

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

CONSOLIDATED FINANCIAL REPORT

For the Years Ended December 31, 2025 and 2024



SMOAK, DAVIS & NIXON LLP

Certified Public Accountants

Providing Integrated Financial Solutions

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

5011 Gate Parkway
Building 100, Suite 300
Jacksonville, FL 32256

Office: (904)396-5831
Fax: (904)399-8985
www.sdnllp.com

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, 2025 and 2024, 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, 2025 and 2024 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, 2026, 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 29, 2026

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

ASSETS	2025	2024
Current assets:		
Cash & cash equivalents	\$ 2,537,292	\$ 11,284,635
Accounts receivable, net	2,634,184	2,104,875
Investments	14,155,188	12,257,161
Inventory	1,676,314	1,199,378
Prepaid expenses	1,305,234	571,539
Total current assets	<u>22,308,212</u>	<u>27,417,588</u>
Property and equipment, net	<u>64,700,157</u>	<u>57,985,028</u>
Other assets:		
Deposits	364,116	346,999
Other assets	403,500	313,499
Goodwill, net	821,713	-
Right of use assets - operating leases	40,013,469	43,050,323
Total other assets	<u>41,602,798</u>	<u>43,710,821</u>
Total assets	<u>\$ 128,611,167</u>	<u>\$ 129,113,437</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 892,082	\$ 1,344,064
Accrued expenses	2,688,132	4,645,528
State sales tax payable	272,155	224,607
Deferred revenue	192,377	214,388
Notes payable	1,054,786	1,388,594
Operating lease liabilities	4,730,037	4,345,986
Total current liabilities	<u>9,829,569</u>	<u>12,163,167</u>
Long-term liabilities:		
Notes payable	15,450,758	16,225,335
Operating lease liabilities	37,605,837	40,861,628
Total long-term liabilities	<u>53,056,595</u>	<u>57,086,963</u>
Net assets:		
Without donor restrictions	64,442,356	58,878,402
With donor restrictions	1,282,647	984,905
Total net assets	<u>65,725,003</u>	<u>59,863,307</u>
Total liabilities and net assets	<u>\$ 128,611,167</u>	<u>\$ 129,113,437</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, 2025

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Sales to public	\$ 74,198,362	\$ -	\$ 74,198,362
Cost of sales	(22,802,392)	-	(22,802,392)
Net revenue from sales	<u>51,395,970</u>	<u>-</u>	<u>51,395,970</u>
Contract Revenues	<u>4,706,142</u>	<u>-</u>	<u>4,706,142</u>
Government contracts/support:			
US Government - American Rescue Plan			
Passed through United Way of St. Johns County, FL	-	-	-
US Government - Financial Well Being			
Passed through United Way of St. Johns County, FL	69,826	-	69,826
US Government - Community Development Block Grant			
Passed through Children's Trust of Alachua County	78,000	-	78,000
City of Jacksonville	708,688	-	708,688
State of Florida	816,017	-	816,017
Children's Trust of Alachua County	945,696	-	945,696
Kids Hope Alliance	2,127,291	-	2,127,291
Total government support	<u>4,745,518</u>	<u>-</u>	<u>4,745,518</u>
Public support:			
Contributions	46,173	91,989	138,162
Grants	515,199	964,542	1,479,741
Total public support	<u>561,372</u>	<u>1,056,531</u>	<u>1,617,903</u>
Other revenue (expense):			
Rental revenue	319,540	-	319,540
Realized and unrealized gain on investments	1,312,317	-	1,312,317
Gain on sale of property and equipment	1,721,224	-	1,721,224
Interest and dividend income	582,595	-	582,595
Miscellaneous	114,294	-	114,294
Total other revenue (expense), net	<u>4,049,970</u>	<u>-</u>	<u>4,049,970</u>
Net assets released from restrictions	<u>758,789</u>	<u>(758,789)</u>	<u>-</u>
Total support and revenue	66,217,761	297,742	66,515,503
EXPENSES:			
Program services	54,345,998	-	54,345,998
Supporting services	6,307,809	-	6,307,809
Total expenses	<u>60,653,807</u>	<u>-</u>	<u>60,653,807</u>
Increase (decrease) in net assets	5,563,954	297,742	5,861,696
Net assets, beginning of year	<u>58,878,402</u>	<u>984,905</u>	<u>59,863,307</u>
Net assets, end of year	<u>\$ 64,442,356</u>	<u>\$ 1,282,647</u>	<u>\$ 65,725,003</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, 2024

