



Goodwill Industries of Southwest Florida, Inc.

Financial Statements Years Ended December 31, 2022 and 2021

Goodwill Industries of Southwest Florida, Inc.

Financial Statements
Years Ended December 31, 2022 and 2021

Goodwill Industries of Southwest Florida, Inc.

Contents

Independent Auditor's Report	3 - 4
Financial Statements	
Statements of Financial Position as of December 31, 2022 and 2021	6 - 7
Statements of Activities for the Years Ended December 31, 2022 and 2021	8
Statements of Functional Expenses for the Years Ended December 31, 2022 and 2021	9 - 10
Statements of Cash Flows for the Years Ended December 31, 2022 and 2021	11 - 12
Notes to Financial Statements	13 - 38



Independent Auditor's Report

To the Board of Directors
Goodwill Industries of Southwest Florida, Inc.
Fort Myers, Florida

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

June 28, 2023

Financial Statements

Goodwill Industries of Southwest Florida, Inc.

Statements of Financial Position

<i>December 31,</i>	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,675,290	\$ 6,240,862
Investments	3,062,637	3,647,864
Certificates of deposit	1,274,392	272,534
Accounts and other receivables, net	1,292,260	289,204
Inventories - Purchased goods	1,368,078	1,198,841
Inventories - Donated goods	6,369,963	6,341,498
Prepaid expenses and other assets	788,989	1,203,626
Total Current Assets	20,831,609	19,194,429
Property and Equipment, Net	28,956,009	25,442,629
Properties Held for Sale	850,000	3,100,000
Operating Lease Right-of-Use Assets, Net	45,801,033	-
Deposits and Other Assets	472,304	491,437
Total Assets	\$ 96,910,955	\$ 48,228,495

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

Goodwill Industries of Southwest Florida, Inc.

Statements of Financial Position

<i>December 31,</i>	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,803,191	\$ 831,305
Accrued expenses	3,146,481	2,112,678
Deferred rent obligation, current portion	-	15,681
Deferred lease allowances, current portion	-	154,272
Long-term debt, current portion	347,787	336,630
Operating lease liabilities, current portion	4,540,449	-
Finance lease liabilities, current portion	10,863	35,636
Total Current Liabilities	9,848,771	3,486,202
Security Deposits	3,000	12,943
Deferred Rent Obligation	-	813,517
Deferred Lease Allowances	-	1,233,023
Long-Term Debt , net of current portion (net of debt issuance costs of \$35,274 and \$38,234)	4,641,811	4,986,639
Operating Lease Liabilities , net of current portion	43,114,498	-
Finance Lease Liabilities , net of current portion	26,157	37,434
Total Liabilities	57,634,237	10,569,758
Commitments and Contingencies (Note 13)		
Net Assets		
Without donor restrictions	39,276,718	37,658,737
Total Net Assets	39,276,718	37,658,737
Total Liabilities and Net Assets	\$ 96,910,955	\$ 48,228,495

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

Goodwill Industries of Southwest Florida, Inc.

Statements of Activities

<i>Years ended December 31,</i>	2022	2021
Revenues And Public Support:		
Contributions:		
Sales - donated goods	\$ 41,134,535	\$ 37,456,947
Grant and contract income	1,629,694	1,737,102
Public support	1,347,856	821,574
Sales - salvaged and recycled goods	2,340,687	1,623,646
Total Contributions	46,452,772	41,639,269
Sales - purchased goods	5,369,749	4,993,836
Rental and other income	1,369,177	1,442,470
(Loss) gain on disposal of property and equipment, net	(316,685)	192,708
Investment (loss) income, net	(544,140)	358,518
Total Revenues and Public Support	52,330,873	48,626,801
Expenses		
Program services	48,376,319	41,780,639
Management and general	3,432,467	3,365,903
Fundraising	440,099	198,507
Total Expenses	52,248,885	45,345,049
Change in Net Assets before impairment loss on properties held for sale and other income	81,988	3,281,752
Gain from insurance proceeds, net	1,762,251	-
Impairment loss on properties held for sale	(226,258)	(364,801)
Change In Net Assets	1,617,981	2,916,951
Net Assets, beginning of year	37,658,737	34,741,786
Net Assets, end of year	\$ 39,276,718	\$ 37,658,737

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

Goodwill Industries of Southwest Florida, Inc.

Statements of Functional Expenses

<i>Year ended December 31, 2022</i>									
	Program Services					Supporting Services			
	Thrift	Salvage and Recycling	Contract Services	Training and Employment	Maintenance	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and Benefits									
Salaries	\$ 21,054,685	\$ 669,152	\$ 795,953	\$ 1,851,789	\$ 241,967	\$ 24,613,546	\$ 2,183,355	\$ 145,709	\$ 26,942,610
Employee benefits & payroll taxes	1,418,335	44,347	52,995	124,996	16,092	1,656,765	176,912	-	1,833,677
Total Salaries and Benefits	22,473,020	713,499	848,948	1,976,785	258,059	26,270,311	2,360,267	145,709	28,776,287
Operating Expenses									
Events	-	-	-	-	-	-	-	263,532	263,532
Occupancy	8,522,441	15,834	-	232,687	224,075	8,995,037	143,670	-	9,138,707
Supplies	3,833,956	491,035	40,581	60,477	6,640	4,432,689	28,426	2,740	4,463,855
Vehicle and fleet	1,822,643	19,516	25,757	25,996	6,331	1,900,243	4,600	1,090	1,905,933
Professional fees	1,246,399	-	-	51,876	16,666	1,314,941	295,476	99	1,610,516
Other	47,755	-	-	-	-	47,755	6,825	1,018	55,598
Telephone and communication	190,564	2,956	6,459	41,283	3,296	244,558	37,204	626	282,388
Equipment rental and maintenance	696,784	19,885	8,931	156,416	15,172	897,188	96,236	318	993,742
Dues	182	-	-	589	-	771	191,215	1,068	193,054
Printing and advertising	129,127	-	-	918	50	130,095	22,267	4,584	156,946
Conference and meetings	12,567	-	-	3,503	-	16,070	5,454	1,059	22,583
Interest	169,142	-	-	-	-	169,142	975	-	170,117
Interest - amortization of debt issuance costs	2,901	-	-	-	-	2,901	59	-	2,960
Insurance	647,262	80,304	80,304	20,076	16,440	844,386	21,618	-	866,004
Postage	578,487	-	-	1,080	-	579,567	2,724	149	582,440
Specific assistance	-	-	-	776,353	-	776,353	5,340	18,107	799,800
Depreciation and amortization	1,514,702	80,694	12,981	97,835	48,100	1,754,312	210,111	-	1,964,423
Total Expenses	\$ 41,887,932	\$ 1,423,723	\$ 1,023,961	\$ 3,445,874	\$ 594,829	\$ 48,376,319	\$ 3,432,467	\$ 440,099	\$ 52,248,885

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

Goodwill Industries of Southwest Florida, Inc.

