

# **Goodwill Industries International, Inc. and Related Entities**

Consolidated Financial Report  
December 31, 2022

## Contents

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Independent auditor's report	1-2
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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

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Goodwill Industries International, Inc.

### Report on the Audit of the Financial Statements

#### **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, 2022 and 2021, 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, 2022 and 2021, and the changes in their net assets and their 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 (*Government Auditing Standards*). 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 April 19, 2023, 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  
April 19, 2023

**Goodwill Industries International, Inc. and Related Entities**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 14,619,591	\$ 35,808,905
Investments	37,695,675	16,994,783
Accounts receivable, net	1,834,522	1,777,286
Grants receivable	5,089,243	5,154,157
Promises to give, net	379,100	320,113
Prepaid expenses and other assets	1,796,583	1,024,096
Right of use asset for operating lease	55,616	-
Property and equipment, net	4,598,144	5,239,531
Investments held for endowment	1,930,143	2,229,735
	<u>1,930,143</u>	<u>2,229,735</u>
<b>Total assets</b>	<b>\$ 67,998,617</b>	<b>\$ 68,548,606</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 7,025,797	\$ 5,793,764
Accrued expenses	3,348,052	3,453,799
Deferred revenue	2,285,396	668,286
Lease liability for operating lease	57,263	-
<b>Total liabilities</b>	<u>12,716,508</u>	<u>9,915,849</u>
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions	43,112,102	43,708,013
With donor restrictions	12,170,007	14,924,744
<b>Total net assets</b>	<u>55,282,109</u>	<u>58,632,757</u>
<b>Total liabilities and net assets</b>	<b>\$ 67,998,617</b>	<b>\$ 68,548,606</b>

See notes to consolidated financial statements.

**Goodwill Industries International, Inc. and Related Entities**

**Consolidated Statements of Activities  
Years Ended December 31, 2022 and 2021**

	2022	2021
Activities without donor restrictions:		
Revenue and support:		
Federal awards	\$ 26,224,904	\$ 26,309,177
Membership dues	23,918,486	21,269,926
Program service fees	1,880,815	1,195,707
Legacies and bequests	981,532	1,135,478
Contributions	485,840	1,001,027
Rental	291,740	291,133
Net investment return—operations	198,198	86,573
Other income	71,707	23,758
Paycheck Protection Program loan forgiveness	-	2,908,300
Net assets released from restrictions	10,400,625	6,494,855
<b>Total revenue and support</b>	<b>64,453,847</b>	<b>60,715,934</b>
Expenses:		
Program services:		
Sponsored programs and grants	35,895,676	32,629,187
Direct services to membership	19,400,095	16,492,698
Support services to membership	1,506,239	1,224,052
<b>Total program services</b>	<b>56,802,010</b>	<b>50,345,937</b>
Administration and development:		
General and administrative	5,828,009	4,196,607
Resource development	1,258,445	947,039
<b>Total administration and development</b>	<b>7,086,454</b>	<b>5,143,646</b>
<b>Total expenses</b>	<b>63,888,464</b>	<b>55,489,583</b>
<b>Change in net assets without donor restrictions from operations</b>	<b>565,383</b>	<b>5,226,351</b>
Net investment (loss) return—non-operating	(1,161,294)	278,418
<b>Change in net assets without donor restrictions</b>	<b>(595,911)</b>	<b>5,504,769</b>
Activities with donor restrictions:		
Contributions	7,945,303	12,098,807
Net investment (loss) return—donor restricted	(299,415)	141,043
Net assets released from restrictions	(10,400,625)	(6,494,855)
<b>Change in net assets with donor restrictions</b>	<b>(2,754,737)</b>	<b>5,744,995</b>
<b>Change in net assets</b>	<b>(3,350,648)</b>	<b>11,249,764</b>
Net assets:		
Beginning	58,632,757	47,382,993
Ending	<b>\$ 55,282,109</b>	<b>\$ 58,632,757</b>

