

Goodwill Industries International, Inc. and Related Entities

Consolidated Financial Report
December 31, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4
Consolidated statements of functional expenses	5-6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-21



Independent Auditor's Report

RSM US LLP

Board of Directors
Goodwill Industries International, Inc.

Opinion

We have audited the consolidated financial statements of Goodwill Industries International, Inc. and Related Entities (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 (collectively, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 within one year after the date that the financial statements are available to be issued when applicable).

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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Goodwill Industries International, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Gaithersburg, Maryland
May 2, 2022

Goodwill Industries International, Inc. and Related Entities

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Cash and cash equivalents	\$ 35,808,905	\$ 30,244,336
Investments	19,224,518	15,863,204
Accounts receivable, net	1,777,286	1,078,709
Grants receivable	5,154,157	4,097,889
Promises to give, net	320,113	-
Prepaid expenses and other assets	1,024,096	666,322
Property and equipment, net	5,239,531	5,895,883
	<u>5,239,531</u>	<u>5,895,883</u>
Total assets	\$ 68,548,606	\$ 57,846,343
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 5,793,764	\$ 5,863,928
Accrued expenses	3,453,799	2,244,119
Deferred revenue	668,286	447,003
Paycheck Protection Program loan	-	1,908,300
Total liabilities	<u>9,915,849</u>	<u>10,463,350</u>
Commitments and contingencies (Note 13 and 14)		
Net assets:		
Without donor restrictions	43,708,013	38,203,244
With donor restrictions	14,924,744	9,179,749
Total net assets	<u>58,632,757</u>	<u>47,382,993</u>
Total liabilities and net assets	\$ 68,548,606	\$ 57,846,343

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

**Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020**

	2021	2020
Activities without donor restrictions:		
Revenue and support:		
Federal awards	\$ 26,309,177	\$ 24,828,373
Membership dues	21,269,926	20,477,059
Paycheck Protection Program loan forgiveness	2,908,300	-
Program service fees	1,195,707	1,137,035
Legacies and bequests	1,135,478	88,404
Contributions	1,001,027	20,377,099
Rental	291,133	303,578
Net investment return—operations	86,573	119,903
Other income	23,758	16,445
In-kind contributions	-	150,000
Net assets released from restrictions	6,494,855	9,236,247
Total revenue and support	60,715,934	76,734,143
Expenses:		
Program services:		
Sponsored programs and grants	32,629,187	33,787,124
Direct services to membership	16,492,698	13,600,020
Support services to membership	1,224,052	1,190,052
Total program services	50,345,937	48,577,196
Management and general services:		
General and administrative	4,196,607	3,439,181
Resource development	947,039	634,824
Total management and general services	5,143,646	4,074,005
Total expenses	55,489,583	52,651,201
Change in net assets without donor restrictions from operations	5,226,351	24,082,942
Net investment return—non-operating	278,418	365,805
Change in net assets without donor restrictions	5,504,769	24,448,747
Activities with donor restrictions:		
Contributions	12,098,807	9,511,605
Net investment return—donor restricted	141,043	193,737
Net assets released from restrictions	(6,494,855)	(9,236,247)
Cancellation of public service announcement campaign	-	(1,985,415)
Change in net assets with donor restrictions	5,744,995	(1,516,320)
Change in net assets	11,249,764	22,932,427
Net assets:		
Beginning	47,382,993	24,450,566
Ending	\$ 58,632,757	\$ 47,382,993