Statements of Functional Expenses

<i>Year ended December 31, 2021</i>									
	Program Services					Supporting Services			
	Thrift	Salvage and Recycling	Contract Services	Training and Employment	Maintenance	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and Benefits									
Salaries	\$ 15,780,173	\$ 535,478	\$ 653,975	\$ 1,700,533	\$ 196,708	\$ 18,866,867	\$ 1,944,977	\$ 90,703	\$ 20,902,547
Employee benefits & payroll taxes	2,853,637	96,833	116,957	312,988	34,481	3,414,896	277,807	12,610	3,705,313
Total Salaries and Benefits	18,633,810	632,311	770,932	2,013,521	231,189	22,281,763	2,222,784	103,313	24,607,860
Operating Expenses									
Events	-	-	-	-	-	-	-	71,832	71,832
Occupancy	6,865,763	16,779	-	186,476	97,987	7,167,005	36,691	-	7,203,696
Supplies	3,701,895	279,943	44,046	45,981	636	4,072,501	14,517	191	4,087,209
Vehicle and fleet	1,598,785	25,265	25,977	29,372	7,647	1,687,046	18,317	-	1,705,363
Professional fees	1,129,773	-	-	65,941	35,370	1,231,084	303,297	6,539	1,540,920
Other	48,485	-	-	-	-	48,485	7,860	-	56,345
Telephone and communication	353,854	4,162	9,483	50,251	4,282	422,032	76,547	45	498,624
Equipment rental and maintenance	986,697	29,173	3,132	218,348	179,081	1,416,431	227,413	129	1,643,973
Dues	-	-	-	454	-	454	197,266	625	198,345
Printing and advertising	162,114	-	-	3,397	-	165,511	13,750	542	179,803
Conference and meetings	1,221	-	-	493	-	1,714	6,361	796	8,871
Interest	187,451	-	-	-	-	187,451	331	-	187,782
Interest - amortization of debt issuance costs	2,914	-	-	-	-	2,914	45	-	2,959
Insurance	534,771	66,808	66,808	13,362	14,513	696,262	17,708	-	713,970
Postage	540,979	-	-	1,624	-	542,603	3,063	250	545,916
Specific assistance	-	-	-	298,173	-	298,173	3,570	14,245	315,988
Depreciation and amortization	1,262,561	87,733	19,516	129,273	60,127	1,559,210	216,383	-	1,775,593
Total Expenses	\$ 36,011,073	\$ 1,142,174	\$ 939,894	\$ 3,056,666	\$ 630,832	\$ 41,780,639	\$ 3,365,903	\$ 198,507	\$ 45,345,049

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

Goodwill Industries of Southwest Florida, Inc.
Statements of Cash Flows

<i>Years ended December 31,</i>	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 1,617,981	\$ 2,916,951
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,964,423	1,775,593
Amortization of debt issuance costs	2,960	2,959
Bad debt expense	-	402
Loss (gain) from disposal of property and equipment	316,685	(217,708)
Loss on disposal of property held for sale	-	25,000
Impairment loss on properties held for sale	226,258	364,801
Net realized and unrealized loss (gains) on investments	623,355	(283,651)
Gain from insurance proceeds, net	(1,762,251)	-
Insurance proceeds received for bussiness interruption	465,475	-
Change in non-cash contributed inventories	(28,465)	(644,353)
Amortization of deferred lease allowances	(154,272)	(70,445)
Deferred rent obligations	(333,154)	268,859
Non-cash lease expense	4,417,245	-
(Increase) decrease in:		
Accounts and other receivables	(1,003,056)	436,226
Inventories	(169,237)	(285,506)
Prepaid expenses and deposits and other assets	433,770	(440,712)
Increase (decrease) in:		
Accounts payable	971,886	(290,853)
Accrued expenses	1,033,803	501,945
Security deposits	(9,943)	3,000
Operating lease liabilities	(4,306,648)	-
Total Adjustments	2,688,834	1,145,557
Net Cash Provided by Operating Activities	4,306,815	4,062,508

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

Goodwill Industries of Southwest Florida, Inc.
Statements of Cash Flows

<i>Years ended December 31,</i>	2022	2021
Cash Flows From Investing Activities		
Purchases of property and equipment	(8,192,756)	(4,404,645)
Proceeds received on sale of property and equipment	57,626	2,778,550
Proceeds received on sale of properties held for sale	2,861,086	275,000
Insurance proceeds received for property damage	2,814,324	-
Purchases of investments	(1,641,684)	-
Purchases of certificates of deposit	(1,001,858)	-
Sales of investments	1,603,556	464,182
Net Cash Used in Investing Activities	(3,499,706)	(886,913)
Cash Flows From Financing Activities		
Repayments of long-term debt	(336,631)	(325,831)
Repayments of finance lease liabilities	(36,050)	(20,787)
Cash received for deferred lease allowances	-	1,374,014
Net Cash (Used in) Provided by Financing Activities	(372,681)	1,027,396
Net Increase in Cash and Cash Equivalents	434,428	4,202,991
Cash and Cash Equivalents, Beginning of Year	6,240,862	2,037,871
Cash and Cash Equivalents, End of Year	\$ 6,675,290	\$ 6,240,862
Supplementary Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 170,117	\$ 187,782
Supplemental Disclosures of Non-Cash Investing Activities:		
Right-of-use assets acquired under operating leases		
upon adoption of ASC 842 on January 1, 2022	\$ 49,535,947	\$ -
Right-of-use assets acquired under operating leases	\$ 657,274	\$ -
Lease liabilities acquired under operating leases	\$ (51,320,060)	\$ -
Lease liabilities acquired under operating leases		
upon adoption of ASC 842 on January 1, 2022	\$ (641,535)	\$ -
Property transferred to City of Fort Myers	\$ (286,221)	\$ -
Supplemental Disclosures of Non-Cash Financing Activities:		
Right-of-use assets acquired under finance leases	\$ 39,307	\$ -
Lease liabilities acquired under finance leases	\$ (56,327)	\$ -

