

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

CONSOLIDATED FINANCIAL REPORT

For the Years Ended December 31, 2021 and 2020



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

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

Independent Auditor's Report

Opinion

We have audited the accompanying consolidated financial statements of Goodwill Industries of North Florida, Inc. (a not-for-profit organization) and affiliates, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of North Florida, Inc. as of December 31, 2021 and 2020 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of North Florida'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Goodwill'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 Goodwill'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.

Smoak, Davis & Nixon LLP

Jacksonville, Florida
April 29, 2022

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS	2021	2020
Current assets:		
Cash & cash equivalents	\$ 7,499,254	\$ 7,427,913
Accounts receivable	1,430,255	1,264,447
Investments	18,709,040	7,143,302
Note receivable	85,500	85,500
Inventory	893,522	848,522
Prepaid expenses	567,662	401,681
Total current assets	<u>29,185,233</u>	<u>17,171,365</u>
Property and equipment, net	<u>30,709,713</u>	<u>25,350,516</u>
Other assets:		
Deposits	301,918	430,026
Note receivable, noncurrent	171,000	256,500
Other assets	160,000	165,000
Goodwill, net	-	234,660
Total other assets	<u>632,918</u>	<u>1,086,186</u>
Total assets	<u>\$ 60,527,864</u>	<u>\$ 43,608,067</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 542,169	\$ 395,534
Accrued expenses	1,857,651	991,268
State sales tax payable	167,764	145,591
Deferred revenue	295,981	319,544
Notes payable	634,723	550,534
Total current liabilities	<u>3,498,288</u>	<u>2,402,471</u>
Long-term liabilities:		
Deferred rent	1,303,195	1,535,123
Notes payable	6,417,843	4,950,276
Total long-term liabilities	<u>7,721,038</u>	<u>6,485,399</u>
Net assets:		
Without donor restrictions	48,482,284	34,018,845
With donor restrictions	826,254	701,352
Total net assets	<u>49,308,538</u>	<u>34,720,197</u>
Total liabilities and net assets	<u>\$ 60,527,864</u>	<u>\$ 43,608,067</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, 2021

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:			
Sales to public	\$ 48,292,199	\$ -	\$ 48,292,199
Cost of sales	(14,378,156)	-	(14,378,156)
Net revenue from sales	<u>33,914,043</u>	<u>-</u>	<u>33,914,043</u>
Subcontracts	<u>6,774,446</u>	<u>-</u>	<u>6,774,446</u>
Government support:			
City of Jacksonville	168,400	-	168,400
State of Florida	210,689	-	210,689
Kids Hope Alliance	712,748	-	712,748
Total government support	<u>1,091,837</u>	<u>-</u>	<u>1,091,837</u>
Public support:			
Contributions	10,290,657	69,721	10,360,378
Grants	195,123	253,344	448,467
Total public support	<u>10,485,780</u>	<u>323,065</u>	<u>10,808,845</u>
Other revenue:			
Rental revenue	202,506	-	202,506
Realized and unrealized gain on investments	1,111,830	-	1,111,830
Gain on sale of property and equipment	-	-	-
Interest and dividend income	548,839	-	548,839
Miscellaneous	46,656	-	46,656
Total other revenue	<u>1,909,831</u>	<u>-</u>	<u>1,909,831</u>
Net assets released from restrictions	<u>198,163</u>	<u>(198,163)</u>	<u>-</u>
Total support and revenue	54,374,100	124,902	54,499,002
EXPENSES:			
Program services	36,154,585	-	36,154,585
Supporting services	3,245,657	-	3,245,657
Total expenses	<u>39,400,242</u>	<u>-</u>	<u>39,400,242</u>
Increase in net assets before discontinued operations	14,973,858	124,902	15,098,760
Loss from discontinued operations	<u>(510,419)</u>	<u>-</u>	<u>(510,419)</u>
Increase in net assets	14,463,439	124,902	14,588,341
Net assets, beginning of year	<u>34,018,845</u>	<u>701,352</u>	<u>34,720,197</u>
Net assets, end of year	<u>\$ 48,482,284</u>	<u>\$ 826,254</u>	<u>\$ 49,308,538</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, 2020

