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

CONSOLIDATED FINANCIAL REPORT

December 31, 2020

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

C O N T E N T S

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

EDWARD P. SCHMITZER, CPA, PA
ROBERT T. LOVERICH, CPA, PA
ROBERT D. ROSARIO, CPA, PA
LAWRENCE S. KAPLAN, CPA, PA

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

Independent Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Goodwill Industries of North Florida, Inc. (a not-for-profit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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Independent Auditor's Report
(Continued)

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Florida, Inc. and affiliates as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
April 29, 2021

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GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2020

ASSETS		
Current assets:		
Cash	$	6,409,253
Cash equivalents		1,018,660
Accounts receivable		1,264,447
Note receivable		85,500
Inventory		848,522
Prepaid expenses		401,681
Total current assets		10,028,063
Investments		7,143,302
Property and equipment, net		25,350,516
Other assets:		
Deposits		430,026
Note receivable, noncurrent		256,500
Other assets		165,000
Goodwill		234,660
Total other assets		1,086,186
Total assets	$	43,608,067
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$	395,534
Accrued expenses		991,268
State sales tax payable		145,591
Deferred revenue		319,544
Notes payable		550,534
Total current liabilities		2,402,471
Long-term liabilities:		
Deferred rent		1,535,123
Notes payable		4,950,276
Total long-term liabilities		6,485,399
Net assets:		
Without donor restrictions		34,018,845
With donor restrictions		701,352
Total net assets		34,720,197
Total liabilities and net assets	$	43,608,067

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, 2020

	Without donor restriction	With donor restriction	Total
SUPPORT AND REVENUE:			
Sales to public	$ 38,851,411	$ -	$ 38,851,411
Cost of sales	(13,739,172)	-	(13,739,172)
Net revenue from sales	25,112,239	-	25,112,239
Government support:			
State of Florida - Department of Education	184,433	-	184,433
State of Florida	136,794	-	136,794
Kids Hope Alliance	78,864	-	78,864
City of Jacksonville	442,770	-	442,770
Total government support	842,861	-	842,861
Public support:			
Contributions	332,814	346,748	679,562
Grants	147,891	177,609	325,500
Total public support	480,705	524,357	1,005,062
Other revenue:			
Subcontracts	7,488,643	-	7,488,643
Realized and unrealized gain on investments	873,989	-	873,989
Gain on sale of property and equipment	209,298	-	209,298
Interest and dividend income	184,140	-	184,140
Miscellaneous	31,923	-	31,923
Total other revenue	8,787,993	-	8,787,993
Net assets released from restrictions	95,929	(95,929)	-
Total support and revenue	35,319,727	428,428	35,748,155
EXPENSES:			
Program services	30,926,961	-	30,926,961
Supporting services	2,457,522	-	2,457,522
Total expenses	33,384,483	-	33,384,483
Increase in net assets	1,935,244	428,428	2,363,672
Net assets, beginning of year	32,083,601	272,924	32,356,525
Net assets, end of year	$ 34,018,845	$ 701,352	$ 34,720,197

