$ 4,995,890	\$ 700,347	\$ 1,310,812	\$ 40,572,354	\$ 4,054,866	\$ 166,356	\$ 4,221,222	\$ 44,793,576

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, 2023 and 2022

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 5,880,466	\$ 530,481
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Provision for credit losses	16,717	72,868
Depreciation and amortization	2,841,874	2,628,837
(Gain) loss on investments	(1,373,782)	2,934,896
(Gain) loss on sale of property and equipment	(1,050,241)	(15,203)
Right of use assets and operating lease liabilities, net	351,306	1,487,788
Changes in assets and liabilities:		
Accounts receivable	(745,270)	173,230
Inventory	(125,000)	(40,000)
Prepaid expenses	(214,978)	399,733
Deposits	(15,292)	(143,505)
Note receivable	85,500	85,500
Other assets	(68,498)	(42,906)
Accounts payable	125,920	298,432
Accrued expenses	(466,874)	(905,293)
State sales tax payable	25,609	30,850
Deferred revenue	34,489	(66,565)
Net cash flows provided by operating activities	<u>5,301,946</u>	<u>7,429,143</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	16,027,544	4,026,321
Proceeds from sale of property and equipment	2,071,853	24,000
Purchases of property and equipment	(11,646,823)	(9,412,478)
Purchases of investments	(16,442,560)	(3,842,513)
Net cash used in investing activities	<u>(9,989,986)</u>	<u>(9,204,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings of notes payable	10,162,000	3,554,143
Debt issuance costs	(76,670)	-
Principal repayments of notes payable	(933,267)	(809,381)
Net cash provided by financing activities	<u>9,152,063</u>	<u>2,744,762</u>
Net increase in cash and cash equivalents	4,464,023	969,235
Cash and cash equivalents, beginning of year	8,468,489	7,499,254
Cash and cash equivalents, end of year	<u>\$ 12,932,512</u>	<u>\$ 8,468,489</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING & FINANCING ACTIVITIES		
Cash paid during the period for interest	<u>\$ 474,857</u>	<u>\$ 438,809</u>
Operating right of use assets recorded on adoption of ASC 842	<u>\$ -</u>	<u>\$ 38,592,657</u>
Operating lease liabilities recorded on adoption of ASC 842	<u>\$ -</u>	<u>\$ 39,761,467</u>
Operating right of use assets and lease liabilities entered into during the year	<u>\$ 5,133,968</u>	<u>\$ 9,786,622</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, 2023 AND 2022

Note 1. Nature of Organization

Goodwill Industries of North Florida 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 2023, five GoodCareer 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 4,700 open employment positions, again ranking Goodwill Industries of North Florida, Inc. as one of the top Goodwill's nationwide. Six 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 outlet location, and online sales that convert donations of gently used clothing, furniture, household goods and other items into revenue. In addition to stores and GoodCareer centers, Goodwill Industries of North Florida, Inc.'s operations include landscaping and food service at a U.S. military base in the fourteen county territory in North Florida.

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 County 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, 2023 AND 2022

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 (Prior to adoption of ASU 2016-13):

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 as of December 31, 2022.

Accounts Receivable (After adoption of ASU 2016-13):

Accounts receivable consists of balances owed to the Organization for goods sold and services provided. Accounts receivable are carried at the original amount less an estimate for credit losses. The Organization maintains an allowance for credit losses which represents management's estimate of expected credit losses over the remaining expected life of the Organization's financial assets measured at amortized cost and comprised of three main components: (i) historical collection performance, (ii) specific collection issues, (iii) current conditions, and reasonable and supportable forecasts about the future. If actual provision for credit losses differs from the reserves calculated based on historical trends and known customer issues and current conditions, an adjustment to the provision for credit losses is recorded in the period in which the difference occurs. Such adjustment could result in additional expenses or a reduction of expenses. The Organization writes off accounts to the allowance when it has determined that collection is unlikely. Some of the factors considered in reaching this determination are (i) the apparent financial condition of the customer, (ii) the success the Organization has in contacting and negotiating with the customer, (iii) the current state of the industry and (iv) the number of days the account has been outstanding. When the Organization's collections does not correspond with historical performance, additional charges may be required. As of December 31, 2023, the Organization estimated the allowance for credit losses was \$25,247. The statement of activities effect of all changes in the allowance for credit losses is recognized as provision for credit losses

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.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 2. Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022.