	Without donor restrictions	With donor restrictions	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	<u>25,112,239</u>	<u>-</u>	<u>25,112,239</u>
Subcontracts	<u>5,744,246</u>	<u>-</u>	<u>5,744,246</u>
Government support:			
City of Jacksonville	442,770	-	442,770
State of Florida	321,227	-	321,227
Kids Hope Alliance	78,864	-	78,864
Total government support	<u>842,861</u>	<u>-</u>	<u>842,861</u>
Public support:			
Contributions	332,814	346,748	679,562
Grants	147,891	177,609	325,500
Total public support	<u>480,705</u>	<u>524,357</u>	<u>1,005,062</u>
Other revenue:			
Rental revenue	-	-	-
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	<u>1,299,350</u>	<u>-</u>	<u>1,299,350</u>
Net assets released from restrictions	<u>95,929</u>	<u>(95,929)</u>	<u>-</u>
Total support and revenue	33,575,330	428,428	34,003,758
EXPENSES:			
Program services	29,256,881	-	29,256,881
Supporting services	2,457,522	-	2,457,522
Total expenses	<u>31,714,403</u>	<u>-</u>	<u>31,714,403</u>
Increase in net assets before discontinued operations	1,860,927	428,428	2,289,355
Income from discontinued operations	<u>74,317</u>	<u>-</u>	<u>74,317</u>
Increase in net assets	1,935,244	428,428	2,363,672
Net assets, beginning of year	<u>32,083,601</u>	<u>272,924</u>	<u>32,356,525</u>
Net assets, end of year	<u>\$ 34,018,845</u>	<u>\$ 701,352</u>	<u>\$ 34,720,197</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year ended December 31, 2021

	Program Services						Supporting Services				
	Operations	Stores	Subcontracts	Mission Services	Management Specific	Housing & Occupancy	Total Program Services	Management & General	Miscellaneous Supporting Services	Total Supporting Services	Total
Salaries	\$ 1,976,720	\$ 9,122,224	\$ 4,514,013	\$ 1,551,901	\$ 495,871	\$ 429,091	\$ 18,089,820	\$ 1,343,724	\$ -	\$ 1,343,724	\$ 19,433,544
Employee benefits/payroll taxes	275,329	1,299,576	775,635	230,660	83,471	88,007	2,754,678	253,357	-	253,357	3,008,035
Total salaries and related expenses	2,252,049	10,421,800	5,289,648	1,782,561	581,342	517,098	20,844,498	1,597,081	-	1,597,081	22,441,579
Professional services	(534)	161,132	290,736	92,106	2,860	-	546,300	392,707	-	392,707	939,007
Supplies	13,743	650,149	238,074	52,855	2,027	38,448	995,296	153,634	-	153,634	1,148,930
Telephone and communication	70,029	129,409	31,037	29,057	8,754	16,356	284,642	30,348	-	30,348	314,990
Postage and shipping	455	364,173	1,914	682	210	10	367,444	6,584	-	6,584	374,028
Occupancy	1,308,651	5,432,587	168,293	130,943	1,501	164,937	7,206,912	271,318	-	271,318	7,478,230
Equipment rental and maintenance	1,795	118,688	35,772	-	-	2,546	158,801	94,413	-	94,413	253,214
Printing and publications	366	539,041	65,339	15,166	120	150	620,182	31,175	-	31,175	651,357
Agency vehicles and travel	1,126,523	18,540	215,536	46,926	30,594	35,703	1,473,822	46,572	-	46,572	1,520,394
Specific assistance to individuals	-	-	-	683,973	-	-	683,973	21,881	-	21,881	705,854
Membership, dues and support payments	-	-	9,000	17,058	-	-	26,058	25,399	151,890	177,289	203,347
Bank charges and credit card fees	-	691,330	2,348	-	-	-	693,678	31,531	-	31,531	725,209
Miscellaneous	2,701	11,721	22,260	15,767	277	277	53,003	44,081	-	44,081	97,084
Total expenses	4,775,778	18,538,570	6,369,957	2,867,094	627,685	775,525	33,954,609	2,746,724	151,890	2,898,614	36,853,223
Depreciation and amortization	405,104	1,481,669	84,481	33,256	274	195,192	2,199,976	347,043	-	347,043	2,547,019
Total expenses	\$ 5,180,882	\$ 20,020,239	\$ 6,454,438	\$ 2,900,350	\$ 627,959	\$ 970,717	\$ 36,154,585	\$ 3,093,767	\$ 151,890	\$ 3,245,657	\$ 39,400,242

