



# **Goodwill Industries of South Florida, Inc. and Subsidiary**

**Consolidated Financial Statements**  
Years Ended December 31, 2022 and 2021

# **Goodwill Industries of South Florida, Inc. and Subsidiary**

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Consolidated Financial Statements  
Years Ended December 31, 2022 and 2021

# Goodwill Industries of South Florida, Inc. and Subsidiary

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## **Independent Auditor's Report**

Board of Directors  
Goodwill Industries of South Florida, Inc. and Subsidiary  
Miami, Florida

### ***Opinion***

We have audited the consolidated financial statements of Goodwill Industries of South Florida, Inc. and Subsidiary (a nonprofit organization) ("Goodwill"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Goodwill as of December 31, 2022 and 2021, and the results of its operations 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Goodwill 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.

### ***Emphasis of Matter - Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the consolidated financial statements, Goodwill has elected to change its method of accounting for leases in the year ended December 31, 2022 due to the adoption of ASC Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

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



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 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 consolidated 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.

**BDO USA, LLP**

Miami, FL  
June 30, 2023

## **Consolidated Financial Statements**

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# Goodwill Industries of South Florida, Inc. and Subsidiary

## Consolidated Statements of Financial Position

<i>December 31,</i>	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 9,278,425	\$ 9,121,809
Accounts and other receivables, net	12,110,924	11,256,444
Inventories, net	27,870,937	13,421,764
Prepaid expenses	437,645	432,381
Investments	4,909,761	5,246,577
Other assets	1,039,092	690,544
Goodwill, net	1,113,600	1,252,800
Property and equipment, net	35,473,314	35,859,441
Right-of-use assets, net - operating leases	51,418,793	-
Right-of-use assets, net - finance leases	498,084	-
<b>Total Assets</b>	<b>144,150,575</b>	<b>77,281,760</b>
<b>Liabilities And Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	10,450,242	7,236,080
Accrued expenses and other liabilities	4,919,841	9,813,512
Deferred revenue	17,445,666	4,784,205
Long-term debt and line of credit	9,850,116	22,764,722
Lease liabilities - operating	56,706,563	-
Lease liabilities - finance	502,688	-
<b>Total Liabilities</b>	<b>99,875,116</b>	<b>44,598,519</b>
<b>Commitments And Contingencies (Note 23)</b>		
<b>Net Assets Without Donor Restrictions</b>	<b>44,275,459</b>	<b>32,683,241</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 144,150,575</b>	<b>\$ 77,281,760</b>

*See accompanying notes to consolidated financial statements.*

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Consolidated Statements of Activities

Years Ended December 31,	2022	2021
<b>Changes In Net Assets Without Donor Restrictions:</b>		
<b>Revenues and Support:</b>		
<b>Contributions:</b>		
Donated goods sales, net of discounts	\$ 77,897,729	\$ 65,342,183
Contributions - other	975,888	1,091,151
United Way allocation	378,309	387,533
<b>Total Contributions</b>	<b>79,251,926</b>	<b>66,820,867</b>
New goods sales	3,804,534	1,105,116
Apparel manufacturing sales	43,253,510	36,243,596
Custodial contracts	11,732,353	10,681,925
Business services	9,537,481	9,365,107
Laundry services	15,229,323	16,970,195
Mission services	2,753,089	2,324,964
Gain from Paycheck Protection Program ("PPP") loan forgiveness	8,700,000	-
Miscellaneous income	165,120	80,570
Investment return	(620,748)	327,108
<b>Total Revenues and Support Before Net Assets Released From Restrictions</b>	<b>173,806,588</b>	<b>143,919,448</b>
Net Assets Released From Restrictions	-	76,445
<b>Total Revenues and Support</b>	<b>173,806,588</b>	<b>143,995,893</b>
<b>Expenses:</b>		
<b>Program Services:</b>		
Donated and new goods operations	63,570,818	51,280,262
Apparel manufacturing	52,335,738	46,111,277
Custodial contracts	9,662,683	9,108,837
Business services	7,215,168	7,669,775
Laundry services	16,283,071	17,047,150
Mission services	5,449,569	5,001,104
<b>Total Program Services</b>	<b>154,517,047</b>	<b>136,218,405</b>
<b>Supporting Services:</b>		
Management and general	7,500,912	6,328,201
Fundraising	196,411	318,909
<b>Total Expenses</b>	<b>162,214,370</b>	<b>142,865,515</b>
<b>Increase In Net Assets Without Donor Restrictions</b>	<b>11,592,218</b>	<b>1,130,378</b>
<b>Changes In Net Assets With Donor Restrictions:</b>		
Net Assets Released From Restrictions	-	(76,445)
<b>Decrease In Net Assets With Donor Restrictions</b>	<b>-</b>	<b>(76,445)</b>
<b>Increase In Net Assets Without Donor Restrictions</b>	<b>11,592,218</b>	<b>1,053,933</b>
<b>Net Assets Without Donor Restrictions - Beginning Of Year</b>	<b>32,683,241</b>	<b>31,629,308</b>
<b>Net Assets Without Donor Restrictions - End Of Year</b>	<b>\$ 44,275,459</b>	<b>\$ 32,683,241</b>

*See accompanying notes to consolidated financial statements.*



# Goodwill Industries of South Florida, Inc. and Subsidiary

## Consolidated Statement of Functional Expenses

Year ended December 31, 2022	Program Services						Supporting Services			
	Donated and New Goods Operations	Apparel Manufacturing	Custodial Contracts	Business Services	Laundry Services	Mission Services	Total Program Expenses	Management and General	Fundraising	Total Expenses
<b>Payroll And Related Costs</b>										
Disabled wages	\$ 1,786,833	\$ 13,381,979	\$ 3,201,668	\$ 503,253	\$ 586,669	\$ 254,961	\$ 19,715,363	\$ 132,264	\$ 1,711	\$ 19,849,338
Non-disabled wages	26,613,675	11,108,153	3,021,765	647,180	5,581,917	3,455,839	50,428,529	3,585,146	6,785	54,020,460
Employee health and welfare benefits	611,300	482,149	22,403	10,606	170,628	115,480	1,412,566	105,955	1,104	1,519,625
Other payroll-related expenses	3,475,264	2,958,705	1,582,773	296,842	795,051	398,768	9,507,403	377,925	1,105	9,886,433
<b>Total payroll and related costs</b>	<b>32,487,072</b>	<b>27,930,986</b>	<b>7,828,609</b>	<b>1,457,881</b>	<b>7,134,265</b>	<b>4,225,048</b>	<b>81,063,861</b>	<b>4,201,290</b>	<b>10,705</b>	<b>85,275,856</b>
<b>Expenses</b>										
Occupancy	19,669,113	1,347,662	334,465	272,827	1,552,700	200,153	23,376,920	259,494	10,649	23,647,063
Professional fees	975,096	1,554,374	452,931	887,929	1,840,996	187,508	5,898,834	1,567,052	118,907	7,584,793
Materials and supplies (office and commercial)	4,180,107	18,935,748	775,036	4,163,117	4,281,024	566,527	32,901,559	570,132	4,976	33,476,667
Telephone	746,966	251,676	63,834	10,713	40,711	66,067	1,179,967	171,799	1,570	1,353,336
Postage and freight	1,391,372	517,374	1,438	311,240	17,163	4,608	2,243,195	10,896	872	2,254,963
Equipment rental and maintenance	199,087	272,521	7,408	18,211	295,945	22,800	815,972	64,373	221	880,566
Printing and advertising	80,695	84,542	7,092	2,640	102,688	18,522	203,759	31,337	33,425	268,521
Travel	120,662	71,178	66,498	13,423	5,219	42,912	319,892	24,710	332	344,934
Fleet and transportation costs	1,502,290	34,579	79,521	8,199	490,239	7,787	2,122,615	7,195	204	2,130,014
Conferences and meetings	17,300	55,087	1,634	1,673	11,870	1,180	88,744	18,604	359	107,707
Special assistance to individuals	12,934	-	-	-	-	-	12,934	-	-	12,934
Membership dues	1,061	2,451	3,172	74	15	29,821	36,594	260,863	15	297,472
Awards and grants	1,778	3,872	15	26	205	96	5,992	2,116	10,367	18,475
Interest	56,268	123,904	2,344	3,907	135,543	14,536	336,502	24,492	781	361,775
Service charges and other	1,496,861	1,163	842	48,203	73,385	5,814	1,626,268	49,480	7	1,675,755
<b>Total expenses before depreciation and amortization</b>	<b>62,938,662</b>	<b>51,187,117</b>	<b>9,624,839</b>	<b>7,200,063</b>	<b>15,889,548</b>	<b>5,393,379</b>	<b>152,233,608</b>	<b>7,263,833</b>	<b>193,390</b>	<b>159,690,831</b>
Depreciation and amortization	632,156	1,148,621	37,844	15,105	393,523	56,190	2,283,439	237,079	3,021	2,523,539
<b>Total expenses</b>	<b>\$ 63,570,818</b>	<b>\$ 52,335,738</b>	<b>\$ 9,662,683</b>	<b>\$ 7,215,168</b>	<b>\$ 16,283,071</b>	<b>\$ 5,449,569</b>	<b>\$ 154,517,047</b>	<b>\$ 7,500,912</b>	<b>\$ 196,411</b>	<b>\$ 162,214,370</b>