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2022

	Program Services				Administration and Development		Total
	Sponsored Programs and Grants	Direct Services to Membership	Support Services to Membership	Total Program Services	General and Administrative Services	Resource Development	
Salaries	\$ 2,991,437	\$ 7,836,299	\$ 722,774	\$ 11,550,510	\$ 2,116,512	\$ 831,621	\$ 14,498,643
Employee benefits	714,722	1,393,954	133,319	2,241,995	326,577	137,431	2,706,003
Payroll taxes	262,412	553,025	53,819	869,256	145,497	56,445	1,071,198
<b>Personnel expenses</b>	<b>3,968,571</b>	<b>9,783,278</b>	<b>909,912</b>	<b>14,661,761</b>	<b>2,588,586</b>	<b>1,025,497</b>	<b>18,275,844</b>
Awards and grants	29,847,786	181,730	187,812	30,217,328	299,063	12,573	30,528,964
Professional fees	1,598,625	5,580,533	315,075	7,494,233	1,095,712	162,148	8,752,093
Rental and maintenance	47,992	1,170,494	2,511	1,220,997	415,406	95	1,636,498
Conferences and conventions	65,013	1,022,886	16,611	1,104,510	144,363	12,133	1,261,006
Travel and agency vehicles	161,322	612,507	15,155	788,984	73,875	37,690	900,549
Real estate related expenses	33,310	99,794	24,638	157,742	618,699	860	777,301
Depreciation and amortization	-	344,629	-	344,629	296,758	-	641,387
Printing, publications, and advertising	-	249,007	-	249,007	-	-	249,007
Supplies	83,860	74,234	1,124	159,218	69,194	411	228,823
Telephone and communications	48,711	81,997	11	130,719	92,434	3	223,156
Professional dues	460	105,600	27,496	133,556	2,534	1,088	137,178
Employee relations	2,793	41,037	2,992	46,822	26,453	2,310	75,585
Bank service charges	2,841	12,060	2,403	17,304	47,812	1,597	66,713
Seminar and training fees	33,503	19,610	406	53,519	2,190	2,015	57,724
Bad debt expense	-	-	-	-	48,907	-	48,907
Postage and shipping	889	20,699	93	21,681	6,023	25	27,729
	<b>\$ 35,895,676</b>	<b>\$ 19,400,095</b>	<b>\$ 1,506,239</b>	<b>\$ 56,802,010</b>	<b>\$ 5,828,009</b>	<b>\$ 1,258,445</b>	<b>\$ 63,888,464</b>

See notes to consolidated financial statements.

**Goodwill Industries International, Inc. and Related Entities**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2021**

	Program Services				Administration and Development		
	Sponsored Programs and Grants	Direct Services to Membership	Support Services to Membership	Total Program Services	General and Administrative Services	Resource Development	Total
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
<b>Personnel expenses</b>	<b>2,790,244</b>	<b>8,719,508</b>	<b>804,233</b>	<b>12,313,985</b>	<b>2,173,101</b>	<b>842,202</b>	<b>15,329,288</b>
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
	<b>\$ 32,629,187</b>	<b>\$ 16,492,698</b>	<b>\$ 1,224,052</b>	<b>\$ 50,345,937</b>	<b>\$ 4,196,607</b>	<b>\$ 947,039</b>	<b>\$ 55,489,583</b>

See notes to consolidated financial statements.



## Goodwill Industries International, Inc. and Related Entities

### Consolidated Statements of Cash Flows Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (3,350,648)	\$ 11,249,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	1,481,947	(330,251)
Bad debt expense	48,907	74,824
Amortization of right of use assets	1,175	-
Depreciation and amortization	641,387	853,258
Paycheck Protection Program loan forgiveness	-	(2,908,300)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(106,143)	(773,401)
Promises to give	(58,987)	(320,113)
Grants receivable	64,914	(1,056,268)
Prepaid expenses and other assets	(772,487)	(357,774)
Right of use assets	(56,791)	-
Increase (decrease) in:		
Accounts payable	1,232,033	(70,164)
Accrued expenses	(105,747)	1,209,680
Deferred revenue	1,617,110	221,283
Lease liability for operating lease	57,263	-
<b>Net cash provided by operating activities</b>	<b>693,933</b>	<b>7,792,538</b>
Cash flows from investing activities:		
Proceeds from sales of investments	7,809,256	3,784,585
Purchases of investments	(29,692,503)	(6,815,648)
Purchases of property and equipment	-	(196,906)
<b>Net cash used in investing activities</b>	<b>(21,883,247)</b>	<b>(3,227,969)</b>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	1,000,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,000,000</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(21,189,314)</b>	<b>5,564,569</b>
Cash and cash equivalents:		
Beginning	35,808,905	30,244,336
Ending	\$ 14,619,591	\$ 35,808,905
Supplemental schedule of non-cash financing activities:		
Extinguishment of debt (Paycheck Protection Program loan)	\$ -	\$ 2,908,300
Supplemental schedule of cash flow information:		
Right of use asset recorded at commencement date	\$ 57,146	\$ -

See notes to consolidated financial statements.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### 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.

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

**Administration and development:** Administration and development 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 Organization and its members.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### 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 \$500,000 at December 31, 2022. The net operating loss carry-forwards will expire at various dates through 2042. 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

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#### 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.