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				Total
	Operations	Stores	Subcontracts	Mission Services	Management Specific	Housing & Occupancy	Total Program Services	Management & General	Miscellaneous Supporting Services	Total Supporting Services	
Salaries	\$ 1,528,553	\$ 7,029,916	\$ 3,410,385	\$ 783,692	\$ 485,566	\$ 339,938	\$ 13,578,050	\$ 1,200,029	\$ -	\$ 1,200,029	\$ 14,778,079
Employee benefits/payroll taxes	277,509	1,126,406	716,695	137,019	73,939	80,334	2,411,902	214,618	-	214,618	2,626,520
Total salaries and related expenses	1,806,062	8,156,322	4,127,080	920,711	559,505	420,272	15,989,952	1,414,647	-	1,414,647	17,404,599
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	314,833	37,086	3,895	13,413	899,187	126,354	-	126,354	1,025,541
Telephone and communication	68,274	127,614	31,153	21,925	9,642	15,826	274,434	23,217	-	23,217	297,651
Postage and shipping	4,813	318,476	1,411	619	976	45	326,340	6,377	-	6,377	332,717
Occupancy	1,231,512	4,842,711	136,942	121,605	730	151,401	6,484,901	9,087	-	9,087	6,493,988
Equipment rental and maintenance	4,500	134,814	36,454	1,800	-	787	178,355	80,548	-	80,548	258,903
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	20,686	8,137	809	158	57,225	158,585	-	158,585	215,810
Total expenses	3,970,387	15,158,557	5,090,718	1,446,804	609,350	635,655	26,911,471	2,225,313	166,268	2,391,581	29,303,052
Depreciation and amortization	415,330	1,599,195	107,242	30,162	274	193,207	2,345,410	65,941	-	65,941	2,411,351
Total expenses	\$ 4,385,717	\$ 16,757,752	\$ 5,197,960	\$ 1,476,966	\$ 609,624	\$ 828,862	\$ 29,256,881	\$ 2,291,254	\$ 166,268	\$ 2,457,522	\$ 31,714,403

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, 2021 and 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 14,588,341	\$ 2,363,672
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	12,049	16,413
Depreciation	2,410,694	2,590,955
Amortization	234,660	7,307
Gain on investments	(1,111,830)	(873,989)
(Gain) loss on sale of property and equipment	697,927	(209,298)
Changes in assets and liabilities:		
Accounts receivable	(177,857)	(410,757)
Interest and dividend receivable	-	8,816
Inventory	(45,000)	45,663
Prepaid expenses	(165,981)	(373,946)
Deposits	128,108	20,585
Note receivable	85,500	-
Other assets	5,000	105,271
Accounts payable	146,635	(129,420)
Accrued expenses	634,455	865,357
State sales tax payable	22,173	8,416
Deferred revenue	(23,563)	201,689
Net cash flows provided by operating activities	<u>17,441,311</u>	<u>4,236,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,794,320	6,583,275
Proceeds from sale of property and equipment	25,200	366,436
Purchases of property and equipment	(5,772,651)	(1,324,096)
Purchases of investments	(13,248,228)	(7,058,260)
Net cash used in investing activities	<u>(16,201,359)</u>	<u>(1,432,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments of bond payable	-	(370,703)
Principal repayments of notes payable	(1,168,611)	(501,615)
Net cash used in financing activities	<u>(1,168,611)</u>	<u>(872,318)</u>
Net increase in cash and cash equivalents	71,341	1,931,771
Cash and cash equivalents, beginning of year	7,427,913	5,496,142
Cash and cash equivalents, end of year	<u>\$ 7,499,254</u>	<u>\$ 7,427,913</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	<u>\$ 356,687</u>	<u>\$ 263,190</u>
Property and equipment purchased with note payable	<u>\$ 2,720,367</u>	<u>\$ -</u>

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

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1. Nature of Organization

Goodwill Industries of North Florida, Inc. is a local, not-for-profit organization that removes barriers to employment through training, education, and career opportunities for the communities served. 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 2021, five GoodCareer centers operated by Goodwill Industries of North Florida, Inc. provided nearly 37,000 services to members of the community, which resulted in fulfillment of more than 3,100 open employment positions, again ranking Goodwill Industries of North Florida, Inc. as one of the top Goodwill's nationwide. Five years ago, Goodwill Industries of North Florida, Inc. expanded efforts to serve more individuals by adding Goodwill Temps as a resource to employment opportunities. Goodwill Temps offers temporary staffing and direct hire services to members of our community.