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Sales to public	\$ 64,206,270	\$ -	\$ 64,206,270
Cost of sales	(18,916,509)	-	(18,916,509)
Net revenue from sales	45,289,761	-	45,289,761
Contract Revenues	5,211,112	-	5,211,112
Government contracts/support:			
US Government - Community Development Block Grant			
Passed through Children's Trust of Alachua County	-	-	-
US Government - Financial Well Being			
Passed through United Way of St. Johns County, FL	18,077	-	18,077
US Government - American Rescue Plan			
Passed through United Way of St. Johns County, FL	57,749		57,749
City of Jacksonville	277,920	-	277,920
State of Florida	367,079	-	367,079
Children's Trust of Alachua County	944,066	-	944,066
Kids Hope Alliance	2,863,124	-	2,863,124
Total government support	4,528,015	-	4,528,015
Public support:			
Contributions	104,340	424,673	529,013
Grants	678,714	439,643	1,118,357
Total public support	783,054	864,316	1,647,370
Other revenue (expense):			
Rental revenue	342,245	-	342,245
Realized and unrealized gain on investments	1,214,370	-	1,214,370
Gain on sale of property and equipment	18,822	-	18,822
Interest and dividend income	973,912	-	973,912
Miscellaneous	72,436	-	72,436
Total other revenue (expense), net	2,621,785	-	2,621,785
Net assets released from restrictions	776,223	(776,223)	-
Total support and revenue	59,209,950	88,093	59,298,043
EXPENSES:			
Program services	49,432,216	-	49,432,216
Supporting services	5,722,005	-	5,722,005
Total expenses	55,154,221	-	55,154,221
Increase (decrease) in net assets	4,055,729	88,093	4,143,822
Net assets, beginning of year	54,822,673	896,812	55,719,485
Net assets, end of year	\$ 58,878,402	\$ 984,905	\$ 59,863,307

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, 2025

	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	\$ 2,560,473	\$ 14,869,594	\$ 2,077,208	\$ 4,878,231	\$ 753,183	\$ 1,456,035	\$ 26,594,724	\$ 2,460,343	\$ -	\$ 2,460,343	\$ 29,055,067
Employee benefits/payroll taxes	358,518	1,931,534	433,700	720,165	167,675	191,617	3,803,209	428,418	-	428,418	4,231,627
Total salaries and related expenses	2,918,991	16,801,128	2,510,908	5,598,396	920,858	1,647,652	30,397,933	2,888,761	-	2,888,761	33,286,694
Professional services	38,238	341,849	191,004	264,487	6,995	(5,731)	836,842	714,078	-	714,078	1,550,920
Supplies	48,633	940,473	249,990	512,237	7,428	204,568	1,963,329	408,880	-	408,880	2,372,209
Telephone and communication	125,200	211,191	25,017	60,664	12,495	44,661	479,228	133,745	-	133,745	612,973
Postage and shipping	34	701,169	3,928	672	-	43	705,846	6,959	-	6,959	712,805
Occupancy	1,997,665	7,787,362	165,090	308,543	18,667	455,137	10,732,464	823,679	-	823,679	11,556,143
Equipment rental and maintenance	29,036	338,337	31,725	14,485	-	34,797	448,380	143,694	-	143,694	592,074
Printing and publications	88,362	411,930	17,893	71,374	3,275	1,784	594,618	206,509	-	206,509	801,127
Agency vehicles and travel	1,242,167	32,419	255,028	170,756	56,521	134,592	1,891,483	122,628	-	122,628	2,014,111
Specific assistance to individuals	3,000	-	168	1,358,610	-	-	1,361,778	(36,865)	-	(36,865)	1,324,913
Membership, dues and support payments	-	-	-	3,818	35	-	3,853	58,388	218,552	276,940	280,793
Bank charges and credit card fees	-	1,077,694	9,984	3,748	-	-	1,091,426	62,433	-	62,433	1,153,859
Miscellaneous	14,598	50,659	191,230	29,555	449	(13,231)	273,260	31,402	-	31,402	304,662
Total expenses	6,505,924	28,694,211	3,651,965	8,397,345	1,026,723	2,504,272	50,780,440	5,564,291	218,552	5,782,843	56,563,283
Depreciation and amortization	621,470	2,170,326	187,097	214,591	1,150	370,924	3,565,558	524,966	-	524,966	4,090,524
Total expenses	\$ 7,127,394	\$ 30,864,537	\$ 3,839,062	\$ 8,611,936	\$ 1,027,873	\$ 2,875,196	\$ 54,345,998	\$ 6,089,257	\$ 218,552	\$ 6,307,809	\$ 60,653,807