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

					Management and General Services		Total
	Sponsored Programs and Grants	Direct Services to Membership	Support Services to Membership	Total Program Services	General and Administrative Services	Resource Development	
Salaries	\$ 2,112,026	\$ 6,904,685	\$ 648,990	\$ 9,665,701	\$ 1,822,403	\$ 689,538	\$ 12,177,642
Employee benefits	513,167	1,309,643	108,632	1,931,442	231,775	103,623	2,266,840
Payroll taxes	165,051	505,180	46,611	716,842	118,923	49,041	884,806
Personnel expenses	2,790,244	8,719,508	804,233	12,313,985	2,173,101	842,202	15,329,288
Awards and grants	27,903,223	603,110	-	28,506,333	-	-	28,506,333
Professional fees	1,391,233	4,577,070	197,966	6,166,269	625,622	88,104	6,879,995
Rental and maintenance	35,912	750,362	40,563	826,837	170,661	-	997,498
Depreciation and amortization	-	517,585	7,420	525,005	328,253	-	853,258
Real estate related expenses	26,765	64,121	18,743	109,629	524,986	849	635,464
Professional dues	207,348	302,617	61,040	571,005	4,984	714	576,703
Conferences and conventions	5,050	388,501	57,426	450,977	83,273	4,041	538,291
Supplies	132,504	97,173	9,855	239,532	95,750	1,431	336,713
Travel and agency vehicles	25,158	205,057	7,822	238,037	21,001	8,508	267,546
Telephone and communications	33,972	104,928	11,195	150,095	44,779	-	194,874
Seminar and training fees	72,241	29,125	3,106	104,472	11,463	207	116,142
Printing, publications, and advertising	175	103,290	31	103,496	221	3	103,720
Bad debt expense	-	-	-	-	74,824	-	74,824
Employee relations	2,119	19,000	2,079	23,198	13,677	413	37,288
Bank service charges	1,571	5,972	2,312	9,855	18,306	530	28,691
Postage and shipping	1,672	5,279	261	7,212	5,706	37	12,955
	\$ 32,629,187	\$ 16,492,698	\$ 1,224,052	\$ 50,345,937	\$ 4,196,607	\$ 947,039	\$ 55,489,583

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

					Management and General Services		Total
	Sponsored Programs and Grants	Direct Services to Membership	Support Services to Membership	Total Program Services	General and Administrative Services	Resource Development	
Salaries	\$ 2,255,094	\$ 6,708,918	\$ 702,772	\$ 9,666,784	\$ 1,381,777	\$ 374,628	\$ 11,423,189
Employee benefits	463,949	1,294,835	109,906	1,868,690	235,229	49,467	2,153,386
Payroll taxes	202,133	525,547	57,722	785,402	100,494	29,687	915,583
Personnel expenses	2,921,176	8,529,300	870,400	12,320,876	1,717,500	453,782	14,492,158
Awards and grants	28,619,751	355,101	-	28,974,852	-	-	28,974,852
Professional fees	1,854,296	1,881,941	162,851	3,899,088	293,070	160,880	4,353,038
Depreciation and amortization	-	1,089,592	11,940	1,101,532	368,846	-	1,470,378
Rental and maintenance	77,354	656,667	21,884	755,905	110,439	-	866,344
Real estate related expenses	71,587	77,753	31,204	180,544	483,077	3,895	667,516
Conferences and conventions	16,159	354,356	6,617	377,132	35,284	3,416	415,832
Professional dues	50,037	297,718	57,612	405,367	4,110	5,772	415,249
Bad debt expense	-	-	-	-	296,155	-	296,155
Telephone and communications	63,611	116,063	10,403	190,077	50,342	-	240,419
Travel and agency vehicles	45,667	141,539	8,682	195,888	6,303	6,356	208,547
Supplies	55,372	33,507	1,312	90,191	19,719	84	109,994
Seminar and training fees	11,060	31,589	2,145	44,794	4,373	155	49,322
Bank service charges	-	16,843	3,789	20,632	19,825	261	40,718
Employee relations	85	8,005	1,004	9,094	26,695	114	35,903
Postage and shipping	969	4,738	209	5,916	3,443	109	9,468
Printing, publications, and advertising	-	5,308	-	5,308	-	-	5,308
	<u>\$ 33,787,124</u>	<u>\$ 13,600,020</u>	<u>\$ 1,190,052</u>	<u>\$ 48,577,196</u>	<u>\$ 3,439,181</u>	<u>\$ 634,824</u>	<u>\$ 52,651,201</u>