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, 2020

	Program Services							Supporting Services			
	Operations	Stores	Contracts	Mission Services	Management Specific	Housing & Occupancy	Total Program Services	Management & General	Miscellaneous Supporting Services	Total Supporting Services	Total
Salaries	$ 1,528,553	$ 7,029,916	$ 4,439,815	$ 783,692	$ 485,566	$ 339,938	$ 14,607,480	$ 1,200,029	$ -	$ 1,200,029	$ 15,807,509
Employee benefits/payroll taxes	277,509	1,126,406	880,052	137,019	73,939	80,334	2,575,259	214,618	-	214,618	2,789,877
Total salaries and related expenses	1,806,062	8,156,322	5,319,867	920,711	559,505	420,272	17,182,739	1,414,647	-	1,414,647	18,597,386
Professional services	13,213	165,145	260,821	11,081	-	9,900	460,160	261,935	-	261,935	722,095
Supplies	10,625	519,335	317,968	37,086	3,895	13,413	902,322	126,354	-	126,354	1,028,676
Telephone and communication	68,274	127,614	36,180	21,925	9,642	15,826	279,461	23,217	-	23,217	302,678
Postage and shipping	4,813	318,476	1,415	619	976	45	326,344	6,377	-	6,377	332,721
Occupancy	1,231,512	4,842,711	420,145	121,605	730	151,401	6,768,104	9,087	-	9,087	6,777,191
Equipment rental and maintenance	4,500	134,814	38,292	1,800	-	787	180,193	80,548	-	80,548	260,741
Printing and publications	108,281	342,626	11,614	4,068	610	-	467,199	24,412	-	24,412	491,611
Agency vehicles and travel	722,212	14,847	136,980	6,469	33,183	23,853	937,544	36,907	-	36,907	974,451
Specific assistance to individuals	-	-	-	298,483	-	-	298,483	-	-	-	298,483
Membership, dues and support payments	-	-	9,680	14,820	-	-	24,500	49,695	166,268	215,963	240,463
Bank charges and credit card fees	-	510,127	3,064	-	-	-	513,191	33,549	-	33,549	546,740
Miscellaneous	895	26,540	25,168	8,137	809	158	61,707	158,585	-	158,585	220,292
Total expenses	3,970,387	15,158,557	6,581,194	1,446,804	609,350	635,655	28,401,947	2,225,313	166,268	2,391,581	30,793,528
Depreciation and amortization	415,330	1,599,195	286,846	30,162	274	193,207	2,525,014	65,941	-	65,941	2,590,955
Total expenses	$ 4,385,717	$ 16,757,752	$ 6,868,040	$ 1,476,966	$ 609,624	$ 828,862	$ 30,926,961	$ 2,291,254	$ 166,268	$ 2,457,522	$ 33,384,483

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, 2020

CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	$	2,363,672
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense		16,413
Depreciation		2,590,955
Amortization of debt issuance costs		7,307
Gain on investments		(873,989)
Gain on sale of property and equipment		(209,298)
Changes in assets and liabilities:		
Accounts receivable		(410,757)
Interest and dividend receivable		8,816
Inventory		45,663
Prepaid expenses		(373,946)
Deposits		20,585
Other assets		105,271
Accounts payable		(129,420)
Accrued expenses		865,357
State sales tax payable		8,416
Deferred revenue		201,689
Net cash flows provided by operating activities		4,236,734
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		6,583,275
Proceeds from sale of property and equipment		366,436
Purchases of property and equipment		(1,324,096)
Purchases of investments		(7,058,260)
Net cash used in investing activities		(1,432,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments of bond payable		(370,703)
Principal repayments of notes payable		(501,615)
Net cash used in financing activities		(872,318)
Net increase in cash and cash equivalents		1,931,771
Cash and cash equivalents, beginning of year		5,496,142
Cash and cash equivalents, end of year	$	7,427,913
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$	263,190

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Organization

Goodwill Industries of North Florida, Inc. is a diversified human services organization that provides employment services through evaluation, skills training, job placement, and support services to individuals who face barriers to employment. A not-for-profit Florida organization located in Jacksonville, 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 2020, five GoodCareer centers operated by Goodwill Industries of North Florida, Inc. provided more than 30,000 services to members of the community, which resulted in fulfillment of more than 3,800 open employment positions, again ranking Goodwill Industries of North Florida, Inc. as one of the top Goodwill's nationwide. Beginning summer 2017, 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 19 retail stores, 1 secondary market location, and online sales that convert donations of gently used clothing, furniture, household goods and other items into revenue. In addition to stores and GoodCareer centers, Goodwill Industries of North Florida, Inc.'s operations include commercial laundry, landscaping, and food service at two U.S. military bases in the Jacksonville, Florida area.

