

Goodwill Industries of South Florida, Inc. and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Goodwill Industries of South Florida, Inc. and Subsidiary

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

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, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Goodwill as of December 31, 2023 and 2022, 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.

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, P.C.

Miami, FL
June 5, 2024

Consolidated Financial Statements

Goodwill Industries of South Florida, Inc. and Subsidiary

Consolidated Statements of Financial Position

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 7,164,291	\$ 9,278,425
Accounts and other receivables, net	18,121,533	12,110,924
Inventories, net	22,763,415	27,870,937
Prepaid expenses	1,410,651	437,645
Investments at fair value	5,266,155	4,909,761
Other assets	1,052,312	1,039,092
Goodwill, net	974,400	1,113,600
Property and equipment, net	35,017,961	35,473,314
Right-of-use assets, net - operating leases	47,192,870	51,418,793
Right-of-use assets, net - finance leases	274,050	498,084
Total Assets	139,237,638	144,150,575
Liabilities And Net Assets		
Liabilities		
Accounts payable	12,743,694	10,450,242
Accrued expenses and other liabilities	4,956,762	4,919,841
Deferred revenue	12,125,730	17,445,666
Long-term debt and line of credit	10,009,831	9,850,116
Lease liabilities - operating	52,161,551	56,706,563
Lease liabilities - finance	280,498	502,688
Total Liabilities	92,278,066	99,875,116
Commitments And Contingencies (Notes 23 and 24)		
Net Assets Without Donor Restrictions	46,959,572	44,275,459
Total Liabilities and Net Assets	\$ 139,237,638	\$ 144,150,575

See accompanying independent auditor's report and notes to consolidated financial statements.

Goodwill Industries of South Florida, Inc. and Subsidiary

Consolidated Statements of Activities

Years Ended December 31,	2023	2022
Changes In Net Assets Without Donor Restrictions:		
Revenues and Support:		
Contributions:		
Sales of contributed non-financial assets	\$ 82,980,185	\$ 77,897,729
Contributions - other	1,049,338	975,888
United Way allocation	333,079	378,309
Total Contributions	84,362,602	79,251,926
New goods sales, net of cost of sales (\$2,881,951 and \$2,325,164 for the years ended December 31, 2023 and 2022, respectively)	1,389,409	1,479,370
Apparel manufacturing	51,073,617	43,253,510
Custodial contracts	13,563,007	11,732,353
Business services	10,384,175	9,537,481
Laundry services	13,821,254	15,229,323
Mission services	2,139,540	2,753,089
Gain from Paycheck Protection Program ("PPP") loan forgiveness	-	8,700,000
Miscellaneous income	1,136,062	165,120
Investment return, net	397,362	(620,748)
Total Revenues and Support	178,267,028	171,481,424
Expenses:		
Program Services:		
Donated and new goods operations	68,567,995	61,245,654
Apparel manufacturing	59,102,101	52,335,738
Custodial contracts	10,900,122	9,662,683
Business services	7,278,725	7,215,168
Laundry services	14,561,767	16,283,071
Mission services	5,702,544	5,449,569
Total Program Services	166,113,254	152,191,883
Supporting Services:		
Management and general	9,027,199	7,500,912
Fundraising	442,462	196,411
Total Expenses	175,582,915	159,889,206
Increase In Net Assets Without Donor Restrictions	2,684,113	11,592,218
Net Assets - Beginning Of Year	44,275,459	32,683,241
Net Assets - End Of Year	\$ 46,959,572	\$ 44,275,459

See accompanying independent auditor's report and 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			
	Thrift	Apparel Manufacturing	Custodial Contracts	Business Services	Laundry Services	Mission Services	Total Program Expenses	Management and General	Fundraising	Total Expenses
Payroll And Related Costs										
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
Total payroll and related costs	32,487,072	27,930,986	7,828,609	1,457,881	7,134,265	4,225,048	81,063,861	4,201,290	10,705	85,275,856
Expenses										
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)	1,854,943	18,935,748	775,036	4,163,117	4,281,024	566,527	30,576,395	570,132	4,976	31,151,503
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	10,268	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
Total expenses before depreciation and amortization	60,613,498	51,187,117	9,624,839	7,200,063	15,889,548	5,393,379	149,908,444	7,263,833	193,390	157,365,667
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
Total expenses	\$ 61,245,654	\$ 52,335,738	\$ 9,662,683	\$ 7,215,168	\$ 16,283,071	\$ 5,449,569	\$ 152,191,883	\$ 7,500,912	\$ 196,411	\$ 159,889,206

See accompanying independent auditor's report and notes to consolidated financial statements.