Goodwill Industries of North Florida, Inc. generates funding primarily through a network of 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 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 with a significant increase to their average wage. 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 fifty 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.

Note 2. Summary of Significant Accounting Policies

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

Financial Statement Estimates:

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

Principles of Consolidation:

Goodwill Industries of North Florida, Inc. operates GINFL Services, Inc., Goodwill Endowment, Inc., and Yulee Junction LLC (all four 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 corporation. The accompanying consolidated financial statements include the accounts and activities of the four 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.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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

Cash and Cash Equivalents:

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

Accounts Receivable:

Accounts receivable consist primarily of government and contract receivables. Management estimates the allowance on its accounts receivable based on historical experience and a review of specific accounts. The Organization does not charge interest on past due accounts receivable. The Organization charges off delinquent accounts when it exhausts its normal collection procedures and it is probable that collection is unlikely. As of December 31, 2021 and 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 statements of activities.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 statements of activities.

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

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

Management reviews the carrying value of its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the assets or asset group is expected to generate. If the expected undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. Management believes that there are no impairment losses on long-lived assets as of December 31, 2021 and 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 statements of financial position as a direct deduction from the debt liability, consistent with the presentation of a debt discount. The standard also requires that the amortization of such debt issuance costs be presented in the consolidated statements of activities as interest expense. The Organization reports amortization of debt issuance costs as interest expense.

Goodwill:

Goodwill represents the excess of the purchase price over the fair values assigned to the tangible assets acquired, the identifiable intangible assets that are required to be valued and reported and the liabilities assumed. During the year ended December 31, 2021 management elected to adopt the accounting alternative to amortize goodwill offered by ASU 2014-02, *Intangibles - Goodwill and Other*. As a result of this adoption, management elected to amortize the entire balance in 2021. Amortization of goodwill in the amount of \$234,660 and \$0 was recorded for the years ended December 31, 2021 and 2020, respectively.

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 statements 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. Yulee Junction LLC is considered to be a disregarded entity for federal and state income tax purpose, and all of its income and expense is reported on the Organization's tax returns.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2021 and 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, 2021 and 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 2018. As of and for the years ended December 31, 2021 and 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:

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

Contributed Services:

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

Functional Expenses:

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

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising:

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

Recently Issued Accounting Standards Not Yet Adopted:

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.

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

Reclassifications

Certain accounts in the Statement of Activities for the year ended December 31, 2020 have been reclassified to conform to the current year presentation, with no effect on the total change in net assets previously reported.

Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 29, 2022, the date the consolidated financial statements were available to be issued.

Subsequent to year end, the Organization entered into agreements to expand operations and reinvest in growing areas, which resulted in transactions to acquire property and buildings for an aggregate amount of \$4,985,000. As part of these agreements, certain debt was refinanced, and two new mortgage notes were executed in the amount of \$5,839,000, payable over 15 years with a fixed interest rate of 4.29%. Additionally, two construction loan notes were executed in an aggregate amount of \$4,150,000, to be payable over 15 years with a fixed interest rate of 4.29%.

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.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 3. Fair Value Measurements (Continued)

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, 2021 and 2020 approximates carrying value due to the variable 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, 2021 and 2020. 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.

Fixed income: Valued using matrix pricing. Matrix pricing is a mathematical technique used without relying exclusively on quoted prices for the specific investments, but rather on the investments' relationship to other benchmark quoted investments.

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

	Level 1	Level 2	Level 3	Total
ETFs:				
iShares Core S&P 500	\$ 2,235,652	\$ -	\$ -	\$ 2,235,652
Vanguard S&P 500	2,235,238	-	-	2,235,238
Total equities	<u>4,470,890</u>	<u>-</u>	<u>-</u>	<u>4,470,890</u>
Mutual funds:				
Small cap	723,765	-	-	723,765
Small-Mid cap	1,410,974	-	-	1,410,974
Large cap	3,166,803	-	-	3,166,803
Other	593,569	-	-	593,569
Total mutual funds	<u>5,895,111</u>	<u>-</u>	<u>-</u>	<u>5,895,111</u>
Fixed income:				
Corporate bonds	6,106,973	-	-	6,106,973
Bond funds	2,236,066	-	-	2,236,066
Total fixed income	<u>8,343,039</u>	<u>-</u>	<u>-</u>	<u>8,343,039</u>
Total	<u>\$ 18,709,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,709,040</u>

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

	Level 1	Level 2	Level 3	Total
ETFs:				
iShares Core S&P 500	\$ 1,649,839	\$ -	\$ -	\$ 1,649,839
Vanguard S&P 500	1,652,118	-	-	1,652,118
Total equities	<u>3,301,957</u>	<u>-</u>	<u>-</u>	<u>3,301,957</u>
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	<u>3,841,345</u>	<u>-</u>	<u>-</u>	<u>3,841,345</u>
Total	<u>\$ 7,143,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,143,302</u>

When applicable, the Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 investments during the years ended December 31, 2021 and 2020.