Goodwill Industries of North Florida, Inc. also partners with the State of Florida's Take Stock in Children Program as the operating organization for the program in Duval 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. To date, 189 adults have earned a college degree or workforce certification through the A-STEP program with a significant increase to their average wage.

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. and Goodwill Endowment, Inc. (all three are collectively referred to as the "Organization"). Goodwill Industries of North Florida, Inc. has both economic interest in and control over these two not-for-profit corporations. The accompanying consolidated financial statements include the accounts and activities of the three corporations. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Liquidity:

Assets are presented in the accompanying consolidated statement 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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 restriction if the restrictions expire in the fiscal year which the contributions are recognized.

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

Cash and Cash Equivalents:

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

Accounts Receivable:

Accounts receivable consist primarily of government and contract receivables. Management estimates the allowance on its accounts receivable based on historical experience and a review of specific accounts. The Organization does not charge interest on past due accounts receivable. The Organization charges off delinquent accounts when it exhausts its normal collection procedures and it is probable that collection is unlikely. As of December 31, 2020, the allowance for doubtful accounts was $0.

Inventory:

Goodwill 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.

Goodwill 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. Goodwill 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 statement of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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 statement 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 consolidated financial statement reporting of depreciation 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, 2020.

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 statement 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 statement of activities as interest expense. The Organization reports amortization of debt issuance costs as interest expense.

Goodwill:

Goodwill represents the excess of the purchase price over the fair values assigned to the tangible assets acquired, the identifiable intangible assets that are required to be valued and reported and the liabilities assumed. Management does not amortize goodwill, but reviews the carrying value for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. As a result of this evaluation, no impairment was recorded for 2020.

Note 2. Summary of Significant Accounting Policies (Continued)

Deferred Rent:

The Organization amortizes lease payments on the straight-line basis over the term of the lease. The difference between actual minimum monthly lease payments and the amount expensed is recorded as deferred rent on the consolidated statement of financial position.

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.

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, 2020, 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, 2020, 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 2017. As of and for the year ended December 31, 2020, the Organization does not have a liability for any unrecognized taxes. The Organization has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Sales to Public:

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 Goodwill 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 Company's website, revenue is recognized upon shipment to the customer as that is when the customer is deemed to obtain sufficient control of the promised goods.

Government Support:

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

Subcontracts:

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

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2020 was $456,540, which includes $333,671 for the donated goods program, $21,854 for recruitment and staffing, and $101,015 for community relations.

Accounting Pronouncements Issued:

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*, which establishes a comprehensive lease standard under generally accepted accounting principles for virtually all industries. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease. A lessee is also required to record a right of use asset and a lease liability on the balance sheets for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales type leases, direct financing leases and operating leases. The new standard will apply for annual periods beginning after December 15, 2020, including interim periods therein, and requires modified retrospective application. Early adoption is permitted. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), which defers the effective date of ASU 2016-02 until annual periods beginning after December 15, 2021. Management is in the process of evaluating the effects the adoption of this update may have on the financial statements.

Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 29, 2021, the date the consolidated financial statements were available to be issued.

Subsequent to year end, the Organization entered into an agreement to acquire property and a building for $3,850,000. As part of the agreement a note payable was assumed by the Organization in the amount of $2,720,367, with payments of principal and interest at 5.30%, and a maturity date of September 1, 2028.

Note 3. Fair Value Measurements

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

> Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
>
> Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying amount reflected in the consolidated statements of financial position for cash, cash equivalents, accounts receivable, note receivable, prepaid expenses, accounts payable, accrued expenses, and state sales tax payable approximates fair value due to the relative terms and/or short maturity of the financial instruments. Investments are reflected in the accompanying financial statements at fair value. The fair value of the notes payable at December 31, 2020 approximates carrying value due to the variable interest rates in effect.

The asset's or liability's 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, 2020. Following is a description of the valuation methodologies used for assets measured at fair value:

> Equities: 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.