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

**Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 11,249,764	\$ 22,932,427
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(330,251)	(494,853)
Bad debt (recoveries) expense	74,824	296,155
Change in allowance for doubtful notes receivable	-	(561)
Depreciation and amortization	853,258	1,470,378
Paycheck Protection Program loan forgiveness	(2,908,300)	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(773,401)	(580,939)
Promises to give	(320,113)	1,560,243
Grants receivable	(1,056,268)	971,322
Prepaid expenses and other assets	(357,774)	62,893
Increase (decrease) in:		
Accounts payable	(70,164)	284,782
Accrued expenses	1,209,680	(557,863)
Deferred revenue	221,283	49,163
Net cash provided by operating activities	7,792,538	25,993,147
Cash flows from investing activities:		
Proceeds from sales of investments	3,784,585	10,778,647
Purchases of investments	(6,815,648)	(11,412,649)
Proceeds from payments on notes receivable	-	100,429
Purchases of property and equipment	(196,906)	(118,036)
Net cash used in investing activities	(3,227,969)	(651,609)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	1,000,000	1,908,300
Net cash provided by financing activities	1,000,000	1,908,300
Net increase in cash and cash equivalents	5,564,569	27,249,838
Cash and cash equivalents:		
Beginning	30,244,336	2,994,498
Ending	\$ 35,808,905	\$ 30,244,336
Supplemental schedule of non-cash financing activities:		
Extinguishment of debt (Paycheck Protection Program loan)	\$ 2,908,300	\$ -

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Goodwill Industries International, Inc. (GII) was incorporated in the Commonwealth of Massachusetts. GII functions as a member association comprised of a network of independent community-based Goodwill organizations in the United States and Canada and international affiliates. GII works to enhance the dignity and quality of life of individuals and families by strengthening communities, eliminating barriers to opportunity, and helping people in need reach their full potential through learning and the power of work. GII facilitates member-to-member sharing, knowledge transfer and direct and supportive services to assist members in providing local community mission services. Each local Goodwill organization is an autonomous member of GII that operates as a nonprofit corporation. This independence affords local Goodwill organizations the flexibility to respond to community needs and opportunities. GII also advocates on behalf of its membership with the federal government, corporate, foundation, and international entities.

15810 Indianola Drive, LLC (the LLC) was organized under the laws of the state of Delaware. The LLC operates, uses, develops, improves, renovates, maintains, manages, leases and, when applicable, sells, exchanges or otherwise disposes of real, personal and mixed property. The LLC is a single-member limited liability company owned entirely by GII.

Goodwill Mission and Job Creation Services, Inc. (GMJCS) was organized under the laws of the District of Columbia. GMJCS advances the creation of jobs and services for people with disabilities and economic disadvantages by providing funds and working capital to Goodwill member organizations with terms that are more beneficial than Goodwill organizations could obtain from conventional commercial lending sources. GMJCS is controlled by GII through sole corporate membership.

Program services: Program services descriptions are as follows:

Sponsored programs and grants: Sponsored programs and grants includes efforts to equip autonomous local Goodwill organizations to enhance career navigation, skills training, credentialing, financial wellness and diversity, inclusion and equitable outcomes services; to connect persons served to improved job and career opportunities; to develop higher quality job opportunities for people with disabilities and disadvantages; to improve workforce development systems for diverse populations, and to build family economic success.

Direct services to membership: Direct services to membership includes consultations, executive professional development, training seminars, events such as the annual meeting of the Conference of Executives and the Delegate Assembly, data processing and analysis, assistance in the development of national and local communications materials, and the loan program provided by GMJCS.

Support services to membership: Support services to membership include international activities, government relations and strategic sourcing.