**Contract balances:** The timing of revenue recognition may not align with the right to invoice the customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening contract balances as of January 1, 2021, included accounts receivable of \$1,078,709 and deferred revenue of \$447,003.

**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.

**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. All grants receivable are due to be collected within one year. 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, 2022 and 2021.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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

**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.

**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, 2022 and 2021, 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. Federal awards are recognized to net assets without donor restrictions if no time or purpose restrictions remain to be satisfied at the time conditions had been met.

**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.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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

Total conference and event registrations and sponsorships recognized over a period of time were \$1,198,084 and \$774,114, for the years ended December 31, 2022 and 2021, respectively. Total case management fees recognized over a period of time were \$0 and \$421,593 for the years ended December 31, 2022 and 2021, respectively.

**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.

**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.

**Recent accounting pronouncements adopted:** In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of recognition in the statements of activities. The Organization adopted the standard on January 1, 2022. The Organization's leases are disclosed in Note 14.

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*. The ASU improves transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The Organization adopted ASU 2020-07 during the year ended December 31, 2022. The adoption of the standard had no impact on the Organization's consolidated financial statements for the years ended December 31, 2022 and 2021.

**Reclassifications:** Certain 2021 amounts have been reclassified to conform to the 2022 presentation with no effect on the previously reported total change in consolidated net assets.

**Subsequent events:** The Organization has evaluated subsequent events through April 19, 2023, the date on which the consolidated financial statements were available to be issued.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### 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, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	\$ 14,619,591	\$ 35,808,905
Investments	39,625,818	19,224,518
Accounts receivable, net and grants receivable	6,923,765	6,931,443
Promises to give, net	379,100	320,113
Accounts payable to subrecipients	(4,812,304)	(4,465,961)
Net assets with donor restrictions	(12,170,007)	(14,924,744)
Board-designated special projects fund	(955,370)	(955,370)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 43,610,593</u>	<u>\$ 41,938,904</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.

**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.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

#### Note 3. Investments and Fair Value Measurements (Continued)

**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, 2022 and 2021.

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, 2022 and 2021 :

	2022			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
U.S. government obligations	\$ 20,810,131	\$ -	\$ 20,810,131	\$ -
Equity mutual funds	2,281,307	2,281,307	-	-
Money market funds	1,436,210	1,436,210	-	-
Corporate bonds	1,308,629	-	1,308,629	-
Fixed income mutual funds	968,559	968,559	-	-
Municipal bonds	423,627	-	423,627	-
Investments carried at fair value	27,228,463	<u>\$ 4,686,076</u>	<u>\$ 22,542,387</u>	<u>\$ -</u>
Investments, at cost:				
Cash	12,397,355			
Total investments	<u>\$ 39,625,818</u>			
	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	<u>\$ 4,423,642</u>	<u>\$ 2,964,300</u>	<u>\$ -</u>
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

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#### 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 \$652,684 and \$569,225 for the years ended December 31, 2022 and 2021, respectively.

#### Note 5. Accounts Receivable

Accounts receivable consist of the following at December 31, 2022 and 2021 :

	2022	2021
Membership dues	\$ 1,240,220	\$ 1,601,522
Services and supplies	212,851	42,410
Case management	341,283	202,998
Interest receivable	246,026	21,011
Member agreements*	223,151	223,151
Other receivables	116,779	257,374
	<u>2,380,310</u>	<u>2,348,466</u>
Less allowance for doubtful accounts receivable	(545,788)	(571,180)
Net accounts receivable	<u>\$ 1,834,522</u>	<u>\$ 1,777,286</u>

\* 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 \$0 and \$193,000 at December 31, 2022 and 2021, respectively.

#### Note 6. Promises to Give

Unconditional promises to give consist of the following at December 31, 2022 and 2021:

	2022	2021
Amounts due in less than one year	\$ 422,459	\$ 89,819
Amounts due in one to five years	-	250,857
	<u>422,459</u>	<u>340,676</u>
Less discount to net present value	-	(20,563)
Less allowance for doubtful promises to give	(43,359)	-
	<u>\$ 379,100</u>	<u>\$ 320,113</u>

#### 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, 2022 and 2021, the unearned conditional grant commitments are estimated to be \$18,389,000 and \$26,325,000, respectively.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### Note 8. Grants Receivable

Grants receivable consist of the following at December 31, 2022 and 2021:

	2022	2021
U.S. Department of Labor:		
Senior Community Service:		
Employment Program (SCSEP)	\$ 3,752,778	\$ 3,591,929
Reentry Employment Opportunities (LifeLaunch)	768,910	654,382
U.S. Department of Agriculture:		
Food and Nutrition Services (SNAP)	102,555	227,398
Subtotal—federal grants receivable	4,624,243	4,473,709
Private grants:		
Indeed grants	465,000	680,448
	<u>\$ 5,089,243</u>	<u>\$ 5,154,157</u>

#### Note 9. Property and Equipment

Property and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Land	\$ 1,500,000	\$ 1,500,000
Building and improvements	8,468,768	8,468,768
Furniture and equipment	3,009,621	3,009,621
Software	5,123,327	5,123,327
Artwork	60,000	60,000
	18,161,716	18,161,716
Less accumulated depreciation and amortization	(13,563,572)	(12,922,185)
	<u>\$ 4,598,144</u>	<u>\$ 5,239,531</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.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### Note 11. Net Assets

Net assets without donor restrictions consisted of the following at December 31, 2022 and 2021:

	2022	2021
Undesignated—general activities	\$ 42,156,732	\$ 42,752,643
Designated by the board for:		
International activities	955,370	955,370
	<u>\$ 43,112,102</u>	<u>\$ 43,708,013</u>

GII's net assets with donor restrictions consisted of the following at December 31, 2022 and 2021:

	2022	2021
Specified purpose:		
Private foundation funds	\$ 9,532,169	\$ 12,111,894
Operations funds	694,532	569,952
International funds	13,163	13,163
Endowment:		
Endowment accumulated contributions*	1,375,063	1,629,016
Endowment accumulated earnings*	555,080	600,719
	<u>\$ 12,170,007</u>	<u>\$ 14,924,744</u>

\* See discussion of endowments in Note 12.

GII's net assets released from restrictions consisted of the following during the years ended December 31, 2022 and 2021:

	2022	2021
Private foundation funds	\$ 10,400,625	\$ 6,468,455
Operations funds	-	25,272
Endowment earnings	-	1,128
	<u>\$ 10,400,625</u>	<u>\$ 6,494,855</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.

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

#### Note 12. Endowments (Continued)

**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.

**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, 2022 and 2021.

GII's endowment funds consisted of the following at December 31, 2022 and 2021:

	2022		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Operations funds:			
Kenneth K. King Training Trust *	\$ 161,947	\$ 952,992	\$ 1,114,939
Richard and Lois England*	31,365	159,178	190,543
Frank F. Flegal Education and Training	143,374	34,562	177,936
International funds:			
Gerald Clore Training	197,327	100,000	297,327
Barker Education	10,367	123,131	133,498
Sioux City	10,700	5,200	15,900
	<u>\$ 555,080</u>	<u>\$ 1,375,063</u>	<u>\$ 1,930,143</u>

**Goodwill Industries International, Inc. and Related Entities**

**Notes to Consolidated Financial Statements**

**Note 12. Endowments (Continued)**

	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>

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

Changes in GII's endowment funds consisted of the following for the years ended 2022 and 2021:

	2022		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Endowment funds, beginning	\$ 600,719	\$ 1,629,016	\$ 2,229,735
Investment loss, net	(45,639)	(253,953)	(299,592)
Appropriations	-	-	-
Endowment funds, ending	<u>\$ 555,080</u>	<u>\$ 1,375,063</u>	<u>\$ 1,930,143</u>

	2021		
	With Donor Restrictions		
	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>

## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### 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.

**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, 2022 and 2021, conditional grant commitments to subrecipients are estimated to be \$17,275,885 and \$22,914,000, respectively.

#### Note 14. Leases

**Operating lease:** In November 2022, GII commenced a lease for computers. The lease expires in November 2025. Lease expense for the year ended December 31, 2022 was \$1,647. The weighted-average discount rate for the computer lease is 3.74% which is based on the risk-free rate at the time of the lease commencement. The weighted-average remaining lease term is 2.97 years. Future minimum cash basis lease payments are as follows:

Year ending December 31,	
2023	\$ 19,764
2024	19,764
2025	19,764
	<hr/>
	59,292
Discount to net present value	(2,029)
	<hr/>
	\$ 57,263
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**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. Rental revenue totaled \$0 and \$0 for the years ended December 31, 2022 and 2021, respectively. Future minimum cash basis rental receipts are expected to be as follows:

Year ending December 31,	
2023	\$ 298,416
2024	305,868
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	\$ 604,284
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## Goodwill Industries International, Inc. and Related Entities

### Notes to Consolidated Financial Statements

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#### 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expenditures to subrecipients	\$ 24,431,722	\$ 24,358,061
Expenditures used directly	1,793,182	1,951,116
	<u>\$ 26,224,904</u>	<u>\$ 26,309,177</u>