

Goodwill Industries International, Inc. and Related Entities

Consolidated Financial Report
December 31, 2024

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Independent Auditor's Report

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, 2024 and 2023, 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, 2024 and 2023, 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 May 12, 2025, 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 the Organization's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
May 12, 2025

Goodwill Industries International, Inc. and Related Entities

**Consolidated Statements of Financial Position
December 31, 2024 and 2023**

	2024	2023
Assets		
Cash	\$ 6,449,511	\$ 5,763,154
Investments	58,870,173	48,180,925
Accounts receivable, net of allowance for credit losses of \$181,594 and \$635,074 for 2024 and 2023, respectively	1,375,622	1,262,645
Grants receivable	7,678,916	5,410,425
Promises to give, net	89,383	233,662
Prepaid expenses and other assets	1,889,135	858,275
Right-of-use asset for operating lease	214,231	83,550
Property and equipment, net	4,159,400	4,335,951
Investments held for endowment	2,253,421	2,097,490
Total assets	\$ 82,979,792	\$ 68,226,077
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,634,220	\$ 3,847,847
Accrued expenses	4,436,690	3,907,624
Deferred revenue	1,224,481	1,623,760
Lease liability for operating lease, net	143,083	38,980
Total liabilities	10,438,474	9,418,211
Commitments and contingencies (Note 12)		
Net assets:		
Without donor restrictions	49,036,024	44,976,181
With donor restrictions	23,505,294	13,831,685
Total net assets	72,541,318	58,807,866
Total liabilities and net assets	\$ 82,979,792	\$ 68,226,077

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statements of Activities
Years Ended December 31, 2024 and 2023

	2024	2023
Activities without donor restrictions:		
Revenue and support:		
Federal awards	\$ 28,789,812	\$ 27,087,187
Membership dues	25,963,168	25,464,418
Program service fees	4,546,407	5,098,940
Legacies and bequests	9,110,727	1,432,827
Net investment return—operations	1,815,598	1,296,010
Contributions	946,556	689,975
Contributions of nonfinancial assets	4,458,128	644,569
Rental	305,872	322,673
Other income	63,707	196,005
Net assets released from restrictions	11,548,619	7,575,355
Total revenue and support	87,548,594	69,807,959
Expenses:		
Program services:		
Sponsored programs and grants	40,759,102	34,719,246
Direct services to membership	33,011,520	23,106,289
Support services to membership	1,473,400	1,726,689
Total program services	75,244,022	59,552,224
Administration and development:		
General and administrative	7,522,533	7,182,092
Resource development	1,365,967	1,735,446
Total administration and development	8,888,500	8,917,538
Total expenses	84,132,522	68,469,762
Change in net assets without donor restrictions from operations	3,416,072	1,338,197
Net investment return—nonoperating	643,771	525,882
Change in net assets without donor restrictions	4,059,843	1,864,079
Activities with donor restrictions:		
Contributions	20,600,233	8,710,333
Net investment return—donor restricted	621,995	526,700
Net assets released from restrictions	(11,548,619)	(7,575,355)
Change in net assets with donor restrictions	9,673,609	1,661,678
Change in net assets	13,733,452	3,525,757
Net assets:		
Beginning	58,807,866	55,282,109
Ending	\$ 72,541,318	\$ 58,807,866