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

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

Goodwill Industries of Southwest Florida, Inc. (the Organization) is a private, nonprofit organization that is committed to serving people with disabilities and disadvantages by offering opportunities to achieve independence. The Organization is a member of Goodwill Industries International.

Description of Programs

Thrift: The Organization operates thrift stores and donation centers in the local five-county area which involves the collection, processing and sale of donated goods and a limited amount of new goods. The Organization also participates in Shopgoodwill.com, an online auction site which generates proceeds for the Organization's mission. The thrift operation serves as means of providing jobs and training, as well as assistance and affordable goods to the local area's families and children.

Salvage and Recycling: Textiles, books, shoes, accessories, and housewares that do not sell in the thrift program are salvaged. Additionally, items such as metal, cardboard, plastics, and aluminum received or consumed through the thrift program are recycled. The Organization also offers a secure information technology asset disposal and electronics recycling services. The salvage and recycling operations provide jobs and job training for people with disabilities and other disadvantages as well as a means of salvaging and shipping clothing to those in need in other countries.

Contract Services: Contract services primarily consists of a janitorial service operation which supports the mission of providing jobs for people with disabilities and other disadvantages.

Training and Employment: The Organization provides several training and employment programs to people with disabilities or other disadvantages. The programs provide education, training, placement and other vocational support for the target populations.

Maintenance: Primarily consists of the Organization's maintenance department which provides general maintenance and pressure washing services to third parties and to the Organization itself. The program supports the mission of providing jobs for people with disabilities and other disadvantages.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing activities and investment (loss) income, net earned on investments. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 without donor restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the Organization, the environment in which the Organization operates, and the purposes specified in the Organization's articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature. There were no net assets with donor restrictions at December 31, 2022 and 2021.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences may be material.

Cash and Cash Equivalents

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

Investments

The investment policy of the Organization permits management to invest excess cash. Investments in stocks, mutual funds and electronically traded funds (ETFs) are reported at their fair values. See NOTE 8 for the discussion of fair value measurements.

Realized and unrealized gains and losses on investments and restricted investments are reflected in the statements of activities within "Investment income, net." 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

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

between reporting periods. Interest and dividend income is reported when earned. Investment income (loss) that is limited to specific uses by donor restrictions is reported as increases (decreases) in net assets without donor restrictions if the restrictions are met in the same reporting period as the income (loss) is recognized. Investment income is reported net of investment fees which are recorded when incurred.

Certificates of Deposit

The Organization holds various certificates of deposit within various financial institutions. The certificates of deposit yield various rates and are reflected within current assets as of December 31, 2022 and 2021 on the statements of financial position. Interest income earned on the certificates of deposit totaled approximately \$2,000 for the years ended December 31, 2022 and 2021, and are reflected within Investment (loss) income, net on the accompanying statements of activities.

Accounts and Other Receivables, Net

Accounts and other receivables, net is carried at original invoice amount less an estimate made for doubtful accounts. The allowance for doubtful accounts is based on, among other things, the Organization's past collection experience, third-party contracts, and the impact of changes in the current economic conditions. Accounts and other receivables are considered delinquent when payments have not been received in accordance with the contractual terms. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted. There was no bad debt expense for the year ended December 31, 2022. Bad debt expense was approximately \$400 for the year ended December 31, 2021. As of December 31, 2022 and 2021, the Organization had an allowance for doubtful accounts of approximately \$2,000.

Inventories

Inventories consist of merchandise purchased and contributed goods. Merchandise purchased is stated at the lower of cost or net realizable value and totaled \$1,368,078 and \$1,198,841 at December 31, 2022 and 2021, respectively. The Organization receives contributions of goods and materials (inventories) and converts these contributions into merchandise available for sale in its retail thrift stores. Accounting standards require that contributions be recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of benefits received. These contributions are measured at fair value. At December 31, 2022 and 2021, inventory of donated goods was \$6,369,963 and \$6,341,498, respectively.

The Organization believes that the inventory of donated goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value at the time of the donation. Instead, the value of inventory at the end of the year is estimated using historical sales of similar inventory. Inventory balances recorded at year-end are comprised mostly of goods donated to the Organization for resale through its thrift stores. The Organization considers the costs (store expenses, processing, transportation, and retail management) associated with bringing the donated inventory to sale in its estimate of the fair value of the inventory.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The estimate of the inventory value of donated goods and material in its retail stores is based on a 12-month rolling average of retail sales less cost of sales multiplied by the estimated shelf life of inventory on hand at December 31, 2022 and 2021.

The Organization estimates the value of donated goods and materials held in its warehouses by using the average value of a contribution made based on historical sales of similar inventory. The Organization believes that this method accurately reflects the value of such inventory due to the buildup of this inventory and the length of time from date of contribution to the date the goods and materials are placed in the retail stores.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist primarily of prepaid expenses which represent amounts paid in advance that benefit future periods which include insurances, rent, sales tax and services.

Property and Equipment, Net

Property and equipment is recorded at cost at the date of purchase, or, if donated, at the estimated fair value on the date of donation. Property and equipment is depreciated and amortized using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years. The Organization's policy is to capitalize property and equipment with a cost of \$1,500 or more and a useful life greater than one year. Expenditures for routine maintenance and repairs are expensed as incurred. When assets are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation and amortization amounts are removed from the accounts, and any gain or loss is included in the change in net assets.