*See accompanying notes to consolidated financial statements.*

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Consolidated Statement of Functional Expenses

Year ended December 31, 2021	Program Services						Supporting Services			
	Donated and New Goods Operations	Apparel Manufacturing	Custodial Contracts	Business Services	Laundry Services	Mission Services	Total Program Expenses	Management and General	Fundraising	Total Expenses
<b>Payroll And Related Costs</b>										
Disabled wages	\$ 1,533,856	\$ 12,495,976	\$ 2,984,129	\$ 385,962	\$ 678,509	\$ 255,146	\$ 18,333,578	\$ 116,637	\$ 1,506	\$ 18,451,721
Non-disabled wages	21,184,737	9,874,272	2,922,593	717,882	5,304,872	3,190,393	43,194,749	3,059,953	67,281	46,321,983
Employee health and welfare benefits	900,386	867,880	843,946	169,323	217,897	244,399	3,243,831	216,274	3,985	3,464,090
Other payroll-related expenses	2,687,317	2,493,439	718,425	88,572	711,527	286,861	6,986,141	243,639	6,114	7,235,894
<b>Total payroll and related costs</b>	<b>26,306,296</b>	<b>25,731,567</b>	<b>7,469,093</b>	<b>1,361,739</b>	<b>6,912,805</b>	<b>3,976,799</b>	<b>71,758,299</b>	<b>3,636,503</b>	<b>78,886</b>	<b>75,473,688</b>
<b>Expenses</b>										
Occupancy	17,152,499	1,226,421	289,149	123,555	1,158,278	195,704	20,145,606	246,313	8,223	20,400,142
Professional fees	841,832	2,366,880	510,157	453,266	3,155,919	179,624	7,507,678	1,572,259	217,392	9,297,329
Materials and supplies (office and commercial)	1,199,269	14,571,012	612,001	5,410,056	4,430,536	371,009	26,593,883	176,477	2,470	26,772,830
Telephone	561,246	264,932	51,453	9,950	31,158	63,623	982,362	192,670	1,735	1,176,767
Postage and freight	1,347,335	407,708	760	226,802	24,301	3,070	2,009,976	11,554	4,048	2,025,578
Equipment rental and maintenance	86,570	90,315	12,207	33,913	246,882	16,025	485,912	49,520	180	535,612
Printing and advertising	63,395	89,285	5,833	9,561	13,151	15,750	196,975	19,731	1,066	217,772
Travel	82,550	36,362	55,820	7,129	1,617	23,600	207,078	12,719	208	220,005
Fleet and transportation costs	1,344,554	25,495	61,253	8,352	449,765	2,617	1,892,036	3,573	107	1,895,716
Conferences and meetings	10,996	25,976	1,498	6,114	17,890	330	62,804	9,072	44	71,920
Special assistance to individuals	287	136	3	4	1	16	447	27	1	475
Membership dues	1,031	2,270	3,606	72	14	74,394	81,387	252,437	684	334,508
Awards and grants	321	118	2	4	102	1,121	1,668	478	1	2,147
Interest	46,733	102,908	1,947	3,245	141,408	12,073	308,314	20,342	649	329,305
Miscellaneous	1,467,929	27	1,506	144	69,647	6,316	1,545,569	25,057	41	1,570,667
<b>Total expenses before depreciation and amortization</b>	<b>50,512,843</b>	<b>44,941,412</b>	<b>9,076,288</b>	<b>7,653,906</b>	<b>16,653,474</b>	<b>4,942,071</b>	<b>133,779,994</b>	<b>6,228,732</b>	<b>315,735</b>	<b>140,324,461</b>
Depreciation and amortization	767,419	1,169,865	32,549	15,869	393,676	59,033	2,438,411	99,469	3,174	2,541,054
<b>Total expenses</b>	<b>\$ 51,280,262</b>	<b>\$ 46,111,277</b>	<b>\$ 9,108,837</b>	<b>\$ 7,669,775</b>	<b>\$ 17,047,150</b>	<b>\$ 5,001,104</b>	<b>\$ 136,218,405</b>	<b>\$ 6,328,201</b>	<b>\$ 318,909</b>	<b>\$ 142,865,515</b>

*See accompanying notes to consolidated financial statements.*

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2022	2021
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 11,592,218	\$ 1,053,933
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,523,539	2,541,054
Gain from forgiveness of PPP loan	(8,700,000)	-
Net unrealized and realized loss (gain) on investments	674,561	(246,577)
Non-cash contribution of used goods	(762,376)	(150,004)
Non-cash lease expense	6,410,962	-
(Increase) decrease in assets:		
Accounts and other receivables, net	(854,480)	(2,864,975)
Pledges receivable	-	76,445
Inventories	(13,686,797)	3,349,895
Prepaid expenses	(5,264)	65,372
Other assets	(348,548)	8,293
Increase (decrease) in liabilities:		
Accounts payable	3,214,162	(2,186,811)
Accrued expenses and other liabilities	(390,632)	(921,888)
Deferred revenue	12,661,461	(3,294,323)
Operating lease liabilities	(5,764,052)	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>6,564,754</b>	<b>(2,569,586)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(3,261,985)	(5,000,000)
Sale of investments	2,924,240	-
Purchases of property and equipment	(1,855,787)	(1,004,632)
<b>Net Cash Used in Investing Activities</b>	<b>(2,193,532)</b>	<b>(6,004,632)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from long-term debt and line of credit	18,822,828	50,666,363
Payments on long-term debt and line of credit	(22,899,588)	(40,839,127)
Payments on obligations under finance leases	(137,846)	-
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(4,214,606)</b>	<b>9,827,236</b>
Net Increase In Cash And Cash Equivalents	156,616	1,253,018
Cash And Cash Equivalents - Beginning of Year	9,121,809	7,868,791
Cash And Cash Equivalents - End of Year	\$ 9,278,425	\$ 9,121,809