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.

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 and the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments, or a change in the assessment of an option to purchase the underlying asset. 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, 2023 and 2022, 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, 2023 and 2022, 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 2020. As of and for the years ended December 31, 2023 and 2022, 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.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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 Contracts/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 one U.S. military base 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, 2023 was \$789,801, which includes \$495,870 for the donated goods program, \$41,021 for recruitment and staffing, and \$252,910 for community relations. 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.

Recently Issued and Adopted Accounting Standards:

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. The new standard modifies the measurement of expected credit losses on certain financial instruments. *Financial Instruments - Credit Losses (Topic 326)* requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Organization that are subject to ASU 2016 - 13 include accounts receivable. The Organization adopted this ASU and related amendments as of January 1, 2023 under the modified retrospective approach such that comparative information has not been restated.

As of January 1, 2023, the adoption of this ASU and related amendments did not have a material impact on the Organizations' consolidated financial statements but did change how the allowance for credit losses is determined.

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, 2023 AND 2022

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 26, 2024, 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, other assets, accounts payable, accrued expenses, state sales tax payable, and deferred revenue 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, 2023 and 2022 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, 2023 and 2022. 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, 2023 AND 2022

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, 2023:

	Level 1	Level 2	Level 3	Total
ETFs:				
iShares MSCI	\$ 222,620	\$ -	\$ -	\$ 222,620
Total equities	222,620	-	-	222,620
Mutual funds:				
Small cap	393,814	-	-	393,814
Small-Mid cap	189,308	-	-	189,308
Large cap	6,015,760	-	-	6,015,760
Total mutual funds	6,598,882	-	-	6,598,882
Bond funds:	4,332,224	-	-	4,332,224
Total	\$ 11,153,726	\$ -	\$ -	\$ 11,153,726

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	3,701,599	-	-	3,701,599
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	4,911,292	-	-	4,911,292
Stocks:				
Illumina Inc. - ILMN	5,459			5,459
Total stocks:	5,459			5,459
Bond funds:	6,971,986	-	-	6,971,986
Total	\$ 15,590,336	\$ -	\$ -	\$ 15,590,336

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, 2023 and 2022.

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 \$0 and \$85,500 plus a current portion of \$85,500, as of December 31, 2023 and 2022, respectively.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 5. Property and Equipment

Major classes of property and equipment and accumulated depreciation at December 31, 2023 and 2022 are as follows:

	2023	2022
Land and improvements	\$ 13,002,398	\$ 13,504,763
Buildings and improvements	38,820,783	31,863,553
Autos and trucks	4,057,003	3,827,200
Furniture and equipment	19,632,317	16,702,235
	75,512,501	65,897,751
Accumulated depreciation	(30,244,607)	(28,413,194)
Property and equipment, net	\$ 45,267,894	\$ 37,484,557

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, 2023 or 2022.

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, 2023 and 2022 were as follows:

Endowment net assets - unrestricted, January 1, 2022	\$ 11,046,569
Investment income	365,336
Investment return	(1,983,555)
Net lending to affiliates	162,451
Investment management fees	(40,628)
Other professional fees	(9,000)
Endowment net assets - unrestricted, December 31, 2022	9,541,173
Investment income	294,249
Investment return	1,177,589
Net lending to affiliates	535,254
Investment management fees	(38,194)
Other professional fees	(47,679)
Endowment net assets - unrestricted, December 31, 2023	\$ 11,462,392

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 6. Endowment (Continued)

Over life of the Endowment, there have been loans made totaling \$7,754,136 to Goodwill Industries of North Florida, Inc., Yulee Junction LLC and GW Timuquana LLC to assist with mission and operational expansion, at an interest rate of 5%. At December 31, 2023 and 2022, the outstanding balance on these loans was \$1,972,761 and \$2,368,674, 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 \$308,666 and \$542,192 reported on the consolidated statements of financial position as of December 31, 2023 and 2022, respectively.