Note 3. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets				
Equities:				
Ishares Core S&P 500	$ 1,649,839	$ -	$ -	$ 1,649,839
Vanguard S&P 500	1,652,118	-	-	1,652,118
Total equities	3,301,957	-	-	3,301,957
Mutual funds:				
Small cap	598,303	-	-	598,303
Small-Mid cap	1,217,220	-	-	1,217,220
Large cap	2,025,822	-	-	2,025,822
Total mutual funds	3,841,345	-	-	3,841,345
Total	$ 7,143,302	$ -	$ -	$ 7,143,302

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 year ended December 31, 2020.

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 $256,500, plus a current portion of $85,500, as of December 31, 2020.

Note 5. Property and Equipment

Major classes of property and equipment and accumulated depreciation at December 31, 2020 are as follows:

Land and improvements	$ 7,761,142
Buildings and improvements	24,873,654
Autos and trucks	3,475,655
Furniture and equipment	15,173,504
	51,283,955
Accumulated depreciation	(25,933,439)
	$ 25,350,516

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, 2020.

Note 6. Endowment (Continued)

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 Poors 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 year ended December 31, 2020 were as follows:

Endowment net assets - unrestricted, beginning of year	$	8,226,482
Investment income		180,598
Investment return		873,989
Net lending to Goodwill Industries of North Florida, Inc.		341,783
Contribution to Goodwill Industries of North Florida, Inc.		(32,547)
Investment management fees		(30,487)
Endowment net assets - unrestricted, end of year	$	9,559,818

As of December 31, 2020, the Endowment has loaned $5,554,136 to Goodwill Industries of North Florida, Inc., to assist with mission expansion, at an interest rate of 5%. At December 31, 2020, the outstanding balance on these loans was $2,637,415. In 2020, the Endowment also contributed $32,547 to Goodwill Industries of North Florida, Inc. The intercompany loan receivable, payable, and contribution have been eliminated in these consolidated financial statements.

The endowment net assets include the cash equivalents of $2,416,516 reported on the consolidated statement of financial position.

Note 7. Notes Payable

The Organization has a note payable with a bank that provides for maximum borrowings of $10,300,000 to be used for acquiring land, construction, renovation, and equipment purchases for multiple locations. In 2015, the note agreement was amended to reflect two maturity dates: one for the borrowings used for tenant improvements and one for the borrowings used to purchase real property. At December 31, 2020, borrowings for tenant improvements were paid in full. At December 31, 2020, borrowings of $5,500,810 for purchases of real property are payable in monthly installments of principal and interest of $65,730 through March 2024, then $23,927 through November 2025. The borrowings for purchases of real property bear interest at interest rates ranging from 4.1% to 4.73% per annum. The note payable is collateralized by the land, building and equipment to be constructed or acquired with the proceeds.

The note payable contains various restrictions, including, but not limited to, maintenance of certain financial ratios including minimum fixed charge coverage ratio and minimum unrestricted liquidity ratio. The Organization was in compliance with these covenants at December 31, 2020.

Maturities of the notes payable consisted of the following for the years subsequent to December 31, 2020:

2021	$	550,534
2022		576,201
2023		603,069
2024		2,407,479
2025		1,363,527
	$	5,500,810

Note 8. Net Assets With Donor Restriction

Net assets with donor restriction of $701,352 were available for use in the following programs at December 31, 2020:

Take Stock In Children of Duval	$	652,162
A-STEP		49,190
	$	701,352

Note 9. City of Jacksonville Goodwill Industries of North Florida's A-STEP Program Grant

An analysis of the City of Jacksonville Goodwill Industries of North Florida's A-STEP Program grant for the year ended December 31, 2020, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

2020
Contract 7404-13

Receipts	Budget	10/01/19 - 12/31/2019	01/01/20 - 9/30/2020	Remaining Balance
Appropriations	$ 226,016	$ -	$ 109,515	$ 116,501
**$26,001 was received after 10/01/2020				