Management and general services: Management and general services descriptions are as follows:

General and administrative: The general and administrative services include expenditures related to administrative and governance activities, maintaining the building and managing the financial responsibilities of the entities.

Resource development: The resource development services include expenditures that encourage and secure financial support for the entities.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of GII, the LLC, and GMJCS (collectively referred to as the Organization). Significant inter-entity accounts and transactions have been eliminated in consolidation.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-For-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Endowment net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations.

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Use of estimates: The preparation of consolidated financial statements in accordance with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: GII is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. As a single-member limited liability company, the LLC is treated as a disregarded entity for income tax purposes. Therefore, the LLC's financial activity is reported in conjunction with GII's federal income tax filings.

GMJCS is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(3) of the Internal Revenue Code.

The Organization is subject to income tax on its unrelated business activities, such as income from the virtual member marketplace and rental income, which was debt financed. However, the Organization has generated net operating loss carry-forwards resulting from these taxable activities. The net operating loss carry-forwards, which may be applied against future years' taxable income, approximated \$510,000 at December 31, 2021. The net operating loss carry-forwards will expire at various dates through 2041. A deferred tax asset has not been recognized due to the uncertainty of realizing a benefit from the net operating loss carry-forwards.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Cash and cash equivalents: The Organization classifies demand deposits as cash and cash equivalents. Cash, money market funds, and certificates of deposit held within the investment portfolio are not included in cash and cash equivalents because they are held for investment purposes.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to investment return net of related fees.

Financial risk: The Organization maintains its cash in bank deposit accounts and money market funds. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. government. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash.

The Organization invests in a professionally managed portfolio that contains various marketable securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Accounts receivable: Accounts receivable includes revenue that is owed to the Organization primarily related to membership dues and other programs. Accounts receivable are recorded at the gross, or face amount, less an allowance for doubtful accounts. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off.

Promises to give: GII records unconditional promises to give that are expected to be collected within one year at net realizable value. GII provides for probable losses on promises to give using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after GII has used reasonable collection efforts are written off. Promises to give that are collectable in over a year are recorded at a discount. During the year ended December 31, 2020, due to extenuating circumstances caused by the coronavirus pandemic, GII refunded all the member paid contributions and canceled all unpaid pledges related to their participation in the National PSA Campaign. The recognized loss due to the cancellation is reflected within activities with donor restrictions in the 2020 statement of activities in the amount of \$1,985,415.

Grants receivable: Grants receivable relate to amounts due to GII from federal government agencies and other grantors resulting from allowable costs incurred under conditional grants. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the U.S. government agency or grantor, and the age of the receivable balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful accounts had been recorded. GII has not written off grants receivable during either of the years ended December 31, 2021 and 2020.

Property and equipment: Acquisitions of property and equipment greater than \$3,000 are recorded at cost and depreciated using the straight-line method over the following estimated useful lives: building – 30 years; building improvements – 10 years; and furniture, equipment and software – three to five years. Land and artwork are not depreciated.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: The Organization accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic, Property, Plant and Equipment that address impairment or disposal of long-lived assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less costs to sell. During the years ended December 31, 2021 and 2020, management did not consider the value of any property or equipment to be impaired.

Revenue: The Organization's activities are primarily supported through federal grants, membership dues, program service fees and contributions from individual, corporate and foundation donors. Prices for membership dues and program service fees are specific to distinct performance obligations and do not consist of multiple transactions. Economic factors are driven by consumer confidence, employment, inflation and other world events that impact the timing and level of cash received and revenue recognized by the Organization. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization.

The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Federal awards: GII receives awards from federal agencies. Such award instruments are to be used for specific programs in accordance with compliance requirements. Federal grants are typically considered conditional contributions and the recognition of grant revenue is deferred until barriers and/or rights of return imposed under the grant document are met by GII. Revenue is recognized as the related qualifying expenses are incurred as allowable by the grants.