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, 2024

	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	\$ 2,325,204	\$ 12,879,802	\$ 2,315,419	\$ 5,783,998	\$ 906,213	\$ 1,167,729	\$ 25,378,365	\$ 2,031,110	\$ -	\$ 2,031,110	\$ 27,409,475
Employee benefits/payroll taxes	365,163	1,808,037	403,453	802,899	153,242	174,425	3,707,219	386,892	-	386,892	4,094,111
Total salaries and related expenses	2,690,367	14,687,839	2,718,872	6,586,897	1,059,455	1,342,154	29,085,584	2,418,002	-	2,418,002	31,503,586
Professional services	3,888	248,716	159,989	207,714	1,285	19,399	640,991	770,993	-	770,993	1,411,984
Supplies	33,054	593,358	219,265	310,399	26,207	133,328	1,315,611	419,233	-	419,233	1,734,844
Telephone and communication	73,438	214,358	21,256	58,046	13,207	34,699	415,004	81,967	-	81,967	496,971
Postage and shipping	122	463,027	-	600	-	16	463,765	8,450	-	8,450	472,215
Occupancy	1,756,195	7,089,782	126,073	186,695	15,056	670,371	9,844,172	797,496	-	797,496	10,641,668
Equipment rental and maintenance	950	209,794	8,806	3,074	-	2,931	225,555	116,875	-	116,875	342,430
Printing and publications	21,105	344,776	6,206	150,117	533	195	522,932	190,347	-	190,347	713,279
Agency vehicles and travel	1,317,521	27,052	208,544	129,535	56,244	96,645	1,835,541	97,900	-	97,900	1,933,441
Specific assistance to individuals	4,200	191	50	1,090,226	9	20	1,094,696	18,801	-	18,801	1,113,497
Membership, dues and support payments	-	-	-	3,627	-	-	3,627	32,284	227,327	259,611	263,238
Bank charges and credit card fees	-	894,521	3,673	1,095	-	-	899,289	53,705	-	53,705	952,994
Miscellaneous	10,882	27,634	41,937	25,565	2,718	36,548	145,284	71,211	-	71,211	216,495
Total expenses	5,911,722	24,801,048	3,514,671	8,753,590	1,174,714	2,336,306	46,492,051	5,077,264	227,327	5,304,591	51,796,642
Depreciation and amortization	543,472	1,862,514	107,437	103,970	1,832	320,940	2,940,165	417,414	-	417,414	3,357,579
Total expenses	\$ 6,455,194	\$ 26,663,562	\$ 3,622,108	\$ 8,857,560	\$ 1,176,546	\$ 2,657,246	\$ 49,432,216	\$ 5,494,678	\$ 227,327	\$ 5,722,005	\$ 55,154,221

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, 2025 and 2024

	2025	2024
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 5,861,696	\$ 4,143,822
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Provision for credit losses	188,818	68,994
Depreciation and amortization	4,090,524	3,357,579
Gain on investments	(1,312,317)	(1,214,370)
Gain on sale of property and equipment	(1,721,224)	(18,822)
Right of use assets and operating lease liabilities, net	165,113	318,197
Changes in assets and liabilities:		
Accounts receivable	(718,126)	(226,144)
Notes receivable	-	85,500
Inventory	(476,936)	(140,856)
Prepaid expenses	(733,695)	(227,525)
Deposits	(17,117)	10,497
Other assets	(90,001)	(41,107)
Goodwill	(857,440)	-
Accounts payable	(451,982)	377,543
Accrued expenses	(1,957,396)	2,821,838
State sales tax payable	47,548	384
Deferred revenue	(22,011)	(49,517)
Net cash flows provided by (used in) operating activities	1,995,454	9,266,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	971,750	2,025,450
Proceeds from sale of property and equipment	2,907,250	15,000
Purchases of property and equipment	(11,936,015)	(16,070,891)
Purchases of investments	(1,557,460)	(1,914,515)
Net cash provided by (used in) investing activities	(9,614,475)	(15,944,956)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal borrowings of notes payable	519,602	-
Debt issuance costs	(4,527)	-
Principal repayments of notes payable	(1,643,397)	(1,194,342)
Net cash provided by (used in) financing activities	(1,128,322)	(1,194,342)
Net increase (decrease) in cash and cash equivalents	(8,747,343)	(7,873,285)
Cash and cash equivalents, beginning of year	11,284,635	19,157,920
Cash and cash equivalents, end of year	\$ 2,537,292	\$ 11,284,635
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING & FINANCING ACTIVITIES		
Cash paid during the period for interest	\$ 1,211,416	\$ 614,460
Operating right of use assets and lease liabilities entered into during the year	\$ 1,611,871	\$ 1,965,008