Goodwill Industries of South Florida, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years ended December 31,	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,684,113	\$ 11,592,218
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,724,243	2,523,539
Gain from forgiveness of PPP loan	-	(8,700,000)
Net unrealized and realized (gain) loss on investments	(318,740)	674,561
Change in non-cash contribution of used goods	161,170	(762,376)
Non-cash lease expense	11,364,315	6,410,962
(Increase) decrease in assets:		
Accounts and other receivables, net	(6,010,609)	(854,480)
Inventories	4,946,352	(13,686,797)
Prepaid expenses	(973,006)	(5,264)
Other assets	(13,220)	(348,548)
Increase (decrease) in liabilities:		
Accounts payable	2,293,452	3,214,162
Accrued expenses and other liabilities	36,921	(390,632)
Deferred revenue	(5,319,936)	12,661,461
Operating lease liabilities	(11,683,404)	(5,764,052)
Net Cash (Used in) Provided by Operating Activities	(108,349)	6,564,754
Cash Flows From Investing Activities:		
Purchases of investments	(1,853,697)	(3,261,985)
Sale of investments	1,816,043	2,924,240
Purchases of property and equipment	(1,751,411)	(1,855,787)
Net Cash Used in Investing Activities	(1,789,065)	(2,193,532)
Cash Flows From Financing Activities:		
Proceeds from long-term debt and line of credit	22,406,001	18,822,828
Payments on long-term debt and line of credit	(22,361,410)	(22,899,588)
Payments on obligations under finance leases	(261,311)	(137,846)
Net Cash Used in Financing Activities	(216,720)	(4,214,606)
Net (Decrease) Increase In Cash And Cash Equivalents	(2,114,134)	156,616
Cash And Cash Equivalents - Beginning of Year	9,278,425	9,121,809
Cash And Cash Equivalents - End of Year	\$ 7,164,291	\$ 9,278,425

See accompanying independent auditor's report and notes to consolidated financial statements.

Goodwill Industries of South Florida, Inc. and Subsidiary

Consolidated Statements of Cash Flows

<i>Years ended December 31,</i>	2023	2022
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Supplemental Disclosure of Cash Flow Information:

Cash paid for interest	\$ 599,007	\$ 314,707
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Supplemental Disclosure Of Non-Cash Activity:

Right-of-use assets acquired under operating leases	\$ 7,138,392	\$ 57,829,755
Lease liabilities acquired under operating leases	\$ (7,138,392)	\$ (62,332,794)
Deferred rent liability adjustment	\$ -	\$ 4,503,039
Right-of-use assets acquired under finance leases	\$ 39,121	\$ 640,509
Lease liabilities acquired under finance leases	\$ (39,121)	\$ (640,509)
Vehicles acquired through notes payable	\$ 115,124	\$ -

See accompanying independent auditor's report and notes to consolidated financial statements.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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

Thrift - Goodwill operates thrift stores and donation centers across Broward and Miami-Dade counties with more than 1,200 people in 35 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 900 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 24 million pounds of linen for a number of hospitals per year and employ 150 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

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 Accounting and 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, 2023 and 2022.

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.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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.

Realized gains and losses are reported at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold. Unrealized gains and losses are reported for the change in fair value between reporting periods. Interest and dividend income is reported when earned. Investment income (loss) is reported net of investment fees which are recorded when incurred.

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. Goodwill recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and is based on our expectation.

Assets are written off when Goodwill determine that such financial assets are deemed uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date. Goodwill evaluates receivables based on similar risk characteristics in estimating expected credit losses. Based on management's analysis, the allowance for credit losses is \$100,000 as of December 31, 2023 and 2022.

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 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, 2023 and 2022.

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

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, 2023 and 2022.