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services			Administration and Development		
	Sponsored Programs and Grants	Direct Services to Membership	Support Services to Membership	General and Administrative Services	Resource Development	Total
Salaries	\$ 3,994,543	\$ 11,149,601	\$ 645,672	\$ 3,444,426	\$ 923,261	\$ 20,157,503
Employee benefits	984,257	2,124,844	105,412	630,336	138,637	3,983,486
Payroll taxes	288,287	861,164	50,949	314,641	72,639	1,587,680
Personnel expenses	5,267,087	14,135,609	802,033	4,389,403	1,134,537	25,728,669
Awards and grants	31,636,645	412,490	211,665	6,500	11,792	32,279,092
Professional fees	2,101,437	7,616,995	232,863	771,102	62,042	10,784,439
Rental and maintenance	244,630	1,822,343	60,467	651,500	284	2,779,224
Conferences and conventions	557,149	2,349,504	85,690	190,959	42,045	3,225,347
Travel and agency vehicles	577,179	1,124,085	28,794	211,743	77,718	2,019,519
Real estate related expenses	113,422	19,192	7,509	627,293	4,244	771,660
Contributed services - professional fees	-	4,458,128	-	-	-	4,458,128
Supplies	95,175	113,271	1,297	43,792	7,816	261,351
Printing, publications and advertising	4,533	699,642	126	953	11	705,265
Depreciation and amortization	-	45,303	22,652	274,131	11,326	353,412
Telephone and communications	82,130	2,101	44	196,085	28	280,388
Seminar and training fees	30,367	127,996	3,511	45,550	6,552	213,976
Bank service charges	46,076	25,035	12,517	101,850	6,259	191,737
Employee relations	739	167	15	4,645	45	5,611
Professional dues	277	41,436	4,092	1,741	1,125	48,671
Postage and shipping	2,256	18,223	125	5,286	143	26,033
	\$ 40,759,102	\$ 33,011,520	\$ 1,473,400	\$ 7,522,533	\$ 1,365,967	\$ 84,132,522

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Administration and Development		
	Sponsored Programs and Grants	Direct Services to Membership	Support Services to Membership	General and Administrative Services	Resource Development	Total
Salaries	\$ 3,354,102	\$ 9,424,774	\$ 720,513	\$ 2,337,683	\$ 1,226,620	\$ 17,063,692
Employee benefits	805,569	1,824,726	124,239	330,080	210,797	3,295,411
Payroll taxes	233,679	640,084	52,348	201,528	73,317	1,200,956
Personnel expenses	4,393,350	11,889,584	897,100	2,869,291	1,510,734	21,560,059
Awards and grants	27,309,984	353,390	205,199	2,610	45	27,871,228
Professional fees	1,862,377	5,432,043	350,709	1,838,463	99,447	9,583,039
Rental and maintenance	200,699	1,674,132	92,970	399,945	10,407	2,378,153
Conferences and conventions	49,962	1,803,853	72,114	174,948	10,100	2,110,977
Travel and agency vehicles	395,920	898,424	41,821	191,671	60,441	1,588,277
Real estate related expenses	65,231	41,935	8,972	581,064	2,726	699,928
Contributed consulting services	60,056	-	-	584,513	-	644,569
Supplies	261,325	172,647	9,390	125,204	6,160	574,726
Printing, publications and advertising	13,104	528,044	70	3,148	162	544,528
Depreciation and amortization	2,616	101,084	25,267	229,118	11,326	369,411
Telephone and communications	56,275	67,361	8,198	65,277	10	197,121
Seminar and training fees	24,127	71,215	2,375	16,403	12,558	126,678
Bank service charges	10,112	14,988	7,490	65,948	3,738	102,276
Employee relations	11,182	20,627	618	17,250	6,392	56,069
Professional dues	1,174	29,802	4,063	11,789	1,162	47,990
Postage and shipping	1,752	7,160	333	5,450	38	14,733
	\$ 34,719,246	\$ 23,106,289	\$ 1,726,689	\$ 7,182,092	\$ 1,735,446	\$ 68,469,762

See notes to consolidated financial statements.

Goodwill Industries International, Inc. and Related Entities

Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 13,733,452	\$ 3,525,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(712,176)	(591,811)
Credit loss expense (recovery)	5,594	(71,197)
Depreciation and amortization	353,412	369,411
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(118,571)	661,163
Promises to give	144,279	127,349
Grants receivable	(2,268,491)	(321,182)
Prepaid expenses and other assets	(1,030,860)	938,308
Right-of-use assets	48,485	1,805
Increase (decrease) in:		
Accounts payable	786,373	(3,177,950)
Accrued expenses	529,066	559,572
Deferred revenue	(399,279)	(661,636)
Principal payments on right-of-use operating lease liabilities	(75,063)	(48,022)
Net cash provided by operating activities	10,996,221	1,311,567
Cash flows from investing activities:		
Proceeds from sales of investments	8,405,330	7,902,238
Purchases of investments	(18,538,333)	(17,963,024)
Purchases of property and equipment	(176,861)	(107,218)
Net cash used in investing activities	(10,309,864)	(10,168,004)
Net increase (decrease) in cash	686,357	(8,856,437)
Cash:		
Beginning	5,763,154	14,619,591
Ending	\$ 6,449,511	\$ 5,763,154
Supplemental schedule of cash flow information:		
Right-of-use asset and liability recorded for operating lease	\$ 179,166	\$ 29,739

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 people's dignity and quality of life by strengthening their communities and helping those having difficulty finding employment 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. GMJCS has not had any program activity during the years ended December 31, 2024 and 2023.