Properties Held for Sale

Properties that are expected to be sold within the next twelve months and meet the other relevant held for sale criteria are classified as properties held for sale and are reported at the lower of their carrying value or fair market value (NOTE 4). An impairment loss is recorded for properties held for sale when the carrying amount of the asset exceeds its fair value less cost to sell. Properties held for sale are not depreciated while classified as held for sale.

Long-Lived Assets

The Organization 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. Approximately \$1,481,000 of impairments of long-lived assets were recorded during the year ended December 31, 2022 which are included within the caption "Gain on insurance proceeds, net" on the statements of activities (NOTE 4). No write-downs for impairment of long-lived assets were recorded during the year ended December 31, 2021, except for the impairment of the property-held-for-sale discussed in the previous footnote.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Deposits and Other Assets

Deposits and other assets consist primarily of utility and leased rent deposits paid for utility services and in accordance with lease agreements.

Debt Issuance Costs, Net

The Organization amortizes costs incurred in obtaining debt financing over the term of the related debt instruments on a straight-line basis which is not materially different to the effective interest method. Costs related to the Organization's long-term debt issuances (NOTE 6) amounted to approximately \$44,000 as of December 31, 2022 and 2021. Amortization expense was approximately \$3,000, for the years ended December 31, 2022 and 2021, respectively, and is included within the caption "Interest - amortization of debt issuance costs" in the accompanying statements of functional expenses.

The balance of unamortized debt issuances costs as of December 31, 2022 and 2021 was approximately \$35,000 and \$38,000, respectively. These debt issuance costs are netted against the long-term portion of debt in the accompanying statements of financial position.

Deferred Rent Obligation

The Organization recognizes rent expense for land, office space and retail space on a straight-line basis when the leases contain predetermined, fixed escalations of the minimum rentals.

The difference between rent expense and the rental amount payable under the leases is recorded as a liability and is reported under the caption "Deferred rent obligation" in the accompanying statements of financial position. As of December 31, 2021, the Organization had approximately \$829,000 of accrued rent expense related to this difference. The transition to Accounting Standards Codification ("ASC") 842 resulted in the elimination of the deferred rent obligation balance as of December 31, 2022.

Deferred Lease Allowances

The Organization defers lease incentives received for construction buildouts for its store locations. The deferred lease incentives are then recognized on a straight-line basis over the term of the leases. As of December 31, 2021, the Organization had approximately \$1,387,000 of deferred lease allowances. The transition to ASC 842 resulted in the elimination of the deferred lease allowances balance as of December 31, 2022.

Taxes Collected from Customers and Remitted to Governmental Authorities

The Organization 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 the Organization acts as a collection agent for a taxing authority by collecting taxes that are the responsibility of the customer, the Organization 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 Southwest Florida, Inc.

Notes to Financial Statements

Revenue Recognition

Donations and Contributed Goods and Services

Generally, contributions are received in the form of goods such as clothing, household furnishings, appliances, and vehicles. The items are sorted, processed, and distributed to the Organization's thrift stores. Items which cannot be retailed or reconditioned are sold as salvage. Collection, sorting, processing, renovation and distribution costs are charged to operations as incurred.

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fundraising campaigns and management. These do not meet the criteria of specialized skills for financial statement recognition.

Contribution Revenue and Unconditional Promises to Give

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 the Organization 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. The Organization 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 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.

The Organization 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, 2022 and 2021.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Grants

The Organization 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. The Organization 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. The Organization records refundable advances when amounts are received in advance to the compliance conditions being met. Grants receivables at year-end represent expenditures and/or units of service performed, which have not yet been reimbursed by the granting agency.

Exchange Transactions

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

The Organization 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 the Organization and the customers participating in the Organization's programs or using their services.

The following is a discussion of key revenues streams within the scope of Topic 606. The Organization provides services to customers which have related performance obligations that the Organization completes in order to recognize revenue. The Organization's revenues are generally recognized either immediately upon the completion of the service or over time as the Organization performs the services. Any services performed over time generally require that the Organization render services each period and therefore the Organization measure progress in completing these services based upon the passage of time. The major exchange transaction revenue streams are sales of new goods, donated goods, salvaged and recycled goods and contracted services. 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.

Purchased Goods Sales - Purchased goods sales consist of sales of purchased goods 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. The Organization offers upfront sales discounts, which are recognized at the point of sale. Sales discounts are netted within the caption "Sales - purchased goods" on the statements of activities.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Donated Goods Sales - Donated goods sales consist of sales of donated 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. The Organization offers upfront sales discounts, which are recognized at the point of sale. Sales discounts are netted within the caption "Sales - donated goods" on the statements of activities.

Salvaged and Recycled Goods Sales - Salvaged and recycled goods sales consist of sales of donated items, which are recorded at the point of sale. Salvaged and recycled goods are sold at a determinable and fixed price per pound through the Organization's outlet locations. The performance obligation is met at a point in time when the customer takes possession of the items after payment has been received.

Contract Services - Contract services are supported by service contracts. Revenues are recorded over time on an output basis as related expenditures are incurred and services are performed under the provisions of the agreements. Contract services income for the years ended December 31, 2022 and 2021 were approximately \$1,212,000 and \$1,217,000, respectively, and are included within the caption "Grant and contract income" on the statements of activities.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses.

The costs of providing services have been allocated on a functional basis among thrift, salvage and recycling, contract services, training and employment, maintenance, 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 and communication are allocated to the program centers based on square footage. Personnel expenses are allocated on the basis of estimated time and effort.

Advertising Costs

Advertising costs for the years ended December 31, 2022 and 2021 were approximately \$142,000 and \$171,000, respectively, and were expensed as incurred and are included within the caption "Printing and advertising" on the statements of functional expenses.

Leases

On January 1, 2022, the Organization 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 ASC Topic 840, Leases.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The Organization enters into lease arrangements primarily for buildings, certain facilities, and office spaces, with various expiration dates. At its inception, the Organization determines whether an arrangement is or contains a lease. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (i) there is an identified asset in the contract that is land or a depreciable asset (i.e., property, plant and equipment), and (ii) the customer has the right to control the use of the identified asset. The Organization recognizes a right-of-use ("ROU") asset and lease liability on the statements of financial position for all leases with a term longer than 12 months, including renewal options reasonably certain to be exercised. ROU assets represent the Organization's right to use an underlying asset for the lease term. Lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are classified and recognized at the commencement date.