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, 2025 AND 2024

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 a member of Goodwill Industries International, the largest private provider of training and employment services in the United States.

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 GoodCareers centers, Goodwill Industries of North Florida, Inc.'s operations include a neighborhood grocery store, landscaping, low voltage communication installation, and food service at a U.S. military base in the fourteen county territory in North Florida.

In 2025, six GoodCareers centers operated by Goodwill Industries of North Florida, Inc. provided more than 91,000 services to members of the community, which resulted in fulfillment of more than 3,900 open employment positions, again ranking Goodwill Industries of North Florida, Inc. as one of the top Goodwill's nationwide. Goodwill Industries of North Florida, Inc. also operates Goodwill Temps, which provides temporary staffing and direct hire services to members of our community. Through a community partnership, the Corner at Debs Store was opened in September 2024. The store offers fresh produce and groceries to the residents of Jacksonville's Historic Eastside and surrounding neighborhoods. The Corner at Debs is an expansion of the traditional focus on employment, training and education to address one of the major challenges facing Jacksonville residents: a lack of access to healthy, nutritious foods.

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, Hamilton, Madison, 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., North Florida Goodwill Foundation, Inc. (formerly 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, 2025 AND 2024

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 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, 2025 and 2024, the Organization estimated the allowance for credit losses was \$317,719 and \$112,401, respectively. 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.

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

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2025 and 2024.

Goodwill and Other Intangible Assets:

Goodwill of \$857,440 was recognized with the acquisition of certain assets of a communications installation business in August 2025. The Organization accounts for goodwill under FASB ASC 350-20, *Intangibles-Goodwill and Other-Goodwill*. Subtopic 350-20 provides nonpublic organizations with a simplified amortization alternative that can be used in accounting for post acquisition goodwill. Subtopic 350-20 allows nonpublic organizations to amortize goodwill on a straight-line basis over a 10-year period unless a shorter period can be demonstrated to be applicable. Subtopic 350-20 also provides nonpublic organizations with an accounting alternative to perform the goodwill impairment event evaluation as of the end of the reporting period. Subtopic 350-20 does not require the Organization to monitor for goodwill impairment triggering events during the reporting period but, instead, allows the Organization to evaluate facts and circumstances as of the end of the reporting period to determine whether a triggering event exists and, if so, whether it is "more likely than not" that goodwill is impaired. It was determined that there was no impairment of goodwill at December 31, 2025. As of December 31, 2025, the consolidated balance sheet includes goodwill of \$821,713, which is presented net of \$35,727 in accumulated amortization.

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 North Florida Goodwill Foundation, 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, 2025 and 2024, 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, 2025 and 2024, 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 2022. As of and for the years ended December 31, 2025 and 2024, 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, 2025 AND 2024

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 facility maintenance services, 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, 2025 was \$658,417, which includes \$404,456 for the donated goods program, \$11,584 for recruitment and staffing, and \$242,377 for community relations. Advertising expense for the year ended December 31, 2024 was \$654,623, which includes \$343,341 for the donated goods program, \$8,426 for recruitment and staffing, and \$302,856 for community relations.

Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 29, 2026, the date the consolidated financial statements were available to be issued.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2025 and 2024 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, 2025 and 2024. 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at December 31, 2025:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Small cap	\$ 484,895	\$ -	\$ -	\$ 484,895
Mid cap	220,938	-	-	220,938
Large cap	7,924,880	-	-	7,924,880
Total mutual funds	<u>8,630,713</u>	<u>-</u>	<u>-</u>	<u>8,630,713</u>
Bond funds:	4,576,491	-	-	4,576,491
Debt Securities:	947,984	-	-	947,984
Total	<u>\$ 14,155,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,155,188</u>

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Small cap	430,609	-	-	430,609
Small-Mid cap	209,231	-	-	209,231
Large cap	6,703,009	-	-	6,703,009
Total mutual funds	7,342,849	-	-	7,342,849
Bond funds:	4,914,312	-	-	4,914,312
Debt Securities:	-	-	-	-
Total	\$ 12,257,161	\$ -	\$ -	\$ 12,257,161

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, 2025 and 2024.