Expenditures	Budget	10/01/19 - 12/31/2019	01/01/20 - 9/30/2020	Remaining Balance
Salaries and Wages	45,000	4,758	35,315	4,927
Benefits	9,000	369	6,500	2,131
Office Supplies	5,000	-	34	4,966
Direct Client Expense	167,016	525	62,014	104,477
Total	$ 226,016	$ 5,652	$ 103,863	$ 116,501

Note 9. City of Jacksonville Goodwill Industries of North Florida's A-STEP Program Grant (Continued)

2020
Contract 614295-21

Receipts	Budget	10/01/20 - 12/31/2020	Received In Prior Audit Periods	Remaining Balance
Appropriations	$ 225,000	$ -	$ -	$ 225,000

Expenditures	Budget	10/01/20 - 12/31/2020	Spent in Prior Audit Periods	Remaining Balance
Salaries and Wages	67,720	13,378	-	54,342
Benefits	9,680	2,346	-	7,334
Office Supplies	1,000	-	-	1,000
Direct Client Expense	146,600	20,049	-	126,551
Total	$ 225,000	$ 35,773	$ -	$ 189,227

Note 10. 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 $59,783 for the year ended December 31, 2020.

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 $23,002 for the year ended December 31, 2020.

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 $27,360 for the year ended December 31, 2020.

Note 11. 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:

Four customers made up 24%, 13%, 12% and 10% of total accounts receivable at December 31, 2020.

Note 11. 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.

Leases:

The Organization leases certain stores and donation centers under non-cancelable operating lease agreements that expire at various dates between February 2021 and December 2036. The total lease expense under these agreements was $4,521,749 for the year ended December 31, 2020.

Future minimum lease payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year consisted of the following at December 31, 2020:

2021	$	4,399,903
2022		3,906,326
2023		3,668,989
2024		3,421,880
2025		3,367,946
Thereafter		21,360,291
	$	40,125,335

Note 12. 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, 2020 are as follows:

Cash and cash equivalents	$	7,427,913
Accounts receivable		1,264,447
Note receivable		85,500
Investments		7,143,302
Total financial assets available within one year		15,921,162
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		(701,352)
Total amounts unavailable for general expenditures within one year		(701,352)
Amounts unavailable to management without Board's approval:		
Board Designated for Endowment		(9,559,818)
Total financial assets available to management for general expenditures within one year	$	5,659,992

Note 12. Liquidity and Availability of Resources (Continued)

Liquidity Management

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

To help manage unanticipated liquidity needs the Organization has a line of credit agreement with a bank that provides for maximum borrowings of $5,000,000 at December 31, 2020. The line of credit bears an interest rate of one month LIBOR plus 1.75% (1.90% at December 31, 2020) to be paid monthly and expires on November 30, 2021. The line of credit is secured by the assets held by the bank on behalf of the Organization ($4,747,293 as of December 31, 2020, which is included in cash, cash equivalents, and investments on the consolidated statement of financial position) and is guaranteed by Goodwill Endowment, Inc. The outstanding balance was $0 at December 31, 2020.

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, 2020.

Note 13. Uncertainties

In March 2020, the World Health Organization declared the spread of coronavirus ("COVID-19") to constitute a global pandemic. This has resulted in federal, state, and local authorities enacting emergency measures to combat the spread of the virus including business closures and stay at home requirements. The impacts of COVID-19 adversely impacted commercial activity and personal incomes. The extent of such adverse effects to the Organization's operations are uncertain and difficult to assess at this time. The financial impact will depend on future developments, including duration and severity of the pandemic, extent of disruption to business, and further measures taken by federal, state, and local authorities. Given the unpredictability of the timeframe and outcome of the pandemic, it is not practicable to estimate possible impacts on future operations at this time. As of December 31,2020, the Organization did not make adjustments to reflect possible future impacts of the pandemic.