ROU lease liabilities are measured based on the present value of fixed lease payments over the lease term, discounted at the appropriate rate. The Organization has made an accounting policy to apply a risk-free rate as the discount rate used to measure lease liabilities and ROU assets at commencement of a lease. ROU assets consist of (i) initial measurement of the lease liability; (ii) lease payments made to the lessor at or before the commencement date less any lease incentives received; and (iii) initial direct costs incurred by the Organization.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

Key estimates and judgements included in the initial measurement of ROU assets and liabilities include (i) the discount rate used to discount the unpaid lease payments to present value, (ii) lease term and (iii) lease payments.

- i. The risk-free discount rate for the lease determined using a period comparable with that of a lease term.
- ii. The lease term for all of the Organization's leases includes the noncancellable period of the lease plus any additional periods covered by either a lessee option to extend (or not to terminate) the lease that the lessee is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.
- iii. Lease payments included in the measurement of the lease asset or liability comprise the following: (i) fixed payments (including in-substance fixed payments), (ii) variable payments that depend on index or rate based on the index or rate at lease commencement, (iii) the exercise price of a lessee option to purchase the underlying asset if the lessee is reasonably certain to exercise, (iv) payments for penalties for terminating the lease if the lessee is reasonably certain to exercise, and (v) amounts probable of being owed under residual value guarantees.

Variable lease payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate) are included in the measurement of ROU assets and lease liabilities using the index or rate at the commencement date. 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

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

payments are assessed occur. Variable lease payments related to the Organization'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.

The Organization 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 operating expenses in the statements of functional expenses.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and sales and use tax under the laws of the State of Florida, except for any taxes which may arise from unrelated business income and from state income taxes under similar provisions of the Florida Statutes. Management believes there is no unrelated business income.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. There were no uncertain tax positions as of December 31, 2022 and 2021.

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

Recent Accounting Pronouncement - Adopted

Leases

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, Leases and issued subsequent amendments to the initial guidance, collectively referred to as "Topic 842". 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 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, the Organization 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.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

In adopting the new guidance, the Organization elected to apply the package of practical expedients permitted under the transition guidance which allows the Organization to not reassess (1) whether any expired or existing contracts contain leases under the new definition of a lease; (2) the lease classification for any expired or existing leases; and (3) whether previously capitalized initial direct costs would qualify for capitalization under ASC 842. The Organization has also elected the following practical expedients: (1) not to assess at transition whether any expired or existing land easements are, or contain, leases if they were not previously accounted for as leases under Topic 840, and (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.

Upon adoption of Topic 842, the Organization recognized ROU assets of approximately \$50,233,000 and corresponding lease liabilities of approximately \$52,018,000 on the statements of financial position related to operating and finance leases where the Organization is the lessee.

Contributed Nonfinancial Assets

In September 2020, the FASB issued an ASU (ASU 2020-07) which 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 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. The adoption of this update did not have a material impact on the Organization's financial statements.

Recent Accounting Pronouncement Not Yet Adopted

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued an ASU (ASU 2016-13) 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. The Organization is currently evaluating the effect the update will have on its financial statements.

Reclassification

Certain items in the 2021 financial statements were reclassified to conform to the 2022 presentation.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

2. Liquidity Management and Availability of Resources

The Organization 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, the Organization monitors and maintains a cash float to cover general operating expenditures as well as establish a strict budget. The Organization also has a line of credit available with borrowing capacity of up to \$1,000,000 which can be used to meet general expenditures within a year (NOTE 7).

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

<i>December 31,</i>	2022	2021
Cash and cash equivalents	\$ 6,675,290	\$ 6,240,862
Investments	3,062,637	3,920,398
Certificates of deposit	1,274,392	272,534
Accounts and other receivables, net	1,292,260	289,204
Total current financial assets	12,304,579	10,722,998
Less: Designated funds unavailable to management without board approval	250,000	250,000
	\$ 12,054,579	\$ 10,472,998

The Organization has approximately \$7,800,000 and \$7,500,000 of inventories at December 31, 2022 and 2021, respectively. Since inventory does not meet the definition of a financial asset, it is excluded from the table above. The Organization expects to sell the inventories and have the proceeds available for its general expenditures within the next year.

3. Investments

The Organization's investments consisted of the following:

<i>December 31,</i>	2022	2021
Stocks	\$ 644,976	\$ 1,002,308
Bonds	1,079,509	969,247
Mutual funds	603,164	1,215,708
Exchange traded funds	734,988	460,601
	\$ 3,062,637	\$ 3,647,864

The Organization classifies its investments as current assets in the accompanying statements of financial position due to the fact that these investments are available to be liquidated in active markets.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The Organization's net investment (loss) income consists of the following:

<i>Years ended December 31,</i>	2022	2021
Dividend and interest income	\$ 95,807	\$ 88,365
Net realized and unrealized (losses) gains	(623,355)	283,651
Investment management fees	(16,592)	(13,498)
	\$ (544,140)	\$ 358,518

4. Property and Equipment, Net and Properties Held For Sale

Property and Equipment, Net

Property and equipment, net consists of the following:

<i>December 31,</i>	2022	2021
Land and land improvements	\$ 12,752,532	\$ 8,159,009
Buildings and improvements	17,292,911	20,772,626
Furniture, fixtures and equipment	7,692,933	8,155,013
Computer hardware and software	223,509	528,434
Vehicles	627,092	525,222
Construction in progress	1,109,885	-
Vehicles under finance leases	39,307	-
	39,738,169	38,140,304
Less: accumulated depreciation and amortization	(10,782,160)	(12,697,675)
	\$ 28,956,009	\$ 25,442,629

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was approximately \$1,964,000 and \$1,776,000, respectively (including amortization expense of approximately \$25,000 and \$29,000 during the years ended December 31, 2022 and 2021, respectively, related to finance leases (NOTE 5)).