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 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 \$171,000 and \$256,500 plus a current portion of \$85,500, as of December 31, 2021 and 2020, respectively.

Note 5. Property and Equipment

Major classes of property and equipment and accumulated depreciation at December 31, 2021 and 2020 are as follows:

	2021	2020
Land and improvements	\$ 11,628,621	\$ 7,761,142
Buildings and improvements	26,573,920	24,873,654
Autos and trucks	3,604,963	3,475,655
Furniture and equipment	14,686,870	15,173,504
	56,494,374	51,283,955
Accumulated depreciation	(25,784,661)	(25,933,439)
Property and equipment, net	\$ 30,709,713	\$ 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, 2021 or 2020.

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

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

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

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 6. Endowment (Continued)

Composition of and changes in board designated endowment net assets for the years ended December 31, 2021 and 2020 were as follows:

Endowment net assets - unrestricted, January 1, 2020	\$ 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)
	<hr/>
Endowment net assets - unrestricted, December 31, 2020	9,559,818
Investment income	349,896
Investment return	1,064,518
Net lending to affiliates	247,153
Investment management fees	(40,901)
	<hr/>
Endowment net assets - unrestricted, December 31, 2021	<u>\$ 11,180,484</u>

As of December 31, 2021 and 2020, the Endowment has made various loans totaling \$5,554,136 to Goodwill Industries of North Florida, Inc., to assist with mission expansion, at an interest rate of 5%. In 2021, the Endowment loaned \$1,000,000 to Yulee Junction LLC to assist with expansion, at an interest rate of 5%. At December 31, 2021 and 2020, the outstanding balance on these loans was \$2,424,585 and \$2,637,415, respectively. The Endowment also contributed \$0 and \$32,547 for the years ended December 31, 2021 and 2020, respectively, 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 and cash equivalents of \$133,915 and \$2,416,516 reported on the consolidated statements of financial position as of December 31, 2021 and 2020, respectively.

Note 7. Notes Payable

The Organization has a note payable with a bank that provides for maximum borrowings of \$10,300,000 to be used for acquiring land, construction, renovation, and equipment purchases for multiple locations. In 2015, the note agreement was amended to reflect two maturity dates: one for the borrowings used for tenant improvements and one for the borrowings used to purchase real property. At December 31, 2021 and 2020, borrowings of \$4,406,602 and \$5,500,810, respectively, 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. Subsequent to year-end, \$2,329,671 of this balance was refinanced at a fixed rate of 4.29%, payable over 15 years, as further described in Note 2.

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, 2021.

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

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

2022	\$ 634,723
2023	597,131
2024	2,081,435
2025	1,463,552
2026 and thereafter	2,275,725
	<hr/>
	<u>\$ 7,052,566</u>

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for use in the following programs at December 31, 2021 and 2020:

	2021	2020
Take Stock In Children of Duval	\$ 646,877	\$ 652,162
A-STEP	179,377	49,190
	\$ 826,254	\$ 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, 2021, in accordance with Chapter 118.202 (e) of the Jacksonville City Council Code is as follows:

2021 Contract 614295-21				
	Budget	10/1/20 - 12/31/2020	01/01/21 - 09/30/2021	Remaining Balance
Receipts				
Appropriations	\$ 225,000	\$ -	\$ 144,887	\$ 80,113

	Budget	10/1/20 - 12/31/2020	01/01/21 - 09/30/2021	Remaining Balance
Expenditures				
Salaries and Wages	\$ 64,220	\$ 13,378	\$ 42,730	\$ 8,112
Benefits	13,180	2,346	9,649	1,185
Office Supplies	1,000	-	123	877
Direct Client Expense	146,600	20,049	56,612	69,939
Total	\$ 225,000	\$ 35,773	\$ 109,114	\$ 80,113