Membership dues: Membership dues are billed annually for the membership period, which coincides with the calendar year. Member benefits include use of the Goodwill brand and trademarks; protection of the Goodwill brand and trademarks; access to consultation services for donated goods retail, business services, board development and strategic planning; access to participate in GII national grant programs; access to an online library of resources; and access to member-only conferences and training opportunities. All member benefits are considered one performance obligation and revenue is recognized ratably over the calendar year as the delivery of the member benefits are provided.

Program service fees: Conference and event registrations and their related sponsorships are recognized over the period of time that the related meeting or event takes place. Registration and sponsorships are generally collected in advance of the conference or event and recorded as deferred revenue until the conference or event occurs. Fees related to GoodTrak, GII's web-based software system that allows client tracking and case management for local Goodwill members, are collected in advance of the service period and recognized using the straight-line method over the user's service period. Total conference and event registrations and sponsorships recognized over a period of time were \$774,114 and \$829,742, for the years ended December 31, 2021 and 2020, respectively. Total GoodTrak fees recognized over a period of time were \$421,593 and \$307,293 for the years ended December 31, 2021 and 2020, respectively.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Rental: GII rents part of its headquarters building to an unrelated tenant. Rental revenue is recognized on a straight-line basis over the life of the lease.

Contributions, legacies and bequests: Unconditional contributions (including those received through bequests and legacies) are recorded to net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions, including unconditional promises to give cash or other assets, are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Assets received in connection with conditional promises are reported as refundable advances until such time the conditions are substantially met.

In-kind contributions: From time to time, donated services are recognized as contributions and expense in accordance with U.S. GAAP. In order to meet the criteria for recognition in the consolidated financial statements, contributions of in-kind services must: (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended December 31, 2021 and 2020, the Organization received in-kind contributions related to professional services from consultants and attorneys that totaled \$0 and \$150,000 respectively.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities. Expenses that can be identified with a specific program or support service are charged directly, according to their natural expenditure classification. Accordingly, certain costs primarily associated with personnel, professional fees, rental and maintenance, supplies, and telephone and communication have been allocated among the program and supporting services provided to the members on the basis of the labor costs utilized by each area.

Measure of operations: The Organization does not include net investment return – non-operating in the change in net assets without donor restrictions from operations.

Pending accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the current leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for the Organization for the year beginning January 1, 2022. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization's fiscal year ending December 31, 2022. The Organization is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 2, 2022, the date the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to meet its general operating expenditures. The Organization has investments to cover its reserve needs per its target reserve policy. The purpose of the target reserve policy is to ensure that the Organization has the financial means to continue to provide critical support to the membership in both the short- and long-term and to develop products and services in support of members. The Organization reassesses the adequacy of its reserves on an annual basis.

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of loan covenants or internal board designations. Amounts not available include a board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the board target reserve policy. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions. However, such funds are in highly liquid investments in order to preserve capital and are available to support sponsored programs once the purpose restrictions are met.

	2021	2020
Cash and cash equivalents	\$ 35,808,905	\$ 30,244,336
Investments	19,224,518	15,863,204
Accounts receivable and grants receivable	6,931,443	5,176,598
Promises to give	320,113	-
Accounts payable to subrecipients	(4,465,961)	(4,080,605)
Net assets with donor restrictions	(14,924,744)	(9,179,749)
Board-designated special projects fund	(955,370)	(955,370)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 41,938,904</u>	<u>\$ 37,068,414</u>

Note 3. Investments and Fair Value Measurements

The Fair Value Measurement Topic of the ASC 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 at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. As required by the Fair Value Measurement Topic, the Organization does not adjust the quoted prices for these investments even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category are investments where fair value is not based on a net asset value practical expedient. There were no Level 3 inputs for any assets or liabilities held by the Organization at December 31, 2021 and 2020.

The Organization's investments in mutual funds and common stocks are classified as Level 1 items as they are traded on a public exchange. Corporate bonds, municipal bonds, and U.S. government obligations are classified as Level 2 investments as there are no quoted market prices in active markets for identical assets.