Note 4. Property and Equipment

Major classes of property and equipment and accumulated depreciation at December 31, 2025 and 2024 are as follows:

	2025	2024
Land and improvements	\$ 11,576,204	\$ 12,413,994
Buildings and improvements	58,693,110	50,939,772
Autos and trucks	5,615,846	5,007,493
Furniture and equipment	25,424,519	23,203,348
Construction in progress	141,904	18,238
	101,451,583	91,582,845
Accumulated depreciation	(36,751,426)	(33,597,817)
Property and equipment, net	\$ 64,700,157	\$ 57,985,028

Note 5. 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 North Florida Goodwill Foundation, Inc. (the Foundation) 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 Foundation as of December 31, 2025 or 2024.

Investment Return Objectives, Risk Parameters and Strategies: The Foundation has adopted investment and spending policies, approved by the Foundation 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 Foundation 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 Foundation'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 Foundation has been included in unrestricted net assets.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 5. Endowment (Continued)

Composition of and changes in board designated endowment net assets for the years ended December 31, 2025 and 2024 were as follows:

Endowment net assets - unrestricted, January 1, 2024	\$ 11,462,392
Investment income	337,129
Investment return	1,214,370
Net lending to affiliates	(550,825)
Investment management fees	(40,274)
Other professional fees	(11,467)
Endowment net assets - unrestricted, December 31, 2024	<u>12,411,325</u>
Investment income	472,950
Investment return	1,312,317
Net lending to affiliates	569,699
Investment management fees	(44,960)
Other professional fees	(13,174)
Salaries and benefits	(303,276)
Other expenses	(10,547)
Endowment net assets - unrestricted, December 31, 2025	<u><u>\$ 14,394,334</u></u>

Over life of the Endowment, there have been loans made totaling \$8,754,136 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, 2025 and 2024, the outstanding balance on these loans was \$2,193,334 and \$2,576,843, 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 \$239,146 and \$154,164 reported on the consolidated statements of financial position as of December 31, 2025 and 2024, respectively.

Note 6. 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 was collateralized by the land, building and equipment to be constructed or acquired with the proceeds. The loan bore interest at a fixed rate of 4.10%, and the balances at December 31, 2025 and 2024 of \$0 and \$519,016, respectively, were payable in monthly installments of principal and interest of \$48,127, which was paid in full prior to maturity on 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 balances at December 31, 2025 and 2024 of \$1,884,136 and \$2,010,092, respectively, 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, 2025 and 2024 of \$2,468,053 and \$2,633,042, 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, 2025 and 2024 of \$2,273,954 and \$2,425,967, 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 2024, the note payable was amended, interest is required to be paid monthly at a rate of 6.08% until conversion to a term loan in 2025. The term loan bears interest at a fixed rate of 6.08%, and the balance at December 31, 2025 and 2024 of \$5,149,675 and \$5,292,848, respectively, is payable, after the interest only period, in monthly installments of principal and interest of \$47,292, with a maturity date of November 20, 2027.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 6. Notes Payable (Continued)

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 loan bears interest at a fixed rate of 6.89%, and the balance at December 31, 2025 and 2024 of \$2,423,878 and \$2,561,044, respectively, 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, 2025 and 2024.

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, 2025 and 2024 of \$2,275,757 and \$2,375,782, respectively, are payable in monthly installments of principal and interest of \$18,628, with a maturity date of September 1, 2028.

During 2025, the Organization entered into a note payable with a bank in the amount of \$294,886 as part of the acquisition of equipment. The loan bears interest at a fixed rate of 5.99%, and the balance at December 31, 2025 of \$282,104 is payable in monthly installments of principal and interest of \$5,711, with a maturity date of September 30, 2030.

During 2025, the Organization entered into a note payable with a bank in the amount of \$224,716 as part of the acquisition of equipment. The loan bears interest at a fixed rate of 5.99%, and the balance at December 31, 2025 of \$112,358 is payable in monthly installments of principal and interest of \$4,353, beginning after a 6-month interest only period, with a maturity date of March 23, 2031.