There were no commitments relating to the construction in progress as of December 31, 2022. Subsequent to December 31, 2022, the Organization incurred approximately \$143,000 of additional costs towards the completion of the construction build out for a new thrift store location. The assets relating to the construction in process were placed into service in February 2023 when the new thrift store was opened.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Properties Held for Sale

During the year ended December 31, 2020, the Organization entered into a sales agreement with an unrelated third party to sell one of its properties. Ultimately the sales agreement was dissolved. Subsequent to December 31, 2021, the Organization entered into a separate sales agreement with a different unrelated third party to sell the same property. The carrying value of the property held for sale as of the date of the agreement was \$3,464,801 and the agreed upon sales price in the new sales agreement for the property was \$3,100,000. In order to reflect the current agreed upon sales price of the property, the Organization determined that the property held for sale was impaired as of December 31, 2021 and recorded an impairment loss of \$364,801. The property was sold on June 7, 2022 for \$3,100,000.

In January 2023, the Organization entered into a sales agreement with an unrelated third party to sell another one of its properties. The carrying value of the property held for sale as of the date of the agreement was \$1,076,258 and the agreed upon sales price in the sales agreement for the property is \$850,000. In order to reflect the current agreed upon sales price of the property, the Organization determined that the property held for sale was impaired as of December 31, 2022 and recorded an impairment loss of \$226,258. The buyer subsequently terminated the agreement, and the sale did not close. However, the Organization determined that the property held for sale was still impaired as the sales agreement was determined to be the current fair market value of the property based on the initial agreement entered into.

Natural Disaster and Insurance Proceeds

In September 2022, the Organization suffered property damage and business interruption due to Hurricane Ian. As a result, the Organization has been awarded through December 31, 2022, insurance proceeds of approximately \$3,207,000 for property damage, which has been applied against the cost to fund repairs and related expenses to restore the property to its original condition. The Organization has also been awarded approximately \$847,000 for business interruption insurance. The insurance proceeds awarded for property damage and business interruption are included in "Gain on insurance proceeds, net" on the accompanying statements of activities.

Gain on insurance proceeds, net consists of the following for the year ended December 31, 2022:

<i>Year ended December 31,</i>	2022
Gross insurance proceeds	\$ 4,053,097
Repairs and related expenses	(809,554)
Loss on fixed asset impairments and disposals	(1,481,292)
Total related expenses	(2,290,846)
Gain on insurance proceeds, net	\$ 1,762,251

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

At December 31, 2022, the Organization recorded approximately \$773,000 in insurance proceeds receivable which are included within “Accounts and other receivables, net” on the accompanying statements of financial position. As of the date the financial statements were available to be issued, the Organization received \$500,000 of the insurance proceeds receivable subsequent to December 31, 2022 and expects to receive remaining approximately \$273,000.

5. Leases

The Organization leases buildings, certain facilities, office spaces and equipment under noncancelable agreements. The Organization assessed the lease classification of these leases at commencement date and concluded that the leases should be accounted for as operating leases. The Organization also leases vehicles under noncancelable agreements that were classified as finance leases. The leases expire at various dates through 2037, some with renewal options available to the Organization. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. The lease agreements typically provide for base rental rates that increase at defined intervals during the term of the lease.

Statements of financial position information related to the Organization’s leases consisted of the following as of December 31, 2022:

<i>December 31,</i>	<i>Classification</i>	<i>2022</i>
Assets		
Operating lease assets	Operating lease right of use assets, net	\$ 45,801,033
Finance lease assets	Property And Equipment, Net	14,250
Total Lease Assets		\$ 45,815,283
Liabilities		
Current		
Operating	Operating lease liabilities, current portion	\$ 4,540,449
Finance	Finance lease liabilities, current portion	10,863
Long-term		
Operating	Operating lease liabilities, net of current portion	43,114,498
Finance	Finance lease liabilities, net of current portion	26,157
Total Lease Liabilities		\$ 47,691,967

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The components of total lease cost associated with the Organization's leases are as follows for the year ended December 31, 2022:

<i>Year ended December 31,</i>	2022
Operating lease expense (a)	\$ 5,404,487
Finance lease expense (a)	27,614
Variable lease expense (b)	1,237,561
Total Lease Cost	\$ 6,669,662

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

(b) Variable lease costs consist primarily of taxes and common area and is included within operating expenses in the statements of functional expenses

The following includes supplemental information related to the Organization's leases for the year ended December 31, 2022:

<i>Year ended December 31,</i>	2022
Operating lease liabilities arising from obtaining right-of-use assets	\$ 51,961,595
Finance lease liabilities arising from obtaining right-of-use assets	\$ 56,327
Operating cash flows from operating and finance leases	\$ 5,310,530
Financing cash flows from finance leases	\$ 21,865
Weighted-average remaining lease term	11 years
Weighted-average discount rate	2.05%

Maturities of lease liabilities as of December 31, 2022 are as follows:

<i>Years ending December 31,</i>	Amount
2023	\$ 5,472,866
2024	5,399,259
2025	5,290,433
2026	5,058,958
2027	4,463,722
Thereafter	27,796,327
Total minimum lease payments	53,481,565
Less: amount representing interest	(5,789,598)
Present value of future minimum lease payments	47,691,967
Less: current portion	(4,551,312)
Long-Term Lease Liability	\$ 43,140,655

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The Organization presented the comparative information for the year ended December 31, 2021, and continues to be reported under ASC Topic 840, Leases. The Organization leased vehicles under separate non-cancelable finance leases expiring at various dates through 2023. As of December 31, 2021, the leased vehicles had a recorded cost of approximately \$115,000 and total accumulated amortization of approximately \$61,000. Interest expense incurred on the finance leases was approximately \$4,000 for the year ended December 31, 2021 and is included in the caption "Interest" on the statements of functional expenses.

Rent expense amounted to approximately \$5,977,000 for the year ended December 31, 2021 and is included in operating expenses on the statements of functional expenses.