Investments recorded at cost include cash. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consist of the following at December 31, 2021 and 2020 :

	2021			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Equity mutual funds	\$ 3,165,091	\$ 3,165,091	\$ -	\$ -
Corporate bonds	1,741,497	-	1,741,497	-
Fixed income mutual funds	1,084,465	1,084,465	-	-
U.S. government obligations	778,707	-	778,707	-
Municipal bonds	444,096	-	444,096	-
Money market funds	146,437	146,437	-	-
Diversifying assets	27,649	27,649	-	-
Investments carried at fair value	7,387,942	\$ 4,423,642	\$ 2,964,300	\$ -
Investments, at cost:				
Cash	11,836,576			
Total investments	<u>\$ 19,224,518</u>			

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

	2020			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Equity mutual funds	\$ 2,741,380	\$ 2,741,380	\$ -	\$ -
Corporate bonds	1,615,953	-	1,615,953	-
Fixed income mutual funds	1,023,692	1,023,692	-	-
U.S. government obligations	979,906	-	979,906	-
Municipal bonds	486,355	-	486,355	-
Money market funds	153,258	153,258	-	-
Investments carried at fair value	7,000,544	\$ 3,918,330	\$ 3,082,214	\$ -
Investments, at cost:				
Cash	8,862,660			
Total investments	\$ 15,863,204			

Note 4. Employee Benefit Plans

Defined contribution: The Organization has a defined contribution 403(b) thrift plan that is available to all full-time employees who have completed six months of service. The plan contains provisions for employer matching and discretionary contributions for eligible participants. The Organization's contributions to the plan, excluding applicable forfeitures, totaled \$569,225 and \$473,587 for the years ended December 31, 2021 and 2020, respectively.

Note 5. Accounts Receivable

Accounts receivable consist of the following at December 31, 2021 and 2020 :

	2021	2020
Membership dues	\$ 1,601,522	\$ 1,264,093
Services and supplies	42,410	33,450
GoodTrak	202,998	51,427
Member agreements*	223,151	115,917
Other receivables	278,385	110,178
	2,348,466	1,575,065
Less allowance for doubtful accounts receivable	(571,180)	(496,356)
Net accounts receivable	\$ 1,777,286	\$ 1,078,709

* Member agreements represent payment plans for certain members in order for them to pay overdue membership dues within a negotiated time period. The allowance for doubtful accounts receivable related to member agreements totaled \$193,000 and \$109,000 at December 31, 2021 and 2020 , respectively.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 6. Promises to Give

Unconditional promises to give consist of the following at December 31, 2021 and 2020:

	2021	2020
Amounts due in less than one year	\$ 89,819	\$ -
Amounts due in one to five years	250,857	-
	340,676	-
Less discount to net present value	(20,563)	-
	\$ 320,113	\$ -

Note 7. Conditional Promises to Give

The Organization has conditional grants with both private foundations and federal agencies that are contingent upon the Organization meeting donor-imposed barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. As of December 31, 2021 and 2020, the unearned conditional grant commitments are estimated to be \$26,325,000 and \$22,712,000, respectively.

Note 8. Grants Receivable

Grants receivable consist of the following at December 31, 2021 and 2020:

	2021	2020
U.S. Department of Labor:		
Senior Community Service:		
Employment Program (SCSEP)	\$ 3,591,929	\$ 3,516,645
Reentry Employment Opportunities (LifeLaunch)	654,382	499,227
H-1B Job Training Grants (Careers in Technology)	-	74,007
U.S. Department of Agriculture:		
Food and Nutrition Services (SNAP)	227,398	8,010
Subtotal – federal grants receivable	4,473,709	4,097,889
Private grants:		
Indeed grants	680,448	-
	\$ 5,154,157	\$ 4,097,889