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 \$5,000 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:

Asset	Life
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, 2023 or 2022.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Leases

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, where the non-lease component is fixed. 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. Variable lease payments that do not depend on an index or a rate are excluded from the measurement of ROU assets and lease liabilities and are recognized in the period in which the event, activity, or circumstance in the lease agreement on which those payments are assessed occur. Variable lease payments related to Goodwill's operating leases include costs such as insurance and common area maintenance and are recognized in operating expenses in the statements of functional expenses in the period in which the obligation for those payments is incurred.

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.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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 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. There were no conditional contributions or promises to give at December 31, 2023 and 2022.

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 non-financial assets are recorded based on the fair value determined by sale of the contributed non-financial assets at stores and online. Refer to Note 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.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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.

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.

Deferred Revenue

As of December 31, 2023 and 2022, deferred revenue associated with revenue from contracts subject to Topic 606 was \$12,125,730 and \$17,445,666, 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

Goodwill manufactures military apparel. Apparel manufacturing revenue consist of products manufactured for a fixed or determinable fee based on contractual terms. Manufacturing revenue is recorded over time using the output method when units are produced. 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 estimate 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 custodial, laundry and other business services. Revenues are recorded as related expenditures are incurred and services are performed over time 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.

Goodwill Industries of South Florida, Inc. and Subsidiary

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Goodwill receives grant funds from various social and governmental agencies. The amounts received under these grants are designated for specific purposes by the granting agencies. For reciprocal arrangements, grant revenue is recognized when the allowable costs as defined by the individual grants are incurred and/or the unit of service has been performed. Goodwill records advances at the start of each grant as a liability. For non-reciprocal arrangements, in which the granting agency has not received a direct benefit in exchange for the resources provided, revenue is only recognized when certain conditions are met such as compliance requirements established by the terms of each agreement. Goodwill records refundable advances when amounts are received in advance to the compliance conditions being met.

Goodwill's reciprocal revenue sources shown in disaggregated form are as follows, for the year ended December 31:

<i>Years ended December 31,</i>	2023	2022
New goods sales, net	\$ 1,389,409	\$ 1,479,370
Apparel manufacturing	51,073,617	43,253,510
Custodial contracts	13,563,007	11,732,353
Business services	10,384,175	9,537,481
Laundry services	13,821,254	15,229,323
Mission services	2,139,540	2,753,089
	\$ 92,371,002	\$ 83,985,126

Functional Allocation of Expenses

The costs of providing services have been allocated on a functional basis among thrift 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. Direct costs for materials and labor used in the apparel manufacturing program are included in "materials and supplies" and "payroll and related costs" in the statement of functional expenses as these expenses are part of the general mission of the organization. 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.

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.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Shipping and Handling Costs

Shipping and handling costs of approximately \$2,555,000 and \$2,255,000 are included in program services within “Postage and freight” in the consolidated statements of functional expenses for the years ended December 31, 2023 and 2022, 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.

Adopted Accounting Pronouncement

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update 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 ASU introduces a new credit loss methodology, Current Expected Credit Losses (“CECL”), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk. On January 1, 2023, Goodwill adopted the guidance prospectively with no significant impact on the consolidated financial statements.

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Reclassification

Certain items in the 2022 consolidated financial statements have been reclassified to conform to the 2023 consolidated financial statements.

3. 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 11).

Goodwill's financial assets available within one year of the consolidated statement of financial position date for general expenditures as of December 31, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 7,164,291	\$ 9,278,425
Accounts and other receivables, net	18,121,533	12,110,924
Investments	5,266,155	4,909,761
Total financial assets	30,551,979	26,299,110
Less: amounts unavailable to management without Board approval		
Designated fund - advancement fund	5,055,107	4,105,769
Quasi-endowment fund	460,000	360,000
Total Board designated	5,515,107	4,465,769
Total financial assets available to management for general expenditures within one year	\$ 25,036,872	\$ 21,833,341

Goodwill has approximately \$22,763,000 and \$27,900,000 of inventory at December 31, 2023 and 2022, 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

4. Accounts and Other Receivables, Net

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

	2023	2022
Federal government	\$ 11,198,507	\$ 7,487,783
State government	938,494	1,026,701
Commercial	6,084,532	3,696,440
	18,221,533	12,210,924
Less allowance for credit losses	(100,000)	(100,000)
	\$ 18,121,533	\$ 12,110,924

There was no credit loss expense for the years ended December 31, 2023 and 2022.

5. 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.

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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, 2023.