*See accompanying notes to consolidated financial statements.*

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Consolidated Statements of Cash Flows

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Years ended December 31, 2022 2021

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**Supplemental Disclosure of Cash Flow Information:**

Cash paid for interest	\$ 314,707	\$ 320,784
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**Supplemental Disclosure Of Non-Cash Activity:**

Operating lease assets due to adoption of accounting principle	\$ 57,829,755	\$ -
Operating lease liabilities due to adoption of accounting principle	\$ (62,332,794)	\$ -
Deferred rent liability adjustment due to adoption of accounting principle	\$ 4,503,039	\$ -
Right-of-use assets acquired under finance leases	\$ 640,509	\$ -
Lease liabilities acquired under finance leases	\$ (640,509)	\$ -

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*See accompanying notes to consolidated financial statements.*

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 1. Organization

Goodwill Industries of South Florida, Inc. is a not-for-profit organization established in 1959. Goodwill South Florida TEP, LLC (“Goodwill TEP”), a Florida limited liability company, was formed in December 2015 to operate for the benefit of its sole member, Goodwill Industries of South Florida, Inc. Goodwill TEP and Goodwill Industries of South Florida, Inc. are collectively referred to as “Goodwill” in the accompanying consolidated financial statements.

The purpose of Goodwill is to help people with disabilities and special needs make the transition to independence. Goodwill provides vocational rehabilitation, training, employment and placement to help people achieve employment and self-sufficiency. Goodwill operates numerous entrepreneurial activities such as collecting and selling donated materials, manufacturing and contracting services with the private and public sectors. These activities serve as tools for the training and employment of individuals with disabilities and special needs as well as providing revenues to support Goodwill’s mission.

#### *Description of Programs*

Donated/New Goods Operations - Goodwill operates thrift stores and donation centers across Broward and Miami-Dade counties with more than 1,200 people in 34 stores and 52 donation centers. Of the workforce, 10% of employees have some type of disability. The donation centers receive over 1,500,000 donations annually.

Apparel Manufacturing - For over 25 years, Goodwill has manufactured military apparel. With a workforce of over 1,200 people, Goodwill produces caps, combat coats, shirts, combat trousers, dress slacks, and U.S. Interment flags. This significant work creates opportunities for people with disabilities.

Custodial Services - Goodwill’s custodial services offer groundskeeping, porter service, food attendant, cashiering, food preparation, and janitorial/custodial combined to employ over 200 people with significant disabilities. Goodwill’s customers include the majority of federal, state and local government entities and other agencies.

Business Services - Goodwill provides efficient warehousing and distribution services in South Florida. In addition to traditional warehousing services, Goodwill performs e-commerce fulfillment, kitting, integration, remanufacturing, assembly, and sustainable recycling/upcycling as part of a full-service logistics management solutions.

Laundry Services - Goodwill’s laundry operation was built to create more jobs in the community especially low-income areas. Operations include a state-of-the-art automated facility, energy-efficient and environmentally friendly equipment. Goodwill currently processes 27 million pounds of linen for a number of hospitals per year and employ 200 workers.

Mission Services - Goodwill serves individuals with disabilities, young adults transitioning out of the local school systems, refugees, re-entry, individuals who are homeless, veterans, and those facing other barriers to work. Goodwill delivers necessary job training, and paid part-time or full-time job following successful completion. Participants learn new and essential job related and social skills; make informed career choices; achieve higher levels of self-sufficiency; obtain competitive employment inside Goodwill or in the local market; and can provide for themselves and their families.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 2. Summary of Significant Accounting Policies

#### *Basis of Consolidation*

The accompanying consolidated financial statements include the accounts of Goodwill Industries of South Florida, Inc. and the accounts of Goodwill TEP. All intercompany balances and transactions have been eliminated in consolidation.

#### *Basis of Presentation*

The consolidated financial statements of Goodwill have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Assets are presented in the consolidated statements of financial position according to their nearness of their conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash.

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Goodwill. These net assets may be used at the discretion of Goodwill’s management and the Board of Directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Goodwill or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. There were no net assets with donor restrictions at December 31, 2022 and 2021.

#### *Significant Customers and Concentrations*

Goodwill has several large contracts with Defense Supply Center Philadelphia (“DSCP”) and US Army Natick Soldier System Center (“Natick”) for the production of military apparel. Sales to DSCP and Natick accounted for approximately \$36,852,000 or 85% and approximately \$36,245,000 or 88% of total apparel manufacturing sales during the years ended December 31, 2022 and 2021, respectively. Additionally, the amounts due from DSCP and Natick for the production of military apparel accounted for approximately 49% and approximately 79% of the total manufacturing accounts receivable balance of approximately \$3,514,000 and \$2,102,000 at December 31, 2022 and 2021, respectively. During each of the years ended December 31, 2022 and 2021, three customers represented approximately 97% of revenues generated from laundry services.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### ***Use of Estimates***

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

### ***Cash and Cash Equivalents***

For purposes of reporting on the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks and money market accounts with initial maturities of 90 days or less which are readily convertible into cash excluding amounts designated or restricted for long-term purposes.

### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends, net of fees) is included in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless income or loss is restricted by donor or law. Investments are held for long-term purposes.

### ***Accounts and Other Receivables, Net***

Accounts and other receivables are stated at the amount Goodwill expects to collect. Management monitors the collection status of its receivable balance on an ongoing basis. Based on management's analysis of possible bad debts, the allowance for doubtful accounts is \$100,000 as of December 31, 2022 and 2021. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### ***Inventories***

Inventories consist of contributed goods and merchandise purchased and used in Goodwill's store operations as well as its manufacturing process, including the production of aprons, flags, garrison caps, army combat uniforms, army combat pants, improved hot weather combat uniforms, and fleece jackets. Inventories also include purchased linens such as bed linens, patient gowns, lab coats and rags used in the laundry operation. Inventories, except for donated goods, are stated at the lower of cost (first-in, first-out basis) or net realizable value ("NRV"). Finished goods inventory includes the cost of applicable labor and materials. In addition, Goodwill records inventory for donated goods at estimated fair value, which is determined based on its future economic benefit. The estimated value of donated goods inventory is based on actual sales in the subsequent month. Goodwill evaluates its inventory for slow moving or obsolete items annually and established a reserve of \$100,000 as of December 31, 2022 and 2021.

### ***Prepaid Expenses***

Prepaid expenses consist primarily of prepaid insurance and other professional fees incurred in connection with Goodwill's stores and future projects. These costs are amortized over the period benefited.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### ***Goodwill, Net***

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill elected to amortize goodwill on a straight-line basis over a 10-year period and test for impairment annually if a triggering event occurs. Goodwill is evaluated at least annually, and more often when events indicate that an impairment exists. Such indicators could include but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. Goodwill assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including its goodwill by comparing the fair value of the applicable reporting unit with its carrying value. The reporting unit includes the manufacturing operations. Goodwill estimates the fair values of its reporting units using discounted cash flows. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, management records an impairment charge for the difference. No impairment losses were recorded during each of the years ended December 31, 2022 and 2021.