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 services; to connect persons served to improved job and career opportunities; to develop higher quality job opportunities for people; 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.

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.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

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

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.

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 statements 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.

Use of estimates: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (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 carryforwards resulting from these taxable activities. The net operating loss carryforwards, which may be applied against future years' taxable income, approximated \$432,000 at December 31, 2024. The net operating loss carryforwards will expire at various dates through 2037. A deferred tax asset has not been recognized due to the uncertainty of realizing a benefit from the net operating loss carryforwards.

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

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

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

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 credit losses.

Allowance for credit losses: The Organization offsets gross trade accounts receivable with an allowance for credit losses. The allowance for credit losses is the Organization's best estimate of the amount of probable credit losses in the Organization's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Estimating credit losses based on risk characteristics requires significant judgment by the Organization. Significant judgments include but are not limited to recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the aging method into risk pools. Historical credit loss for each risk pool is then applied to the current period aging as presented in the identified risk pools to determine the needed reserve allowance. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Organization has determined that recent historical experience provides the best basis for estimating credit losses. The Organization reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

Below is a summary of the changes in the Organization's allowance for credit losses for the years ended December 31, 2024 and 2023:

	2024	2023
Beginning balance	\$ 635,074	\$ 545,788
Provision for expected credit losses	5,594	115,763
Charge-offs and other changes	(473,756)	(161,151)
Recoveries	14,682	134,674
Ending balance	<u>\$ 181,594</u>	<u>\$ 635,074</u>

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

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

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, 2023, included accounts receivable of \$1,834,522 and deferred revenue of \$2,285,396.

Promises to give: The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. The Organization 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 the Organization has used reasonable collection efforts are written off. Promises to give that are collectable in over a year are recorded net of a present value discount.

Grants receivable: Grants receivable relate to amounts due to the Organization from federal government agencies resulting from allowable costs incurred under conditional grants and unconditional amounts from other grantors. 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. The Organization has not written off grants receivable during either of the years ended December 31, 2024 and 2023.

Property and equipment: Acquisitions of property and equipment greater than \$5,000 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.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its consolidated statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities.

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

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

To determine the present value of lease payments, the Organization made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component. Non-lease components typically represent additional services transferred to the Organization, such as maintenance, which are variable in nature and recorded in variable lease expense in the period incurred.

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, 2024 and 2023, 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 except as noted above for the allowance for credit losses. 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: The Organization 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 the Organization. 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.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

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

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.

Rental: The Organization 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 barriers and/or rights of return imposed under the promises to give are met by the Organization and the promises become unconditional. If assets are received in connection with conditional promises are reported as refundable advances until such time the conditions are substantially met.

Contributions of nonfinancial assets: The Organization receives contributions of services from businesses and other organizations toward the fulfillment of program objectives and general operations. Those services and products, which are objectively measurable, have been included in both revenue and the related functional expense categories, and are recorded as contributions at the fair value at the date of donation. The goods and services are not monetized and used in the normal course of business as provided.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the accompanying consolidated statements 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—nonoperating in the change in net assets without donor restrictions from operations.

Subsequent events: The Organization has evaluated subsequent events through May 12, 2025, 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

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, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date. 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.

	2024	2023
Cash	\$ 6,449,511	\$ 5,763,154
Investments	61,123,594	50,278,415
Accounts receivable and grants receivable, net	9,054,538	6,673,070
Promises to give, net	89,383	233,662
Accounts payable to subrecipients	(2,334,293)	(2,374,399)
Net assets with donor restrictions	(23,505,294)	(13,831,685)
Board-designated reserves	(9,000,000)	(8,400,000)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 41,877,439</u>	<u>\$ 38,342,217</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, 2024 and 2023.