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, 2023 and 2022:

Description	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash	\$ 404,550	\$ 404,550	\$ -	\$ -
Equities:				
Consumer	145,638	145,638	-	-
Energy	68,251	68,251	-	-
Financial Services	286,316	286,316	-	-
Healthcare	531,688	531,688	-	-
Industrials	153,675	153,675	-	-
Technology	416,748	416,748	-	-
Utilities	6,640	6,640	-	-
Corporate Bonds	3,252,649	-	3,252,649	-
	\$ 5,266,155	\$ 2,013,506	\$ 3,252,649	\$ -

Goodwill Industries of South Florida, Inc. and Subsidiary

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December 31, 2022				
Description	Total	Level 1	Level 2	Level 3
Assets:				
Cash	\$ 117,707	\$ 117,707	\$ -	\$ -
Equities:				
Communication Services	105,030	105,030	-	-
Consumer	220,133	220,133	-	-
Energy	108,287	108,287	-	-
Financial Services	247,640	247,640	-	-
Healthcare	545,826	545,826	-	-
Industrials	59,925	59,925	-	-
Technology	343,277	343,277	-	-
Utilities	8,898	8,898	-	-
Corporate Bonds	3,153,038	-	3,153,038	-
	\$ 4,909,761	\$ 1,756,723	\$ 3,153,038	\$ -

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.

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

	2023	2022
Dividend and interest	\$ 78,623	\$ 53,813
Net realized and unrealized gain (loss)	323,990	(663,230)
Investment fees	(5,251)	(11,331)
	\$ 397,362	\$ (620,748)

Goodwill Industries of South Florida, Inc. and Subsidiary

Notes to Consolidated Financial Statements

6. Inventories, Net

Inventories, net consist of the following at December 31:

	2023	2022
Raw materials	\$ 4,107,853	\$ 2,521,298
Work-in-progress	1,678,535	521,052
Finished goods	11,689,057	19,826,802
Supplies	52,951	44,020
Apparel manufacturing	17,528,396	22,913,172
Donated goods	4,361,147	4,522,317
New goods	723,872	285,448
Linen	250,000	250,000
	22,863,415	27,970,937
Inventory reserve	(100,000)	(100,000)
	\$ 22,763,415	\$ 27,870,937

7. Other Assets

Other assets consist of the following at December 31:

	2023	2022
Security deposits	\$ 230,702	\$ 230,702
Note receivable	271,610	258,390
Split-dollar insurance plan	550,000	550,000
	\$ 1,052,312	\$ 1,039,092

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, 2023 and 2022. 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, 2023 and 2022 was \$1,393,538 and \$1,164,696, respectively.

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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.

8. 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. Goodwill recorded \$139,200 in amortization expense for each of the years ended December 31, 2023 and 2022.

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

	2023	2022
Goodwill	\$ 1,392,000	\$ 1,392,000
Accumulated amortization	(417,600)	(278,400)
	\$ 974,400	\$ 1,113,600

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9. Property and Equipment, Net

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

	2023	2022
Land	\$ 4,582,013	\$ 4,582,013
Buildings and improvements	30,259,064	29,742,488
Equipment	40,399,510	39,228,539
Leasehold improvements	7,234,889	7,055,902
Other improvements	395,276	395,276
	82,870,752	81,004,218
Less accumulated depreciation and amortization	(47,852,791)	(45,530,904)
	\$ 35,017,961	\$ 35,473,314

Total depreciation and amortization expense of property and equipment for the years ended December 31, 2023 and 2022 was approximately \$2,322,000 and \$2,242,000, respectively.

10. Accrued Expenses and Other Liabilities

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

	2023	2022
Accrued payroll	\$ 1,718,018	\$ 1,609,696
Reserve for worker's compensation (Note 21)	986,325	970,656
Sales tax payable	471,168	443,637
Retirement plan employer match (Note 20)	724,681	740,840
Deferred compensation (Note 22)	248,085	172,811
Other liabilities	808,485	982,201
	\$ 4,956,762	\$ 4,919,841

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11. Long-Term Debt and Line of Credit