### ***Property and Equipment, Net***

Property and equipment are stated at cost or, if donated to Goodwill, at fair value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets. Land is not depreciated or amortized. Goodwill's policy is to capitalize all individual expenditures for land, buildings and equipment which are at least \$500 and have a useful life greater than one year.

Maintenance and repair costs are expensed as incurred. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in the consolidated statements of activities.

Estimated useful lives of property and equipment are as follows:

<b>Asset</b>	<b>Life</b>
Buildings and improvements	39 - 50 years
Equipment	5 - 15 years
Leasehold improvements	Shorter of useful life or lease term
Other improvements	10 years

### ***Long-Lived Assets***

Goodwill reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded during the years ended December 31, 2022 or 2021.



# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Leases*

Effective January 1, 2022, Goodwill accounts for lease transactions in accordance with Topic 842, leases (“ASC 842”), which requires an entity to recognize a right-of-use (“ROU”) asset and a lease liability for all leases. Lease ROU assets and lease liabilities are recognized at the present value of the future lease payments, generally for the base non-cancelable lease term, at the lease commencement date for each lease.

Goodwill leases stores, store fronts, land parcels, equipment and vehicles. At the inception of an arrangement, management determines if it contains a lease. At its inception, Goodwill determines whether an arrangement is or contains a lease, which includes classifying the lease as an operating or finance lease. An ROU asset and a lease obligation is recognized at the commencement date of the lease. The lease obligation is measured based on the present value of lease payments over the lease term and the ROU asset is measured as the present value of the lease obligation plus any lease prepayments less any lease incentives. Options to extend or terminate a lease are included in the lease term when reasonably certain they will be exercised. Goodwill elected to use the risk-free treasury rate commensurate with a term consistent with the underlying lease as the implicit interest rates are not readily determinable. Goodwill has lease agreements with both lease and non-lease components, which is accounted as a single lease component for all lease categories. The lease payments include any fixed payments as of the commencement date. For variable lease payments linked to an index, Goodwill uses the index as of the commencement date to calculate the present value of the lease.

Goodwill has elected the short-term lease exemption for all lease categories. For leases with term of 12 months or less, no ROU asset or lease obligation are recorded and rent expense is recognized on a straight-line basis with any differences between cash payments and rent expense reflected as prepaid or deferred rent.

Goodwill applies a portfolio approach to certain equipment leases with similar equipment and matching lease terms as there is no financial impact from accounting for each piece of equipment as a separate lease component. For partial terminations, Goodwill has elected to remeasure the ROU asset based on the proportionate percentage change in the lease obligation with any difference recognized in the income statement as a gain or loss.

Goodwill monitors events or changes in circumstances that require a reassessment of a lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in the captions “Equipment rental and maintenance” in the consolidated statement of functional expenses.

### *Revenue Recognition - Contributions*

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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its obligation to transfer any assets in the event Goodwill fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Goodwill reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as “Net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

Goodwill receives donations from several sources including private foundations and other donors. Donations are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP.

### ***Contributed Nonfinancial Assets***

Contributed nonfinancial assets are recorded as revenue and expense in the accompanying consolidated statements of activities at their estimated fair value. Donated services are recorded if such services enhance a nonfinancial asset or require specialized skills that would need to be purchased. No amounts have been reflected in the consolidated financial statements for donated services which did not; (a) create or enhance non-financial assets or (b) require specialized skills provided by individuals possessing such skills and which would have been purchased if not provided by donation. Contributions of donated goods are recorded based on the fair value determined by sale of the donated goods at stores and online. Refer to Note 17 and 19 for details.

### ***Revenue Recognition - Exchange Transactions***

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions and are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (“Topic 606”).

Goodwill applies Topic 606 to exchange transactions in which it receives consideration for products or services offered. Under U.S. GAAP, these arrangements are exchange transactions between Goodwill and the customers participating in Goodwill’s programs or using their services.

The following is a description of key revenue streams within the scope of Topic 606. Goodwill provides services to customers which have related performance obligations that Goodwill completes in order to recognize revenue. Goodwill’s revenues are generally recognized either immediately upon the completion of the service or over time as Goodwill performs the services. Any services performed over time generally require that Goodwill render services each period and therefore Goodwill measure progress in completing these services based upon the passage of time.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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The major operating departments are donated and new goods operation, apparel manufacturing, custodial contracts, business services, laundry services and mission services. All operating revenues are recognized when the transaction occurs or over time on a pro-rata basis as the products or services are provided and are reported at the amount that reflects the consideration to which Goodwill expects to be entitled in exchange for providing products or services to their customers. Fees collected in advance for these products or services where the performance obligation is not met at the end of the reporting period are recognized as deferred revenue. As of December 31, 2022 and 2021, deferred revenue was \$17,445,666 and \$4,784,205, respectively. Goodwill evaluates whether they are a principal or agent for its business services contracts and recognizes the revenue and expenses related to their 3PL business services on a net basis.

### *Apparel Manufacturing Sales*

Apparel manufacturing sales consist of products manufactured for a fixed or determinable fee based on contractual terms. Product revenue is recognized at a point in time when shipping has occurred, and collectability is probable. Goodwill does not offer price concessions or discounts. Goodwill is generally not contractually obligated to accept returns, except for defective products. Based on management's analysis of historical returns, it has been determined that an allowance for estimated returns is not necessary.

### *Donated and New Goods Sales*

Donated and new goods sales consist of sales of donated and purchased items, which are recorded at the point of sale, at stores and online. The price is fixed and determinable as each item is labeled with a selling price. The performance obligation is met at a point in time when the customer takes possession of the items after payment has been received. Goodwill offers upfront sales discounts, which are recognized at the point of sale. Sales discounts and cost of sales are netted with sales on the consolidated statements of activities.

### *Custodial Contracts, Business Services, Laundry Services and Mission Services*

Program services are supported by fee for service grants related to training and/or other service contracts for cleaning, laundry and other business services. Revenues are recorded as related expenditures are incurred and services are performed under the provisions of the agreements. Revenue for training contracts that require certain performance standards to be met by the participants is recognized as performance obligations are met, which approximately matches the expenses incurred in the program. The output method is applied as the training or service is delivered.

### *Functional Allocation of Expenses*

The costs of providing services have been allocated on a functional basis among donated and new goods operations, apparel manufacturing, custodial contracts, business services, laundry services, mission services, management and general and fundraising expenses. Allocations are generally made on a specific identification basis by program activity and supporting services benefited. Expenses such as occupancy, depreciation and amortization, equipment rental and maintenance, interest and telephone are allocated to the program centers, donated and new goods operations, apparel manufacturing, custodial contracts, business services, laundry services, and mission services, based on square footage. Personnel expenses are allocated on the basis of estimated time and effort.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Taxes Collected from Customers and Remitted to Governmental Authorities*

Goodwill records taxes collected from customers, which are directly imposed on a transaction with that customer, on a net basis. That is, in instances in which Goodwill acts as a collection agent for a taxing authority by collecting taxes that are the responsibility of the customer, Goodwill records the amount collected as a liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

### *Shipping and Handling Costs*

Shipping and handling costs of approximately \$2,255,000 and \$2,012,000 are included in program services within "Postage and freight" in the consolidated statements of functional expenses for the years ended December 31, 2022 and 2021, respectively. Shipping and handling are considered activities to fulfill the transfer of products to customers and are not separate performance obligations.