2021 Contract 1460128-v1				
	Budget	10/01/21 - 12/31/2021	Received In Prior Audit Periods	Remaining Balance
Receipts				
Appropriations	\$ 225,000	\$ 24,592	\$ -	\$ 200,408
Expenditures			Spent in Prior Audit Periods	Remaining Balance
Salaries and Wages	\$ 63,420	\$ 15,544	\$ -	\$ 47,876
Benefits	12,207	3,296	-	8,911
Office Supplies	1,000	-	-	1,000
Direct Client Expense	148,373	40,368	-	\$ 108,005
Total	\$ 225,000	\$ 59,208	\$ -	\$ 165,792

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 \$80,949 and \$59,783 for the years ended December 31, 2021 and 2020, 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 \$30,224 and \$23,002 for the years ended December 31, 2021 and 2020, 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 \$21,997 and \$27,360 for the years ended December 31, 2021 and 2020, respectively.

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

For the year ended December 31, 2021, two customers made up 25% and 24% individually of total accounts receivable. For the year ended December 31, 2020, four customers made up 24%, 13%, 12% and 10% 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.

Leases:

The Organization leases certain stores and donation centers under non-cancelable operating lease agreements that expire at various dates between March 2022 and December 2037. The total lease expense under these agreements was \$5,019,564 and \$4,521,749 for the years ended December 31, 2021 and 2020, respectively.

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, 2021:

2022	\$	4,273,286
2023		4,613,703
2024		4,311,549
2025		4,246,959
2026		4,149,808
Thereafter		21,953,544
	\$	<u>43,548,849</u>

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, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	\$ 7,499,254	\$ 7,427,913
Accounts receivable	1,430,255	1,264,447
Note receivable	85,500	85,500
Investments	18,709,040	7,143,302
Total financial assets available within one year	<u>27,724,049</u>	<u>23,064,464</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(826,254)	(701,352)
Total amounts unavailable for general expenditures within one year	<u>(826,254)</u>	<u>(701,352)</u>
Amounts unavailable to management without Board's approval:		
Board designated - MacKenzie Scott contribution	(7,556,623)	-
Board designated for endowment	(11,180,484)	(9,559,818)
Total amounts unavailable without board approval	<u>(18,737,107)</u>	<u>(9,559,818)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 8,160,688</u>	<u>\$ 12,803,294</u>

GOODWILL INDUSTRIES OF NORTH FLORIDA INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021. The line of credit bears an interest rate of one month LIBOR plus 1.75% (1.86% at December 31, 2021) to be paid monthly and expires on November 30, 2023. Subsequent to year-end, the interest rate on the line of credit was amended to be 1.75% plus the Secured Overnight Financing Rate ("SOFR"). The line of credit is secured by the assets held by the bank on behalf of the Organization (\$6,439,280 and \$4,747,293 as of December 31, 2021 and 2020, respectively, which is included in cash, cash equivalents, and investments on the consolidated statements of financial position) and is guaranteed by Goodwill Endowment, Inc. The outstanding balance was \$0 at December 31, 2021 and 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, 2021.

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

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

Purpose	Total Contribution	2021 Funds Used	Remaining
Mission Impact Advancement	\$ 1,500,000	\$ 253,145	\$ 1,246,855
Secondary Market Expansion	1,000,000	-	1,000,000
Equipment/Point of Sale	1,000,000	-	1,000,000
Donated Goods Expansion	4,000,000	2,155,232	1,844,768
New Ventures	1,500,000	-	1,500,000
Excel Center	1,000,000	35,000	965,000
Total	\$ 10,000,000	\$ 2,443,377	\$ 7,556,623

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. As of December 31, 2021 and 2020, the Organization did not make adjustments to reflect possible future impacts of the pandemic. Furthermore, management believes the impact of the pandemic, taken as a whole, did not have a material financial statement impact to the Organization's operations in 2021 and 2020.

Note 14. Discontinued Operations

During 2021, the Organization discontinued its commercial laundry operation, which is presented separately on the consolidated statements of activities for the years ended December 31, 2021 and 2020. The 2021 loss from discontinued operations includes a loss on disposal of equipment of \$698,324. Related depreciation expense for the years ended December 31, 2021 and 2020 was \$98,336 and \$179,604, respectively.

A summary of discontinued operations for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Subcontract revenue	\$ 1,379,623	\$ 1,744,397
Program service expenses	(1,890,042)	(1,670,080)
Income (loss) from discontinued operations	\$ (510,419)	\$ 74,317