Note 7. Notes Payable

During 2015, the Organization entered into a note payable with a bank in the amount of \$3,200,000 to be used for acquiring land, construction, renovation, and equipment purchases. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. The loan bears interest at a fixed rate of 4.10%, and the balances at December 31, 2023 and 2022 of \$1,062,561 and \$1,584,109, respectively, are payable in monthly installments of principal and interest of \$23,927, with a maturity date of November 29, 2025.

During 2022, the Organization entered into a note payable with a bank in the amount of \$2,150,000 to be used for improvements to a previously acquired property and building. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. Interest on the outstanding balance was required to be paid monthly at a rate of 4.29% for one year, until receipt of proceeds and conversion to a term loan in 2023. The term loan bears interest at a fixed rate of 4.29%, and the balance at December 31, 2023 of \$2,130,445 is payable in monthly installments of principal and interest of \$17,575, with a maturity date of April 14, 2037.

During 2022, the Organization entered into a note payable with a bank in the amount of \$3,039,000 to refinance land, construction, renovation and equipment purchases. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. The loan bears interest at a fixed rate of 4.29%, and the balances at December 31, 2023 and 2022 of \$2,790,692 and \$2,941,972, respectively, are payable in monthly installments of principal and interest of \$23,021, with a maturity date of April 14, 2037.

During 2022, the Organization entered into a note payable with a bank in the amount of \$2,800,000 to be used for acquiring land, construction, renovation, and equipment purchases. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. The loan bears interest at a fixed rate of 4.29%, and the balances at December 31, 2023 and 2022 of \$2,571,220 and \$2,710,603, respectively, are payable in monthly installments of principal and interest of \$21,211, with a maturity date of April 14, 2037.

During 2022, the Organization entered into a note payable and the note payable was amended in 2023 with a bank in the amount of \$5,312,000 to be used for improvements to a previously acquired property and building. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. In 2023, the proceeds were funded in full and are held in escrow with the bank. Interest is required to be paid monthly at a rate of 6.89% for one year, until receipt of proceeds and conversion to a term loan in 2024. The term loan bears interest at a fixed rate of 6.89%, and the balance at December 31, 2023 of \$5,312,000 is payable, after the interest only period, in monthly installments of principal and interest of \$49,652, with a maturity date of October 31, 2038.

During 2023, the Organization entered into a note payable with a bank in the amount of \$2,700,000 to be used for improvements to a previously acquired property and building. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds. The proceeds were funded in full and are held in escrow with the bank. The loan bears interest at a fixed rate of 6.89%, and the balance at December 31, 2023 of \$2,688,490 is payable in monthly installments of principal and interest of \$25,979, with a maturity date of April 14, 2037.

The notes payable contains various restrictions, including, but not limited to, maintenance of certain financial ratios including minimum debt service coverage ratio and minimum unrestricted liquidity ratio. The Organization was in compliance with these covenants at December 31, 2023 and 2022.

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, 2023 and 2022 of \$2,470,657 and \$2,560,444, respectively, are payable in monthly installments of principal and interest of \$18,628, with a maturity date of September 1, 2028.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 7. Notes Payable (Continued)

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

2024	\$	889,945
2025		1,751,063
2026		965,509
2027		1,020,433
2028 and thereafter		14,399,115
Less unamortized debt issuance costs		(217,794)
	\$	<u>18,808,271</u>

Note 8. Leases

The Organization leases certain stores and donation centers under non-cancelable operating lease agreements that expire at various dates between February 2025 and July 2043. 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 Consolidated Statement of Activities for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 4,769,128	\$ 4,020,790
Variable lease cost	1,430,754	1,254,451
	<u>\$ 6,199,882</u>	<u>\$ 5,275,241</u>

Other information about the lease amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in measurement of lease obligations:		
Operating cash flows for operating leases	\$ 852,465	\$ 677,309
Assets obtained in exchange for operating lease obligations	\$ 5,133,968	\$ 9,786,622
Weighted-average remaining lease term - operating leases	11.27 years	11.69 years
Weighted-average discount rate - operating leases	2.32%	1.77%

The aggregate annual lease obligations at December 31, 2023 are as follows:

2024	\$	4,997,790
2025		5,055,265
2026		5,089,476
2027		5,058,489
2028 and thereafter		35,043,111
Total undiscounted lease obligations		<u>55,244,131</u>
Less imputed interest		(7,950,026)
Net lease obligation	\$	47,294,105
Less: current portion of lease liabilities	\$	(3,963,050)
Total long-term lease liabilities	\$	<u>43,331,055</u>

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for use in the following programs at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Take Stock In Children of Duval	\$ 654,498	\$ 611,549
A-STEP	242,314	361,456
	<u>\$ 896,812</u>	<u>\$ 973,005</u>

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
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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, 2023, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

		2022 Contract 1537003-v1		
Receipts	Budget	10/01/22 - 12/31/2022	01/01/23 - 9/30/2023	Remaining Balance
Appropriations	\$ 175,000	\$ -	\$ 159,454	\$ 15,546
Expenditures	Budget	10/01/22 - 12/31/2022	01/01/23 - 9/30/2023	Remaining Balance
Salaries and Wages	\$ 67,720	\$ 10,472	\$ 53,097	\$ 4,151
Benefits	8,201	1,266	5,540	1,395
Direct Client Expense	99,079	4,666	84,413	10,000
Total	\$ 175,000	\$ 16,404	\$ 143,050	\$ 15,546
		2023 Contract 1608431-v1		
Receipts	Budget	10/01/23 - 12/31/2023	Received In Prior Audit Periods	Remaining Balance
Appropriations	\$ 182,000	\$ -	\$ -	\$ 182,000
Expenditures	Budget	10/01/23 - 12/31/2023	Spent In Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 70,062	\$ 17,130	\$ -	\$ 52,932
Benefits	15,885	3,184	-	12,701
Occupancy Expenses	1,170	292	-	878
Travel Expense	3,900	975	-	2,925
Direct Client Expense	90,983	35,195	-	55,788
Total	\$ 182,000	\$ 56,776	\$ -	\$ 125,224

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 \$114,505 and \$91,229 for the years ended December 31, 2023 and 2022, 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 \$33,103 and \$25,763 for the years ended December 31, 2023 and 2022, 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 \$22,890 and \$24,841 for the years ended December 31, 2023 and 2022, 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, 2023, three customers made up 29%, 14%, and 11% individually of total accounts receivable. For the year ended December 31, 2022, three customers made up 11%, 10% and 27% of total accounts receivable.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 12. Commitments and Contingencies (Continued)

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, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 19,157,920	\$ 8,468,489
Accounts receivable, net	1,912,711	1,184,154
Investments	11,153,726	15,590,336
Note receivable	85,500	85,500
Total financial assets available within one year	<u>32,309,857</u>	<u>25,328,479</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(896,812)	(973,005)
Total amounts unavailable for general expenditures within one year	<u>(896,812)</u>	<u>(973,005)</u>
Amounts unavailable to management without Board's approval:		
Board designated - MacKenzie Scott contribution	(7,024,163)	(7,238,598)
Board designated for endowment	(11,462,392)	(9,541,173)
Total amounts unavailable without board approval	<u>(18,486,555)</u>	<u>(16,779,771)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 12,926,490</u>	<u>\$ 7,575,703</u>

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, 2023. The line of credit bears an interest rate of one month SOFR plus 1.75% (7.13% at December 31, 2023) to be paid monthly and expires on November 25, 2025. The line of credit is secured by the assets held by the bank on behalf of the Organization (\$3,330,289 and \$3,036,338 as of December 31, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022.

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.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 13. Liquidity and Availability of Resources (Continued)

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

Purpose	Total Contribution	Funds Used Prior Years	2023 Funds Used	Remaining
Mission Impact Advancement	\$ 1,500,000	\$ 516,170	\$ 214,435	\$ 769,395
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	90,000	-	910,000
Total	<u>\$ 10,000,000</u>	<u>\$ 2,761,402</u>	<u>\$ 214,435</u>	<u>\$ 7,024,163</u>



To the Board of Directors
Goodwill Industries of North Florida, Inc. and affiliates
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, 2023 and 2022, 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 26, 2024.

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.



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INDEPENDENT AUDITOR’S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
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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 26, 2024