### *Income Taxes*

Goodwill Industries of South Florida, Inc. is registered with the Internal Revenue Service ("IRS") as a non-profit organization under Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes, except for any taxes which may arise from unrelated business income and from state income taxes under similar provisions of the Florida Statutes. Goodwill TEP is a Florida limited liability company and has as its sole member, Goodwill Industries of South Florida, Inc. Goodwill TEP is a disregarded entity for tax purposes. Management believes there is no unrelated business income.

Collectively, Goodwill identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statements of financial position. Goodwill has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, Goodwill would recognize interested accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses.

The U.S. Federal jurisdiction and the State of Florida jurisdiction are the major tax jurisdictions where Goodwill files income tax returns. Goodwill's tax years subject to examination by the Internal Revenue Service generally remain open for the three years from the date of filing.

### *Recent Accounting Pronouncements - Adopted*

#### *Leases*

In February 2016, the Financial Accounting Standards Board ("FASB") issued accounting standard update ("ASU") No. 2016-02, *Leases* and issued subsequent amendments to the initial guidance. Topic 842 replaces the guidance in former ASC Topic 840, *Leases*. The new lease guidance increases transparency and comparability among organizations by requiring the recognition of the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's future obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a ROU asset, which is an asset that represents the lessee's right to

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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use, or control the use of, a specified asset for the lease term. Topic 842 allows entities to adopt with one of two methods: the modified retrospective transition method or the alternative transition method.

On January 1, 2022, Goodwill adopted Topic 842 using the alternative transition method. Therefore, results for reporting periods beginning after January 1, 2022, are presented under Topic 842, while comparative information has not been restated and continues to be reported under accounting standards in effect for those periods.

The adoption of Topic 842 resulted in the following at January 1, 2022:

Recognition of:		
Right-of-use assets	\$	58,470,264
Lease liabilities	\$	(62,973,303)
Derecognition of:		
Deferred rent	\$	4,503,039

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Goodwill adopted the package of practical expedients allowing companies not to reassess expired or existing contracts for embedded lease, lease classification or initial direct costs. The land easements practical expedient was elected, allowing Goodwill not to reassess whether existing or expired land easements not accounted for as leases under the previous guidance contain a lease under the new guidance. Goodwill did not adopt the hindsight practical expedient. The lease liability was measured based on the remaining lease payments and the risk-free rate as of the adoption date of January 1, 2022. Goodwill also elected to combine lease and non-lease components and to exclude short-term leases (less than 12 months) from the consolidated financial statements.

### *Contributed Nonfinancial Assets*

In September 2020, the FASB issued an accounting standard update 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. Goodwill adopted this pronouncement on January 1, 2022. As a result of the adoption, Goodwill added a related disclosure in Note 19. There was no impact on the change in net assets.

### *Reference Rate Reform*

In March 2020, the FASB issued an ASU 2020-04, *Reference Rate Reform* (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting to provide guidance related to recognizing the effects of reference rate reform on financial reporting. The update applies to all entities that have contracts, hedging relationships, or other transactions that reference LIBOR or another reference rate expected to be discontinued. The update is effective for all entities as of March 12, 2020 through December 31, 2022. Goodwill adopted this ASU and refinanced the interest rate on one of its loans during the year ended December 31, 2022.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### ***Recent Accounting Pronouncements - Not Yet Adopted***

#### ***Measurement of Credit Losses on Financial Instruments***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which will replace the current incurred loss impairment methodology in U.S. GAAP with a methodology that reflects the expected credit losses. The update is intended to provide financial statement users with more decision-useful information about expected credit losses. Also, the FASB has issued amendments to the update with transition relief intended to improve comparability of financial statement information for some entities, to decrease costs for some financial statement preparers, and to clarify some disclosures. This update is effective on a modified retrospective basis for financial statements issued for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018 including interim periods in those fiscal years. Goodwill is currently evaluating the effect the update will have on its consolidated financial statements.

#### ***Subsequent Events***

Goodwill has evaluated subsequent events through June 30, 2023, which is the date the consolidated financial statements were available to be issued.

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# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Liquidity Management and Availability of Resources*

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

In managing its liquidity needs, Goodwill monitors and maintains a cash float to cover general operating expenditures as well as establish a strict budget. Goodwill also has a line-of-credit available with borrowing capacity of up to \$6,000,000, which can be used to meet general expenditures within a year (Note 10).

Goodwill's financial assets available within one year of the consolidated statement of financial position date for general expenditures as of December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and cash equivalents	\$ 9,278,425	\$ 9,121,809
Accounts and other receivables, net	12,110,924	11,256,444
Investments	4,909,761	5,246,577
<b>Total financial assets</b>	<b>26,299,110</b>	<b>25,624,830</b>
Less: amounts unavailable to management without Board approval		
Designated fund - advancement fund	4,105,769	3,233,381
Quasi-endowment fund	360,000	260,000
<b>Total Board designated</b>	<b>4,465,769</b>	<b>3,493,381</b>
<b>Total financial assets available to management for general expenditures within one year</b>	<b>\$ 21,833,341</b>	<b>\$ 22,131,449</b>

Goodwill has approximately \$27,900,000 and \$13,400,000 of inventory at December 31, 2022 and 2021, respectively, which is excluded from the financial assets listed above because the inventory does not meet the definition of a financial asset. However, Goodwill expects to sell the inventory and have the proceeds available for its general expenditures within the next year.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 3. Accounts and Other Receivables, Net

Accounts and other receivables, net consists of the following at December 31:

	2022	2021
Federal government	\$ 7,487,783	\$ 2,622,677
State government	1,026,701	770,473
Commercial	3,696,440	7,963,294
	12,210,924	11,356,444
Less allowance for doubtful accounts	(100,000)	(100,000)
	\$ 12,110,924	\$ 11,256,444

There was no bad debt expense for the years ended December 31, 2022 and 2021.

### 4. Fair Value Measurements and Investments

The FASB established a framework for measuring fair value. That framework 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) and the lowest priority to unobservable inputs (Level 3).

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 Goodwill have 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 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.



# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Equities: Valued at the closing price reported in the active market in which the individual securities are traded.

Fixed income funds: Includes investments in corporate bonds and are valued based on the closing price reported in the active market in which the securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Goodwill believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized.

The following table represents Goodwill's investments measured at fair value on a recurring basis for each of the fair value hierarchy levels at December 31, 2022 and 2021:

December 31, 2022				
Description	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash	\$ 4,136	\$ 4,136	\$ -	\$ -
Equities	1,706,055	1,706,055	-	-
Fixed Income	3,199,570	-	3,199,570	-
	<b>\$ 4,909,761</b>	<b>\$ 1,710,191</b>	<b>\$ 3,199,570</b>	<b>\$ -</b>

December 31, 2021				
Description	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Cash	\$ 125,239	\$ 125,239	\$ -	\$ -
Equities	3,218,597	3,218,597	-	-
Fixed Income	1,902,741	589,250	1,313,491	-
	<b>\$ 5,246,577</b>	<b>\$ 3,933,086</b>	<b>\$ 1,313,491</b>	<b>\$ -</b>

The carrying amounts of Goodwill's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair value because of the short-term nature of these instruments. The fair value of Goodwill's operating lease liabilities, long-term debt and line of credit are estimated based on current rates that would be available for debt of similar terms, which is not significantly different from their stated values.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Investment return consists of the following for the years ended December 31:

	2022	2021
Dividend and interest	\$ 53,813	\$ 80,531
Net realized and unrealized (loss) gain	(663,230)	251,441
Investment fees	(11,331)	(4,864)
	\$ (620,748)	\$ 327,108

### 5. Inventories, Net

Inventories, net consist of the following at December 31:

	2022	2021
Raw materials	\$ 2,521,298	\$ 1,366,683
Work-in-progress	521,052	171,372
Finished goods	19,826,802	7,562,902
Supplies	44,020	40,333
Apparel manufacturing	22,913,172	9,141,290
Donated goods	4,522,317	3,759,942
New goods	285,448	370,532
Linen	250,000	250,000
	27,970,937	13,521,764
Inventory reserve	(100,000)	(100,000)
	\$ 27,870,937	\$ 13,421,764

### 6. Other Assets

Other assets consist of the following at December 31,:

	2022	2021
Security deposits	\$ 230,702	\$ 140,544
Note receivable	258,390	-
Split-dollar insurance plan	550,000	550,000
	\$ 1,039,092	\$ 690,544

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### *Split-dollar Insurance Plan*

In 2003, the Board of Directors of Goodwill approved a split-dollar life insurance plan to provide retirement income to the former President and CEO of Goodwill. The retirement income arrangement was provided for his services of over twenty years in the absence of an adequate retirement plan available through standard arrangements. The split-dollar arrangement provides for the periodic premiums required under the life insurance contract which are treated as a series of loans secured by the life insurance policy.

The former President and CEO of Goodwill (the “insured”) owns the insurance policy. Goodwill (the “employer”) reflects an asset for its secured interest equal to the total of all premiums paid on behalf of the insured which totaled \$550,000 as of December 31, 2022 and 2021. The face value of the life insurance policy is \$1,800,000. The repayment of the premiums will be made from death benefits on the insured. The loans are collateralized by the life insurance policy for which the net cash surrender value of the policy at December 31, 2022 and 2021 was \$1,164,696 and \$1,368,959, respectively.

In the event that the insured voluntarily terminates his participation in the plan, the insured is to repay the employer the cumulative premiums plus accumulated interest at the applicable federal rate through the date the premiums were funded.

The repayment will be accomplished first through the cash surrender value of the insurance policy and the remaining portion will be paid in cash from the insured. The plan meets IRS applicable requirements and is considered a common practice among non-profit organizations in order to retain valuable executives.

Although the plan is expected to be for an indefinite period of time, the employer also retains the right to terminate the plan, provided that the policy continues in effect in accordance with its terms, and as such, termination by the employer will not accelerate the recovery of the cumulative premiums made. The planned periodic annual premium is \$40,000. Failure to pay a planned periodic premium will not, in itself, cause the policy to terminate so long as the excess amounts funded over the periodic annual premium in previous years cover the annual premium required under the policy for any particular year not funded. The employer has no obligation to make any premium payments for the plan.

### *Note Receivable*

During the year ended December 31, 2022, Goodwill executed a note receivable with a third-party accruing interest at a rate of 5% per annum and maturing December 2029, for the purpose of building and operating an ecommerce platform for the benefit of its members.

## **7. Goodwill, Net**

Goodwill, net represents the excess of the purchase price over the fair values of the net assets of the businesses acquired. Goodwill acquired two companies on May 13, 2003 and May 15, 2003. The companies were purchased for a total of \$2,500,000.

The transactions were accounted for in accordance with ASC 805, *Business Combinations* and the consideration paid exceeded the fair value of identifiable net assets acquired by \$1,392,000, which was recorded as goodwill. During the year ended December 31, 2021, Goodwill began amortizing the goodwill. Goodwill recorded \$139,200 in amortization expense for each of the years ended December 31, 2022 and 2021.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Goodwill, net consists of the following as of December 31:

	2022	2021
Goodwill	\$ 1,392,000	\$ 1,392,000
Accumulated amortization	(278,400)	(139,200)
	\$ 1,113,600	\$ 1,252,800

### 8. Property and Equipment, Net

Property and equipment, net consists of the following at December 31:

	2022	2021
Land	\$ 4,582,013	\$ 4,582,013
Buildings and improvements	29,742,488	29,571,221
Equipment	39,228,539	37,699,903
Leasehold improvements	7,055,902	6,900,017
Other improvements	395,276	395,276
	81,004,218	79,148,430
Less accumulated depreciation and amortization	(45,530,904)	(43,288,989)
	\$ 35,473,314	\$ 35,859,441

Total depreciation and amortization expense of property and equipment for the years ended December 31, 2022 and 2021 was approximately \$2,242,000 and \$2,402,000, respectively.

### 9. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consists of the following at December 31:

	2022	2021
Accrued payroll	\$ 1,609,696	\$ 1,397,903
Reserve for worker's compensation (Note 21)	970,656	1,068,833
Sales tax payable	443,637	343,556
Retirement plan employer match (Note 20)	740,840	660,929
Deferred compensation (Note 22)	172,811	102,005
Deferred rent	-	4,503,039
Deferred social security tax (Note 24)	-	1,220,577
Other liabilities	982,201	516,670
	\$ 4,919,841	\$ 9,813,512

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 10. Long-Term Debt and Line of Credit

Long-term debt and line of credit consists of the following at December 31:

	2022	2021
Revolving line-of-credit with maximum borrowings of \$6,000,000 with a balloon payment due September 22, 2023, with interest due monthly. Interest rate is based on the Wall Street Journal Prime Rate plus 0.5% (4.25% at December 31, 2021). The line is collateralized by accounts receivable and inventory and was paid in full as of December 31, 2022.	\$ -	\$ 3,173,388
Promissory note (new market tax credit financing - A Loan), with interest due monthly at 3% plus SOFR (7.32% as of December 31, 2022), maturing on June 30, 2025. The previous rate was 3.75% as of December 31, 2021. The note is collateralized by specific laundry related property.	2,818,975	2,942,378
Industrial Development Revenue Bonds issued by the Miami-Dade County Industrial Development Authority on December 17, 2010 (Series 2010) with monthly principal and interest payments at variable rates determined on a monthly basis, maturing on December 1, 2030. Bonds are collateralized by properties and equipment (Note 8). The interest rate was 4.29% and 1.52% at December 31, 2022 and 2021, respectively (See Note 12 for further discussion of bond transactions).	6,881,141	7,798,956
Paycheck Protection Program ("PPP") loan issued on May 5, 2021, with monthly principal and interest payments at 1.00% and maturing on May 5, 2026. The loan was forgiven as of December 31, 2022.	-	8,700,000
Economic Injury Disaster Loan issued on June 2, 2020, with monthly principal and interest payments at 2.75% starting on December 2, 2022 and maturing on June 2, 2050.	150,000	150,000
<b>Total mortgage notes, notes payable and lines-of-credit</b>	<b>\$ 9,850,116</b>	<b>\$ 22,764,722</b>

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# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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The future minimum principal payments under long-term debt as of December 31, 2022 are as follows:

*Years ending December 31,*

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2023	\$ 2,259,895
2024	1,908,905
2025	1,434,792
2026	960,967
2027	977,832
Thereafter	2,307,725
	<hr/>
	\$ 9,850,116

In 2013, Goodwill completed New Market Tax Credit (“NMTC”) financings related to the purchase and construction of expanded facilities. The NMTC program is administered by the United States Treasury and is designed to encourage capital investment and business operations within distressed or highly distressed census tracts. The NMTC transactions provide for favorable financing typical of this type of tax credits-based deals.

The NMTCs are subject to 100% recapture for a period of seven years as described in the Internal Revenue Code. Goodwill must comply with various regulation and contractual provisions that apply to NMTC arrangements. Noncompliance could result in projected tax benefits not being realized, and therefore require Goodwill to indemnify the tax credit investors for any loss or recapture of NMTCs. The B loan was acquired at the end of the 7-year period in 2020 and a gain recognized.