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

	2023	2022
Revolving line-of-credit with maximum borrowings of \$6,000,000 with a balloon payment due September 22, 2025, with interest due monthly. Interest rate is based on the Wall Street Journal Prime Rate plus 0.5% (9% at December 31, 2023). The line is collateralized by accounts receivable and inventory.	\$ 1,300,380	\$ -
Promissory note (new market tax credit financing - A Loan), with interest due monthly at 3% plus SOFR (8.36% and 7.32% as of December 31, 2022), maturing on June 30, 2025. The note is collateralized by specific laundry related property.	2,627,822	2,818,975
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 9). The interest rate was 7.56% and 4.29% at December 31, 2023 and 2022, respectively (See Note 12 for further discussion of bond transactions).	5,974,032	6,881,141
Various vehicle notes with maturity dates from July 31, 2027 to October 10, 2029. Interest rates range from 6.6% to 22.49%.	107,597	-
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. The loan was paid in full on February 6, 2023.	-	150,000
	\$ 10,009,831	\$ 9,850,116

The future minimum principal payments under long-term debt as of December 31, 2023 are as follows:

Years ending December 31,

2024	\$ 3,394,335
2025	1,945,990
2026	1,472,164
2027	992,502
2028	998,600
Thereafter	1,206,240
	\$ 10,009,831

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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, 2023.

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 \$5,974,032 and \$6,881,141, respectively, as of December 31, 2023 and 2022 (Note 11). Both series have a variable interest rate equal to 69% of one-month LIBOR plus 2.10% which was 7.56% and 4.29% at December 31, 2023 and 2022, 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

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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 \$733,714 and \$527,985 for the years ended December 31, 2023 and 2022, respectively, and is included in "Occupancy" in the statement of functional expenses.

The components of total lease cost associated with the Goodwill's leases are as follows:

<i>Years Ended December 31,</i>	2023	2022
Operating fixed lease expense	\$ 12,530,397	\$ 11,805,651
Variable lease expense	4,405,206	5,230,211
Total operating lease expense (a)	\$ 16,935,603	\$ 17,035,862
Amortization of right-of-use assets (b)	\$ 263,155	\$ 142,425
Interest on lease liabilities	15,560	8,109
Total finance lease expense	\$ 278,715	\$ 150,534

(a) Expenses are classified within occupancy expenses in the statements of functional expenses.

(b) Expenses are classified within depreciation and amortization expenses in the statements of functional expenses.

The following includes supplemental information related to the Goodwill's leases:

<i>December 31,</i>	2023	2022
Right-of-use assets acquired under operating leases	\$ 7,138,392	\$ 62,973,303
Right-of-use assets acquired under finance leases	\$ 39,121	\$ 640,509
Deferred rent adjustment	\$ -	\$ 4,503,039
Cash paid for amounts included in the measurement of lease liabilities:		
Net cash flows for operating activities	\$ 12,857,072	\$ 11,948,622
Net cash flows from finance leases	276,871	145,955
Weighted average remaining lease term - operating	5.3 years	6.1 years
Weighted average remaining lease term - finance	1.6 years	2.2 years
Weighted average discount rate - operating	1.89%	1.76%
Weighted average discount rate - finance	3.84%	3.84%

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Aggregate remaining maturities of lease liabilities as of December 31, 2023, are as follows:

<i>Years ending December, 31</i>	Operating	Finance
2024	\$ 12,923,225	\$ 186,089
2025	11,503,531	89,866
2026	10,340,261	9,806
2027	7,483,836	3,269
2028	5,226,430	-
Thereafter	7,426,763	-
Total lease payments	54,904,046	289,030
Minus: Imputed interest	(2,742,495)	(8,532)
Total	\$ 52,161,551	\$ 280,498

14. Net Assets

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

<i>Years ended December 31,</i>	2023	2022
Undesignated	\$ 41,444,465	\$ 39,809,690
Board designated funds:		
Designated fund	5,055,107	4,105,769
Quasi-endowment fund	460,000	360,000
Total Board designated	5,515,107	4,465,769
	\$ 46,959,572	\$ 44,275,459

Net assets without donor restrictions are used to support the operating activities of Goodwill. Of these funds, the Board of Directors designated \$5,515,107 and \$4,465,769 at December 31, 2023 and 2022, respectively, for the following:

<i>Undesignated:</i>	Operating assets used to cover administrative costs and support services.
<i>Designated:</i>	Goodwill advancement fund - a designated fund to advance the long-term mission of Goodwill and specific initiatives.
<i>Quasi-endowment:</i>	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.