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

	2026	\$	1,054,786
	2027		1,123,305
	2028		3,122,770
	2029		1,080,913
	2030 and thereafter		10,312,227
	Less unamortized debt issuance costs		(188,457)
		<u>\$</u>	<u>16,505,544</u>

Note 7. 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, 2025 and 2024 were as follows:

	2025	2024
Operating lease cost	\$ 5,475,934	\$ 5,078,503
Variable lease cost	1,816,710	1,727,486
	<u>\$ 7,292,644</u>	<u>\$ 6,805,989</u>

Other information about the lease amounts recognized in the consolidated financial statements for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Cash paid for amounts included in measurement of lease obligations:		
Operating cash flows for operating leases	\$ 1,001,654	\$ 1,025,239
Assets obtained in exchange for operating lease obligations	\$ 1,611,871	\$ 1,965,008
Weighted-average remaining lease term - operating leases	10.51 years	11.69 years
Weighted-average discount rate - operating leases	2.79%	2.76%

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 7. Leases (Continued)

The aggregate annual lease obligations at December 31, 2025 are as follows:

	2026	\$	5,677,114
	2027		5,652,227
	2028		5,176,050
	2029		4,833,351
	2030 and thereafter		26,752,494
	Total undiscounted lease obligations		48,091,236
	Less imputed interest		(5,755,362)
	Net lease obligation	\$	42,335,874
	Less: current portion of lease liabilities	\$	(4,730,037)
	Total long-term lease liabilities	\$	37,605,837

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for use in the following programs at December 31, 2025 and 2024:

	2025	2024
Take Stock In Children of Duval	\$ 1,165,223	\$ 821,758
A-STEP	117,424	163,147
	\$ 1,282,647	\$ 984,905

Note 9. City of Jacksonville Goodwill Industries of North Florida Inc.'s Building Futures Together Program Grant

An analysis of the City of Jacksonville Goodwill Industries of North Florida Inc.'s Building Futures Together Program grant for the years ended December 31, 2025 and 2024, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

2025				
Contract 1659975 / PO #684889-25				
	Budget	1/1/2025 - 9/30/2025	Prior Audit Periods	Remaining Balance
Receipts				
Appropriations	\$ 785,000	\$ 498,593	\$ -	\$ 286,407
Expenditures				
Salaries and Wages	\$ 55,000	\$ 41,400	\$ 13,600	\$ -
Benefits	7,254	5,652	1,593	9
Local Mileage	2,450	2,000	450	-
Computers and Software	28,308	28,308	-	-
Staff Training	2,575	2,575	-	-
Printing and Advertising	10,000	8,085	-	1,915
Direct Client Expense	679,413	384,930	10,000	284,483
Total	\$ 785,000	\$ 472,950	\$ 25,643	* \$ 286,407

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 9. City of Jacksonville Goodwill Industries of North Florida Inc.'s Building Futures Together Program Grant (Continued)

2024				
Contract 1659975 / PO #684889-25				
Receipts	Budget	10/01/2024 - 12/31/2024	Received In Prior Audit Periods	Remaining Balance
Appropriations	\$ 785,000	\$ -	\$ -	\$ 785,000
Expenditures	Budget *	10/01/2024 - 12/31/2024	Spent In Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 50,000	\$ 13,600	\$ -	\$ 36,400
Benefits	12,500	1,593	-	10,907
Local Mileage	2,500	450	-	2,050
Computers and Software	40,000	-	-	40,000
Staff Training	10,000	-	-	10,000
Printing and Advertising	10,000	-	-	10,000
Direct Client Expense	660,000	10,000	-	650,000
Total	\$ 785,000	\$ 25,643	\$ -	\$ 759,357

* The prior period 10/1/2024-12/31/2024 was revised to reflect the approved December 2024 invoice. The budget was also revised in 2025 by line item category.