The A loan was refinanced during the year ended December 31, 2022 to extend the maturity date to 2025 and update the interest rate from 3.75% fixed to SOFR plus 3%.

The bank loan agreements contain financial covenants that require Goodwill to maintain certain key financial ratios, including a minimum fixed charge coverage ratio of 1.10 on a quarterly basis. Goodwill was in compliance with the financial covenants as of December 31, 2022.

### **11. Paycheck Protection Program Loan**

On April 24, 2021, Goodwill was approved for a PPP loan in the amount of \$8,700,000. The application for these funds requires Goodwill to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of Goodwill. This certification further requires Goodwill to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on Goodwill having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

The loan begins accruing interest at a rate of 1.00% on the effective date. For any portion of the loan not forgiven, principal payments are due in equal monthly installments commencing ten months after covered period. The loan matures on May 5, 2026, at which time all unpaid principal and accrued interest is due.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Goodwill applied for forgiveness from the Small Business Administration (“SBA”) in 2021 and was approved for full forgiveness of the PPP loan and its related interest on May 18, 2022. The SBA requires PPP loan records to be retained for six years from the date of forgiveness.

### 12. Bond Transactions

On May 13, 2003, the Miami-Dade County Industrial Development Authority (“IDA”) issued Industrial Development Revenue Bonds (Goodwill Industries of South Florida, Inc. Project) Series 2003 in the amount of \$9,400,000. In December 17, 2010, Goodwill retired the 2003 Bond Series and a new 2010 Bond Series was issued with a par amount of \$17,480,000 and a maturity date of December 1, 2030. The proceeds were used to refinance the Series 2003, refinance several existing loans that were used to purchase facilities, inventory and equipment, and pay swap termination fees. The collateral for the bond includes facilities located at 2121 NW 21st Street, 2111 NW 22nd Avenue, 461 Palm Avenue, 24311 South Dixie Highway, 2104 W. Commercial Blvd., 550 E. Oakland Park Blvd and equipment located in the main facility.

The financing consists of tax-exempt bank qualified bonds and taxable bank loans. The tax-exempt bank qualified loans are broken down into two series. Series 2010A has a principal amount of \$7,000,000 and Series 2010B has a principal amount of \$7,044,600 and the total principal due under Series 2010A and 2010 B was \$6,881,141 and \$7,798,956, respectively, as of December 31, 2022 and 2021 (Note 10). Both series have a variable interest rate equal to 69% of one-month LIBOR plus 2.10% which was 4.29% and 1.52% at December 31, 2022 and 2021, respectively. Principal payments for both series started on August 1, 2015 and have a maturity date of December 1, 2030. The principal balance fully amortizes to zero at final maturity and monthly principal and interest payments vary as the interest rate varies. The bank has the option, with a required one-year notice, to an interest rate reset at June 30, 2016 and on June 30 of each fifth year thereafter.

### 13. Lease Obligations

Goodwill leases stores, store fronts and land parcels under noncancelable agreements, which are accounted for as operating leases. Goodwill also leases equipment and vehicles under noncancelable agreements that were classified as finance leases. Any new leases after the adoption date were assessed for lease classification. The leases expire at various dates through 2034, some with renewal options available. The exercise of these renewal options is at the sole discretion of Goodwill, and only lease options that Goodwill believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Goodwill included the option to renew for one store lease. The facility leases provide for the payment by Goodwill of the property taxes and are subject to yearly increases, not to exceed 5%, based on the consumer price index and is included as variable lease expense. Lease expense for leases less than 12 months was \$527,985 and is included in “Occupancy” in the statement of functional expenses.

All lease agreements for the year ended December 31, 2022, are accounted for under ASC Topic 842. For the year ended December 31, 2021, all leases were accounted for under the previous lease standard, ASC 840.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

Total operating and finance lease expense (with the exception of interest) included in “Occupancy” and “Depreciation and amortization”, respectively, in the consolidated statement of functional expenses for the year ended December 31, 2022 is as follows:

Operating fixed lease expense	\$	11,805,651
Variable lease expense		5,230,211
<hr/>		
Total operating lease expense	\$	17,035,862
<hr/>		
Amortization of right-of-use assets	\$	142,425
Interest on lease liabilities		8,109
<hr/>		
Total finance lease expense	\$	150,534

The weighted-average remaining lease term and discount rate related to lease liabilities as of December 31, 2022, were:

	Operating	Finance
Weighted average remaining lease term	6.07	2.15
Weighted average discount rate	3.84%	1.76%

Other information required for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Net cash flows for operating activities	\$	11,948,622
Net cash flows from finance leases		145,955
<hr/>		
	\$	12,094,577

Aggregate remaining maturities of lease liabilities as of December 31, 2022, are as follows:

<i>Years ending December, 31</i>	Operating	Finance
2023	\$ 12,289,267	\$ 267,064
2024	11,097,429	176,282
2025	9,851,863	80,060
2026	8,829,773	-
2027	6,016,188	-
Thereafter	11,593,387	-
<hr/>		
Total lease payments	59,677,907	523,406
Minus: Imputed interest	(2,971,344)	(20,718)
<hr/>		
<b>Total</b>	<b>\$ 56,706,563</b>	<b>\$ 502,688</b>



# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

*Previous lease standard - Year ended December 31, 2021*

During the year ended December 31, 2021, Goodwill had various operating leases for its stores and store fronts. Operating lease expense was \$12,327,000 and is included on the consolidated statement of functional expenses under "Occupancy" during the year ended December 31, 2021.

The future minimum lease payments for the leases were as follows as of December 31, 2021:

*Years ending December 31,*

2022	\$	10,531,000
2023		9,684,000
2024		8,961,000
2025		8,245,000
2026		7,431,000
Thereafter		16,943,000
	\$	61,795,000

### 14. Net Assets

Net assets without donor restrictions consist of the following as of December 31:

<i>Years ended December 31,</i>	2022	2021
Undesignated	\$ 39,809,690	\$ 29,189,860
Board designated funds:		
Designated fund	4,105,769	3,233,381
Quasi-endowment fund	360,000	260,000
<b>Total Board designated</b>	<b>4,465,769</b>	<b>3,493,381</b>
	<b>\$ 44,275,459</b>	<b>\$ 32,683,241</b>

Net assets without donor restrictions are used to support the operating activities of Goodwill. Of these funds, the Board of Directors designated \$4,465,769 and \$3,493,381 at December 31, 2022 and 2021, respectively, for the following:

- Undesignated:* Operating assets used to cover administrative costs and support services.
- Designated:* Goodwill advancement fund - a designated fund to advance the long-term mission of Goodwill and specific initiatives.
- Quasi-endowment:* Goodwill endowment fund - a board endowment held in perpetuity for operations with an internal spending policy of up to 5% annually. The internal spending policy is established and maintained by the Board.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Net assets released from restrictions due to time and purpose is as follows during the years ended December 31:

<i>Years ended December 31,</i>	<b>2022</b>	<b>2021</b>
<u>General programs</u>	<u>\$ -</u>	<u>\$ 76,445</u>

### 15. Business Lease

During October 2004, Goodwill (“Landlord”) entered into a business lease agreement with the City of Miami (the “City”, “Tenant”), where the City uses the land owned by Goodwill, and the building built on it with monies from the City, for a municipal parking garage and incidental storage and office uses related to such garage operations. The parking garage is to be operated, managed and administered by the Tenant in substantially the same manner as all other off-street parking facilities belonging to the City of Miami Department of Off-Street Parking. The lease is for 20 years for \$1 per year. Landlord has exclusive use of one hundred fifty (150) parking spaces, for parking only, at no rental charge. Upon the termination of the lease, the Tenant agrees that it will peacefully surrender and deliver the premises to Goodwill. The building used for parking garage operations is owned by the City and, therefore, is not an asset of Goodwill. The in-kind rental income and donated rent for the fair value of the land is not material to the consolidated financial statements.