As of December 31, 2021, future minimum lease payments are as follows:

<i>Years ending December 31,</i>	<i>Amount</i>
2022	\$ 5,466,760
2023	5,834,394
2024	5,731,000
2025	5,706,000
2026	5,615,000
Thereafter	23,781,000
Total minimum lease payments	52,134,154
Less: amount representing interest	(4,084)
Present value of future minimum lease payments	52,130,070
Less: current portion	(5,466,760)
Long-Term Portion	\$ 46,663,310

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

6. Long-Term Debt

Long-term debt consists of the following:

<i>December 31,</i>	2022	2021
\$6,000,000 term loan agreement with PNC Bank with interest accruing at 3.27%. Monthly interest and principal payments of \$42,223 are due commencing on January 1, 2020, with a final balloon payment due on November 26, 2029 when the note matures. The Organization has pledged, as security for the term loan, all deposits and investments maintained by the Organization with the financial institution.	\$ 5,024,872	\$ 5,361,503
Less: current portion	347,787	336,630
Less: debt issuance costs	35,274	38,234
Long-Term Debt	\$ 4,641,811	\$ 4,986,639

Interest expense incurred on long-term debt was approximately \$169,000 and \$183,000 for the years ended December 31, 2022 and 2021, respectively, and is included in the caption "Interest" on the statements of functional expenses. The Organization is subject to restrictions and covenants in its long-term debt obligations. As of December 31, 2022, management believes the Organization is in compliance with all of its debt covenant requirements.

Principal maturities of long-term debt as of December 31, 2022 are due as follows:

<i>Years Ending December 31,</i>	
2023	\$ 347,787
2024	359,314
2025	371,223
2026	383,526
Thereafter	3,563,022
	\$ 5,024,872

7. Line of Credit

The Organization had a line of credit with a maximum credit line of \$1,000,000 which was set to expire on November 23, 2022. The line of credit accrued interest at the 30-day Libor rate plus 1.8%. The Organization pledged, as security for the line of credit, all deposits and investments maintained by the Organization with the financial institution.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

On December 30, 2022, the Organization entered into an amended and restated revolving credit agreement that extended the maturity of the line of credit to December 30, 2024. The amended and restated revolving credit agreement also revised the accrued interest rate to the secured overnight financing rate plus 2% per annum. There were no outstanding balances due on the line of credit at December 31, 2022 and 2021 nor did the Organization incur any interest on the line of credit during the years ended December 31, 2022 and 2021. The Organization is subject to financial covenants including a minimum required debt service coverage ratio and liquidity ratio in its line of credit agreement. As of December 31, 2022, management believes the Organization is in compliance with all of its debt covenant requirements.

8. Fair Value Measurements

The Organization adopted the FASB accounting standard on fair value measurements. The accounting standard establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides new income recognition criteria for certain derivative contracts. U.S. GAAP requires that a fair value measurement reflect assumptions market participants would use in pricing an asset or liability.

U.S. GAAP defines “fair value” as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as an exit price).

The accounting standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy under the accounting standard are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting standard requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Determination of Fair Value

In determining fair value, the Organization used market prices of the same or similar instruments whenever such prices are available, even in situations where trading volume may be low when compared with prior periods. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale.

The following sections describe the valuation methodologies used by the Organization to measure classes of financial instruments at fair value and specify the level in the fair value hierarchy where various financial instruments are generally classified. Valuation models, significant inputs to those models and any significant assumptions are included where appropriate. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These instruments include cash, receivables, and accounts payable and accrued expenses. The carrying amount of CDs, long-term debt and finance lease obligations approximates fair value because the variable interest rates are based on current rates offered for debt and lease liabilities with similar terms and maturities.

Items Measured at Fair Value on a Recurring Basis

Stocks - Stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Bonds - Corporate and municipal bonds are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds - Mutual funds are valued at the closing price reported in the active market in which the individual securities are traded.

Exchange traded funds - Exchange traded funds are valued at the closing price reported in the active market in which the individual 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 the Organization believes its 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. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The following tables represent the Organization's financial instruments measured at fair value on a recurring basis at December 31, 2022 and 2021 for each of the fair value hierarchy levels:

Fair Value Measurement at December 31, 2022

Description	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Stocks				
Consumer discretionary	\$ 79,284	\$ 79,284	\$ -	\$ -
Consumer staples	18,387	18,387	-	-
Energy	15,177	15,177	-	-
Financial	65,930	65,930	-	-
Health care	83,005	83,005	-	-
Industrials	61,783	61,783	-	-
Information technology	153,899	153,899	-	-
Materials	22,754	22,754	-	-
Real estate	110,720	110,720	-	-
Telecommunication services	23,721	23,721	-	-
Utilities	10,316	10,316	-	-
Bonds				
Corporate	370,366	370,366	-	-
Municipal	510,608	510,608	-	-
US Treasury Bills	198,535	198,535	-	-
Mutual Funds				
Equity	136,219	136,219	-	-
Money market	192,023	192,023	-	-
Fixed income	274,922	274,922	-	-
Exchange traded funds				
Equity	638,997	638,997	-	-
Fixed income	95,991	95,991	-	-
	\$ 3,062,637	\$ 3,062,637	\$ -	\$ -

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

Fair Value Measurement at December 31, 2021

Description	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Stocks				
Consumer discretionary	\$ 130,845	\$ 130,845	\$ -	\$ -
Consumer staples	31,098	31,098	-	-
Energy	9,831	9,831	-	-
Financial	101,219	101,219	-	-
Health care	142,967	142,967	-	-
Industrials	91,930	91,930	-	-
Information technology	245,294	245,294	-	-
Materials	30,288	30,288	-	-
Real estate	150,027	150,027	-	-
Telecommunication services	56,757	56,757	-	-
Utilities	12,052	12,052	-	-
Bonds				
Corporate	426,982	426,982	-	-
Municipal	542,265	542,265	-	-
Mutual Funds				
Equity	625,000	625,000	-	-
Fixed income	590,708	590,708	-	-
Exchange traded funds				
Equity	460,601	460,601	-	-
	\$ 3,647,864	\$ 3,647,864	\$ -	\$ -

Items Measured at Fair Value on a Non-Recurring Basis

The Organization has certain long-lived assets which are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. The categorization of the framework used to measure fair value of the assets is considered Level 3 due to the subjective nature of the observable inputs used.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