Note 10. City of Jacksonville Goodwill Industries of North Florida Inc.'s Good Careers Debs

An analysis of the City of Jacksonville Goodwill Industries of North Florida Inc.'s Good Careers Deb grant for the year ended December 31, 2025 and 2024, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

2025				
Contract 1680571 / PO# 689636-25				
Receipts	Budget	1/1/2025 - 9/30/2025	Received In Prior Audit Periods	Remaining Balance
Appropriations	\$ 152,362	\$ 145,460	\$ -	\$ 6,902
Expenditures	Budget	1/1/2025 - 9/30/2025	Spent In Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 100,200	\$ 75,519	\$ 22,191	\$ 2,490
Benefits	29,797	20,578	4,807	4,412
Direct Client Expense	22,365	22,365	-	-
Total	\$ 152,362	\$ 118,462	\$ 26,998	\$ 6,902

2024				
Contract 1680571 / PO# 689636-25				
Receipts	Budget	10/01/2024 - 12/31/2024	Received In Prior Audit Periods	Remaining Balance
Appropriations	\$ 152,362	\$ -	\$ -	\$ 152,362
Expenditures	Budget	10/01/2024 - 12/31/2024	Spent In Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 100,200	\$ 22,191	\$ -	\$ 78,009
Benefits	29,797	4,807	-	24,990
Direct Client Expense	22,365	-	-	22,365
Total	\$ 152,362	\$ 26,998	\$ -	\$ 125,364

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 11. 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, 2024, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

2024				
Contract 1608431-v1 / PO #668774-24				
Receipts	Budget	01/01/24 - 12/31/2024	Received In Prior Audit Periods	Remaining Balance
Appropriations	\$ 182,000	\$ 170,925	\$ -	\$ 11,075
Expenditures	Budget	01/01/2024 - 9/30/2024	Spent In Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 70,062	\$ 50,581	\$ 17,130	\$ 2,351
Benefits	15,885	5,290	3,184	7,411
Occupancy Expenses	1,170	593	292	285
Travel Expense	3,900	1,898	975	1,027
Direct Client Expense	90,983	55,787	35,195	1
Total	\$ 182,000	\$ 114,149	\$ 56,776	\$ 11,075

Note 12. 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 \$120,678 and \$111,460 for the years ended December 31, 2025 and 2024, 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 \$56,627 and \$56,361 for the years ended December 31, 2025 and 2024, 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 \$23,551 and \$21,914 for the years ended December 31, 2025 and 2024, respectively.

Note 13. 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, 2025, three customers made up 17%, 14%, and 10% individually of total accounts receivable. For the year ended December 31, 2024, three customers made up 20%, 14% and 12% 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.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

Note 14. 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, 2025 and 2024 are as follows:

	2025	2024
Cash and cash equivalents	\$ 2,537,292	\$ 11,284,635
Accounts receivable, net	2,634,184	2,104,875
Investments	14,155,188	12,257,161
Total financial assets available within one year	19,326,664	25,646,671
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(1,282,647)	(984,905)
Total amounts unavailable for general expenditures within one year	(1,282,647)	(984,905)
Amounts unavailable to management without Board's approval:		
Board designated - MacKenzie Scott contribution	(731,266)	(3,722,212)
Board designated for endowment	(14,394,334)	(12,411,325)
Total amounts unavailable without board approval	(15,125,600)	(16,133,537)
Total financial assets available to management for general expenditures within one year	\$ 2,918,417	\$ 8,528,229

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, 2025. The line of credit bears an interest rate of one month SOFR plus 1.75% (5.62% at December 31, 2025) to be paid monthly and expires on November 30, 2027. The line of credit is secured by the assets held by the bank on behalf of the Organization (\$1,321,392 and \$5,323,130 as of December 31, 2025 and 2024, respectively, which is included in cash and equivalents on the consolidated statements of financial position) and is guaranteed by North Florida Goodwill Foundation, Inc. The outstanding balance was \$0 at December 31, 2025 and 2024.

The line of credit agreement 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, 2025 and 2024.

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	Funds Used Prior Years	2025 Funds Used	Remaining
Mission Impact Advancement	\$ 1,750,000	\$ 1,002,708	\$ 100,946	\$ 646,346
Secondary Market Expansion	1,000,000	-	1,000,000	-
Equipment/Point of Sale	1,000,000	915,080	-	84,920
Donated Goods Expansion	4,000,000	4,000,000	-	-
New Ventures	1,250,000	-	1,250,000	-
Education and Training Center	1,000,000	360,000	640,000	-
Total	\$ 10,000,000	\$ 6,277,788	\$ 2,990,946	\$ 731,266



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

5011 Gate Parkway
Building 100, Suite 300
Jacksonville, FL 32256

Office: (904)396-5831
Fax: (904)399-8985
www.sdnllp.com

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, 2025 and 2024, 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 29, 2026.

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 effectiveness of the Organization's internal control.

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

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



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Building 100, Suite 300
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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 29, 2026