### 16. Endowment

Goodwill’s endowment consists of a special fund established to aid the mission of training, employment and job placement for people with disabilities. The endowment may include donor restricted and board designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2022 and 2021, there were no donor restricted endowments. See Note 14 for discussion of board designated endowment.

The State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”). Goodwill has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Goodwill classifies its net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions when those amounts are appropriated for expenditure by Goodwill in a manner consistent with the standard of prudence prescribed by FUPMIFA.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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In accordance with the FUPMIFA, Goodwill considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Goodwill and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of Goodwill
- (7) The investment policies of Goodwill

Summary of endowment net assets at December 31, 2022:

	Without Donor Restrictions
Board designated	\$ 360,000
<b>Total endowment net assets</b>	<b>\$ 360,000</b>

Changes in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions
Endowment net assets, beginning	\$ 260,000
Contributions	100,000
<b>Endowment net assets, ending</b>	<b>\$ 360,000</b>

Summary of endowment net assets at December 31, 2021:

	Without Donor Restrictions
Board designated	\$ 260,000
<b>Total endowment net assets</b>	<b>\$ 260,000</b>

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions
Endowment net assets, beginning	\$ 247,500
Contributions	12,500
Endowment net assets, ending	\$ 260,000

Summary of endowment assets at December 31:

	2022	2021
Cash	\$ 360,000	\$ 260,000
Total endowment assets	\$ 360,000	\$ 260,000

### ***Return Objectives and Risk Parameters***

Goodwill has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Goodwill expects its endowment funds, over time, to provide a rate of return in excess of the principal. Actual returns in any given year may vary.

### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, Goodwill relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

### ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

Goodwill employs a total return endowment spending policy that establishes the amount of endowment investment return that is available to support current needs and restricted purposes. Goodwill has an endowment variable spending policy up to 5% annually based on the 3-year average of fair market value at the board's discretion, which provides for steady growth in annual spending. In establishing this policy, Goodwill considered the long-term expected return on its endowment. Accordingly, over the long term, Goodwill expects to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The funds have not yet been invested.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### 17. Donated Services

Goodwill recognizes donated services from Miami-Dade and Broward Public Schools. The revenues for such services classified under “Mission services” in the consolidated statements of activities totaled \$23,251 and \$93,003 for the years ended December 31, 2022 and 2021, respectively. Expenses for the same amount were also recognized as non-disabled wages in mission service program. The value of the services donated was based on yearly teaching salaries provided by the Miami-Dade and Broward Public Schools.

### 18. Mission Services Revenue

Mission services revenue consisted of the following for the years ended December 31:

<i>Years ended December 31,</i>	<b>2022</b>	<b>2021</b>
Federal and State vendor contracts	\$ 1,746,193	\$ 1,400,565
Miami-Dade and Broward County Public Schools (Note 17)	23,251	93,003
Miami-Dade and Broward County general contracts	204,562	143,649
Other	779,083	687,747
	<b>\$ 2,753,089</b>	<b>\$ 2,324,964</b>

### 19. Contributions of Nonfinancial Assets

Contributed nonfinancial assets during the years ended December 31, 2022 and 2021 were as follows:

Nonfinancial Asset	Revenue Recognized in the years ended <b>December 31, 2022</b>	Decemeber 31, 2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques/Inputs
Apparel & commodities	\$ 77,897,729	\$ 65,342,182	Donated goods program	None	Based on estimated fair value determined by the actual sales price
	<b>\$ 77,897,729</b>	<b>\$ 65,342,182</b>			

Goodwill recognized contributed nonfinancial assets within Donated goods sales, net of discounts on the consolidated statement of activities. Contributed nonfinancial assets did not have donor-imposed restrictions. It is Goodwill’s policy to sell all contributed nonfinancial assets immediately upon receipt in its stores, on-line or for salvage. All contributed nonfinancial assets were valued according to the actual cash proceeds on their disposition during the year except for donated goods on hand at year end, which were valued based on actual sales in the subsequent month.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 20. Retirement Plan

Effective August 1997, Goodwill elected to change its retirement plan from a 403(b) plan to a 401(k) plan. The plan is for eligible employees who have reached the age of 21 and completed one year of service. Goodwill contributes a matching amount determined on a yearly basis. Goodwill's contribution to the plan during the years ended December 31, 2022 and 2021 was \$740,840 and \$660,929, respectively.

### 21. Workers' Compensation

On June 1, 2003, Goodwill became self-insured under the laws of the State of Florida for workers' compensation. Goodwill uses the services of a third-party administrator to handle all claims. Goodwill maintains commercial excess coverage with independent insurance carriers for workers' compensation above the self-insurance retention of \$500,000. Goodwill maintains a reserve for current and future claims based on historical experience and information provided by the third-party administrator. At December 31, 2022 and 2021, the reserve for workers' compensation was \$970,656 and \$1,068,833, respectively, and is included in "Accrued expenses and other liabilities" in the consolidated statements of financial position. For the years ended December 31, 2022 and 2021, worker's compensation expense was approximately \$2,210,000 and \$1,735,005, respectively.

### 22. Deferred Compensation Plan

In 2011, Goodwill's Board of Directors approved deferred compensation plans for a select group of management employees for services they have rendered and will render to Goodwill. The plans are intended to be eligible plans for purposes of Internal Revenue Code section 457(b) and 457(f) and the regulations issued thereunder. The plans were effective as of January 1, 2011. Participants are vested in the plans over a four-year service period. Expenses accrued under the plans for the years ended December 31, 2022 and 2021 totaled \$172,811 and \$102,005, respectively, and are included in "Accrued expenses and other liabilities" in the consolidated statements of financial position. The plan assets are held as cash.

### 23. Commitments and Contingencies

#### *Litigation*

Goodwill is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on Goodwill's consolidated financial position or the consolidated results of its operations.

#### *Purchase Commitments*

As a result of manufacturing contracts entered into during the year ended December 31, 2022, Goodwill entered into various inventory purchase commitments with vendors totaling approximately \$14,300,000 as of December 31, 2022.

# Goodwill Industries of South Florida, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### 24. Risks and Uncertainties

Financial instruments, which potentially subject Goodwill to concentrations of credit risk, consist primarily of cash and cash equivalents maintained in financial institutions in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000. As of December 31, 2022 and 2021, cash and cash equivalents above the insured limit was \$9,028,425 and \$8,871,809 respectively. By policy, Goodwill limits the amount of credit risk exposure from any one financial institution. Although cash balances may exceed federally insured limits at times during the year, Goodwill has not experienced and does not expect to incur any losses in such accounts.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer side social security payments. Goodwill opted to defer payroll taxes in the amount of \$1,220,577, which is included within “Accrued expenses and other liabilities” in the consolidated statements of financial position as of December 31, 2021. Deferred payroll taxes was paid in full as of December 31, 2022. Goodwill noted no material impact from the other tax provisions of the CARES Act.