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 9. Property and Equipment

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Land	\$ 1,500,000	\$ 1,500,000
Building and improvements	8,468,768	8,425,777
Furniture and equipment	3,009,621	2,887,706
Software	5,123,327	5,091,327
Artwork	60,000	60,000
	<u>18,161,716</u>	<u>17,964,810</u>
Less accumulated depreciation and amortization	(12,922,185)	(12,068,927)
	<u>\$ 5,239,531</u>	<u>\$ 5,895,883</u>

Note 10. Debt Obligations

Paycheck Protection Program loan: In April 2020, the Organization applied for and received approval for a \$2,908,300 loan through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under the terms of the agreement, monthly payments would continue until either the lending institution receives communication of loan forgiveness from the Small Business Administration (SBA) or May 2022, whichever is earlier. The loan bears interest at a fixed rate of 1% per annum. The loan and related accrued interest are forgivable after 24 weeks if the Organization uses the loan proceeds for eligible purposes as defined in the agreement. The unforgiven portion of the PPP loan is payable over two years, with a deferral of payments for the first six months. The loan is not secured by any property of the Organization.

The Organization drew down \$1,908,300 during the year ended December 31, 2020, and the remaining \$1,000,000 during the year ended December 31, 2021. The Organization elected to account for the loan as a financial liability under ASC 470 until the time at which forgiveness is received. The Organization received forgiveness for the full amount of \$2,908,300 on August 16, 2021, which is reflected as Paycheck Protection Program loan forgiveness on the consolidated statement of activities for the year ended December 31, 2021.

Note 11. Net Assets

Net assets without donor restrictions consisted of the following at December 31, 2021 and 2020:

	2021	2020
Undesignated—general activities	\$ 42,752,643	\$ 37,247,874
Designated by the board for:		
International activities	955,370	955,370
	<u>\$ 43,708,013</u>	<u>\$ 38,203,244</u>

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 11. Net Assets (Continued)

GII's net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

	2021	2020
Specified purpose:		
Private foundation funds	\$ 12,111,894	\$ 6,959,824
Operations funds	569,952	116,942
International funds	13,163	13,163
Endowment:		
Endowment accumulated contributions*	1,629,016	1,555,611
Endowment accumulated earnings*	600,719	534,209
	<u>\$ 14,924,744</u>	<u>\$ 9,179,749</u>

* See discussion of endowments in Note 12.

Net assets are released from restrictions due to either the expiration of a time restriction or the satisfaction of a purpose restriction.

GII's net assets released from restrictions consisted of the following during the years ended December 31, 2021 and 2020 :

	2021	2020
Private foundation funds	\$ 6,468,455	\$ 9,133,735
Operations funds	25,272	95,012
Endowment earnings	1,128	7,500
	<u>\$ 6,494,855</u>	<u>\$ 9,236,247</u>

Note 12. Endowments

The Organization's endowments consist of donor-restricted endowment funds which are classified within net assets with donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Organization has interpreted the Commonwealth of Massachusetts' enacted version of the Uniform Prudent Management of Institutional Funds (UPMIFA) law related to the donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Organization retains in perpetuity: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is made to the fund. Absent explicit direction from the donor regarding the classification of investment income from the permanently restricted endowments, investment income is recorded in net assets with donor restrictions until appropriated for spending.

Return objectives and risk parameters: The Organization 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that achieves constant growth of the distribution amount and the corpus. Actual returns in any given year may vary from this amount.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 12. Endowments (Continued)

Strategies employed for achieving objectives: To satisfy its long-term objectives, the Organization 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). The Organization targets a diversified asset allocation that places more emphasis on fixed income securities than equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how investment objectives relate to spending policy: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, money market funds, fixed income securities, and equity securities.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the Organization. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported within net assets with donor restrictions. However, there were no funds with deficiencies at December 31, 2021 and 2020.