The fair value of a property held for sale was determined based on a sales contract entered into for a property subsequent to the year ended December 31, 2022. The following table represents the Organization's assets measured at fair value on a non-recurring basis for the year ended December 31, 2022, for each of the fair value hierarchy levels:

Fair Value Measurement at December 31, 2022

Description	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Losses
Assets:					
Properties held for sale	\$ 850,000	\$ -	\$ -	\$ 850,000	\$ (226,258)

The fair value of a property held for sale was determined based on a sales contract entered into for that property subsequent to the year ended December 31, 2021. The following table represents the Organization's assets measured at fair value on a non-recurring basis for the year ended December 31, 2021, for each of the fair value hierarchy levels:

Fair Value Measurement at December 31, 2021

Description	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Losses
Assets:					
Property held for sale	\$ 3,100,000	\$ -	\$ -	\$ 3,100,000	\$ (364,801)

9. Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following:

December 31,	2022	2021
Net assets without donor restrictions	\$ 39,026,718	\$ 37,408,737
- Undesignated		
Net assets without donor restrictions		
- Board Designated	250,000	250,000
	\$ 39,276,718	\$ 37,658,737

Designations of net assets are voluntary segregations of net assets without donor restrictions for specific purposes, projects, or investments by the board of directors and may be amended at any time by specific board action.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

10. Retirement Plan

The Organization sponsors a Tax-Sheltered Annuity Plan (the Plan) under Section 403(b) of the Code. Employees are eligible to participate in the Plan after reaching the age of twenty-one and completing one year of service. The Plan allows employee elective deferrals up to a maximum of 100% of compensation, not to exceed the Code elective deferral limits. The Organization can make discretionary contributions to the Plan. During the years ended December 31, 2022 and 2021, the Organization did not make any contributions.

The Organization also maintains a separate Tax Deferred Annuity Plan that receives employee contributions. The plan is available to full-time and part-time employees. Employees may enroll at any time. To participate, employees complete a salary reduction agreement that withholds a specific percentage or dollar amount from the employee's earnings. The employee is 100% vested at all times. No employer funds are contributed to this plan.

11. Self-Insurance Program

The Organization has a partially self-insured plan for its employees' health insurance. The maximum lifetime benefit is unlimited which represents the total payable for any insured covered under the plan. The level of risk retained includes both specific and aggregate stop-loss limits. The stop-loss limit per participating employee was \$60,000 during each of the years ended December 31, 2022 and 2021. Additionally, the aggregate stop-loss limit on the medical insurance program was approximately \$1,000,000 for each of the years ended December 31, 2022 and 2021. Reserves have been recorded which reflect the undiscounted estimated liabilities, including an estimated reserve for claims incurred but not reported. Such liabilities are based on estimates. As of December 31, 2022 and 2021, the Organization has established a reserve in the amount of approximately \$139,000 and \$142,000, respectively, which is included within "Accrued expenses" in the accompanying statements of financial position.

12. Contributions of Nonfinancial Assets

The Organization receives various forms of contributions of non-financial assets. Contributions of nonfinancial assets are reported as contributed goods in the statements of activities at their fair value based on the estimated value of the inventory at selling price. The fair value is derived from sales value less the cost to bring the product to market. There were no contributed services that met the criteria for recognition for the years ended December 31, 2022 and 2021. Contributions of non-financial assets consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Contributed goods	\$ 6,369,963	\$ 6,341,498

Of the contributed goods received, \$41,134,535 and \$37,456,947 was sold during the years ended December 31, 2022 and 2021, respectively.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

13. Commitments and Contingencies

Litigation, Claims, and Assessments

In the ordinary course of business, the Organization is exposed to various claims, threats, and legal proceedings, some of which are initiated by the Organization. In management's opinion, the outcome of all such existing matters will not have a material impact on the Organization's Financial Position and Results of Operations.

Grants

The Organization 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.

Community Development Block Grants

During the year ended December 31, 2012, the Organization was the recipient of real property transferred from the City of Fort Myers, Florida and from Lee County, Florida. The properties were initially acquired with funds provided by federal community development block grants. The properties are to be used to meet objectives as prescribed by the community development block grants. If the Organization fails to use the property in a manner that meets these objectives, the Organization shall pay the grantor an amount equal to the current fair market value of the property less any portion of the value of non-grant funds for improvements to the property. In the event the agreement is terminated, title to the property automatically reverts to the City of Fort Myers or Lee County, as applicable. During the year ended December 31, 2022, the Organization terminated the agreement, and the real property was transferred back to the City of Fort Myers.

14. Risks and Uncertainties

Concentrations and Credit Risk

Financial instruments, which potentially subject the Organization to significant concentrations of credit risk, consist principally of cash and cash equivalents and investments. The majority of the Organization's cash balance is in non-interest-bearing accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times cash balances may exceed the FDIC coverage insurance limit. The Organization has not experienced any losses in such accounts.

Investments of the Organization 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. Additionally, due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's investment balance and the amounts reported in the statements of financial position. The Organization continually reviews its investment portfolios to monitor these risks.

Goodwill Industries of Southwest Florida, Inc.

Notes to Financial Statements

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

Risk Management

The Organization 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. The Organization has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs.

15. Subsequent Events

The Organization has evaluated subsequent events through June 28, 2023, which is the date the financial statements were available to be issued.

During 2023, the Organization sold two of its properties for \$1,650,000 and \$5,750,000 for a gain of approximately \$700,000 and \$5,100,000, respectively.

During 2023, the Organization incurred approximately \$143,000 of additional costs towards the completion of the construction build out for a new thrift store location. The assets relating to the construction in process were placed into service in February 2023 when the new thrift store was opened.

As of the date the financial statements were available to be issued, the Organization received \$500,000 of the insurance proceeds receivable subsequent to December 31, 2022 and expects to receive remaining approximately \$273,000.

In May 2023, the Organization purchased a property in the City of Fort Myers for \$5,500,000 from an unrelated third party. The Organization also entered into a contract to purchase another property with an agreed upon purchase price of \$700,000 which was not yet completed as of the date the financial statements were available to be issued.