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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, 2023 and 2022, 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.

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

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Summary of endowment net assets at December 31, 2023:

	Without Donor Restrictions
Board designated	\$ 460,000
Total endowment net assets	\$ 460,000

Changes in endowment net assets for the year ended December 31, 2023:

	Without Donor Restrictions
Endowment net assets, beginning	\$ 360,000
Contributions	100,000
Endowment net assets, ending	\$ 460,000

Summary of endowment net assets at December 31, 2022:

	Without Donor Restrictions
Board designated	\$ 360,000
Total endowment net assets	\$ 360,000

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

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

Summary of endowment assets at December 31:

	2023	2022
Cash	\$ 460,000	\$ 360,000
Total endowment assets	\$ 460,000	\$ 360,000

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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.

17. Paycheck Protection Program ("PPP")

On April 24, 2021, Goodwill was approved for a PPP loan in the amount of \$8,700,000. 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. During the year ended December 31, 2022, Goodwill was approved for full loan forgiveness and recorded a gain in the statement of activities.

18. Mission Services Revenue

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

<i>Years ended December 31,</i>	2023	2022
Federal and State contracts	\$ 1,353,390	\$ 1,746,193
Miami-Dade and Broward County Public Schools	-	23,251
Miami-Dade and Broward County general contracts	89,359	204,562
Other	696,791	779,083
	\$ 2,139,540	\$ 2,753,089

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19. Contributions of Nonfinancial Assets

Contributed nonfinancial assets during the years ended December 31, 2023 and 2022 were as follows:

Nonfinancial Asset	Revenue Recognized in the years ended		Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques/Inputs
	December 31, 2023	December 31, 2022			
Apparel & commodities	\$ 82,980,185	\$ 77,897,729	Donated goods program	None	Based on estimated fair value determined by the actual sales price

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.

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, 2023 and 2022 was \$724,681 and \$740,840, 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, 2023 and 2022, the reserve for workers' compensation was \$986,325 and \$970,656, respectively, and is included in "Accrued expenses and other liabilities" in the consolidated statements of financial position. For the years ended December 31, 2023 and 2022, worker's compensation expense was approximately \$1,179,000 and \$2,210,000, 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, 2023 and 2022 totaled \$248,085 and \$172,811, respectively, and are included in "Accrued expenses and other liabilities" in the consolidated statements of financial position. The plan assets are held as cash.

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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.

Grants

Goodwill may be vulnerable to loss of funding from various agencies. In addition, the receipt of governmental funding is subject to audit by such agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

Purchase Commitments

As a result of manufacturing contracts entered into during the year ended December 31, 2023, Goodwill entered into various inventory purchase commitments with vendors totaling approximately \$6,059,000 as of December 31, 2023.

24. Risks and Uncertainties

Financial instruments, which potentially subject Goodwill to concentrations of credit risk, consist primarily of cash and cash equivalents and investments. The majority of the Goodwill's cash balance is in non-interest-bearing accounts which are insured by the Federal Deposit Insurance Corporation up to \$250,000. 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. As of December 31, 2023 and 2022, cash and cash equivalents above the insured limit was \$6,080,888 and \$7,748,658 respectively.

Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. Goodwill continually reviews its investment portfolios to monitor these risks.

Goodwill is exposed to various risks of losses related to tort; theft of damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Goodwill has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs.

Concentration of credit risk with respect to receivables is limited to the customers throughout South Florida as well as federal and state agencies. Goodwill does not anticipate material losses in the near future.

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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 \$42,068,000 or 92% and approximately \$36,852,000 or 85% of total apparel manufacturing during the years ended December 31, 2023 and 2022, respectively. Additionally, the amounts due from DSCP and Natick for the production of military apparel accounted for approximately 25% and approximately 49% of the total manufacturing accounts receivable balance of approximately \$3,194,000 and \$3,514,000 at December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, two and three customers represented approximately 89% and 97% of revenues generated from laundry services, respectively.

25. Subsequent Events

Goodwill evaluated events and transactions occurring subsequent to December 31, 2023 as of June 5, 2024, which is the date the consolidated financial statements were able to be issued. Subsequent events occurring after June 5, 2024 have not been evaluated by management. No material events have occurred since December 31, 2023 that require recognition or disclosure in the consolidated financial statements.