GII's endowment funds consisted of the following at December 31, 2021 and 2020:

	2021		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Operations funds:			
Kenneth K. King Training Trust *	\$ 137,403	\$ 1,162,342	\$ 1,299,745
Richard and Lois England*	27,868	203,781	231,649
Frank F. Flegal Education and Training	176,078	34,562	210,640
International funds:			
Gerald Clore Training	237,934	100,000	337,934
Barker Education	8,675	123,131	131,806
Sioux City	12,761	5,200	17,961
	<u>\$ 600,719</u>	<u>\$ 1,629,016</u>	<u>\$ 2,229,735</u>
	2020		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Operations funds:			
Kenneth K. King Training Trust *	\$ 120,068	\$ 1,112,694	\$ 1,232,762
Richard and Lois England*	26,014	194,586	220,600
Frank F. Flegal Education and Training	155,702	20,000	175,702
International funds:			
Gerald Clore Training	211,433	100,000	311,433
Barker Education	9,239	123,131	132,370
Sioux City	11,753	5,200	16,953
	<u>\$ 534,209</u>	<u>\$ 1,555,611</u>	<u>\$ 2,089,820</u>

* The gift instruments for these endowment funds include donor instructions indicating that investment appreciation (depreciation) should be accumulated to amounts perpetual in nature.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 12. Endowments (Continued)

Changes in GII's endowment funds consisted of the following for the years ended 2021 and 2020:

	2021		
	Accumulated Earnings	Accumulated Contributions	Total
Endowment funds, beginning	\$ 534,209	\$ 1,555,611	\$ 2,089,820
Investment return, net	67,638	73,405	141,043
Appropriations	(1,128)	-	(1,128)
Endowment funds, ending	<u>\$ 600,719</u>	<u>\$ 1,629,016</u>	<u>\$ 2,229,735</u>

Note 13. Commitments and Contingencies

Litigation: From time to time, the Organization may be involved in litigation. At present, management does not believe that the outcome of any litigation will have a material impact on the Organization's financial position.

Tenant lease: The LLC has an operating lease agreement to provide general office and showroom space in its building to an unrelated tenant which expires December 31, 2023. The tenant has an option to extend the lease through December 31, 2024 if written notice is received by July 1, 2023. The LLC holds a security deposit from the tenant of \$0, which was equal to the first month's rent. Rental revenue totaled \$0 and \$0 for the years ended December 31, 2021 and 2020, respectively. Future minimum cash basis rental receipts are expected to be as follows:

Year ending December 31,	
2022	\$ 291,132
2023	298,416
	<u>\$ 589,548</u>

Government grants: Federal award revenue provided to GII by U.S. government agencies in relation to expenditures incurred under grant agreements may be subject to audit or adjustment by the government agencies. The expenditures which may be disallowed as a result of an audit cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Conditional payables: The Organization makes conditional promises to give which are contingent upon the subrecipient meeting grant imposed barriers which include carrying out certain activities and incurring qualified expenditures stipulated by the grants. Thus, a payable related to these grants is only recognized as the subrecipient submits qualified grant-related expenditures to the Organization for reimbursement. As of December 31, 2021 and 2020, conditional grant commitments to subrecipients are estimated to be \$22,914,000 and \$20,823,000 respectively.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 14. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The coronavirus and actions taken to mitigate the spread of it have had, and may continue to have, an adverse impact on the economies and financial markets of many countries, including the United States of America.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. The extent of the impact of COVID-19 on the Organization’s operations and financial performance are uncertain and cannot be predicted. Management continues to monitor the impact of COVID-19 and will adjust operations accordingly.

Note 15. Expenditures to Subrecipients

The following chart summarizes GII’s expenditures of federal awards, including expenditures to subrecipients, for the years ended December 31, 2021 and 2020:

	2021	2020
Expenditures to subrecipients	\$ 24,358,061	\$ 23,302,096
Expenditures used directly	1,951,116	1,526,277
	<u>\$ 26,309,177</u>	<u>\$ 24,828,373</u>