Investments consist of the following at December 31, 2024 and 2023:

		2024			
		Total	Level 1	Level 2	Level 3
Investments, at fair value:					
U.S. government obligations	\$	20,937,648	\$ -	\$ 20,937,648	\$ -
Fixed income mutual funds		9,195,920	9,195,920	-	-
Equity mutual funds		7,060,901	7,060,901	-	-
Corporate bonds		193,182	-	193,182	-
Money market funds		82,969	82,969	-	-
Investments carried at fair value		37,470,620	\$ 16,339,790	\$ 21,130,830	\$ -
Investments, at cost:					
Cash		23,652,974			
Total investments	\$	61,123,594			

		2023			
		Total	Level 1	Level 2	Level 3
Investments, at fair value:					
U.S. government obligations	\$	20,506,090	\$ -	\$ 20,506,090	\$ -
Fixed income mutual funds		8,787,646	8,787,646	-	-
Equity mutual funds		6,221,468	6,221,468	-	-
Corporate bonds		193,128	-	193,128	-
Money market funds		21,590	21,590	-	-
Common stock		20,306	20,306	-	-
Investments carried at fair value		35,750,228	\$ 15,051,010	\$ 20,699,218	\$ -
Investments, at cost:					
Cash		14,528,187			
Total investments	\$	50,278,415			

The Organization's investments in mutual funds, common stock, and money market funds are classified as Level 1 items as they are traded on a public exchange. U.S. government obligations and corporate bonds 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. The cost approximates fair value. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

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 over the age of 21 who have completed six months of service. The plan contains provisions for employer matching and discretionary contributions for eligible participants. Employees vest over a 5 year period, starting with 20% at two years, 40% at three years, 65% at four years and 100% at five years. The Organization's contributions to the plan, excluding applicable forfeitures, totaled \$1,313,818 and \$1,091,060 for the years ended December 31, 2024 and 2023, respectively.

Note 5. Accounts Receivable

Accounts receivable, net, consist of the following at December 31, 2024 and 2023 :

	2024	2023
Membership dues	\$ 969,432	\$ 1,443,411
Services and supplies	60,000	10,000
Case management	60,909	98,852
Interest receivable	304,488	253,299
Member agreements	70,061	44,235
Other receivables	92,326	47,922
	1,557,216	1,897,719
Less allowance for credit losses	(181,594)	(635,074)
Net accounts receivable	<u>\$ 1,375,622</u>	<u>\$ 1,262,645</u>

Note 6. Promises to Give

Unconditional promises to give consist of the following at December 31, 2024 and 2023:

	2024	2023
Amounts due in less than one year	\$ 114,342	\$ 187,956
Amounts due in one to five years	-	81,156
	114,342	269,112
Less discount to net present value	-	(10,180)
Less allowance for doubtful promises to give	(24,959)	(25,270)
	<u>\$ 89,383</u>	<u>\$ 233,662</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, 2024 and 2023, the unearned conditional grant commitments are estimated to be \$30,521,000 and \$26,160,000, respectively.

Goodwill Industries International, Inc. and Related Entities**Notes to Consolidated Financial Statements**

Note 8. Grants Receivable

Grants receivable consist of the following at December 31, 2024 and 2023:

	2024	2023
U.S. Department of Labor:		
Senior Community Service:		
Employment Program (SCSEP)	\$ 2,233,775	\$ 2,060,330
Reentry Employment Opportunities (LifeLaunch)	498,002	390,777
U.S. Department of Agriculture:		
Food and Nutrition Services (SNAP)	41,965	90,107
Federal Communications Commission:		
Affordable Connectivity Program (ACP)	-	302,126
Subtotal—federal grants receivable	2,773,742	2,843,340
Private grants:		
Accenture Global Accelerating	3,255,174	-
Ascendium Education	600,000	1,300,000
Comcast Digital Navigation Story Telling	50,000	-
Lowe's Trade Skills 5.0	-	1,000,000
Lowe's Trade Skills 2025	1,000,000	267,085
	<u>\$ 7,678,916</u>	<u>\$ 5,410,425</u>

Note 9. Property and Equipment

Property and equipment consisted of the following at December 31, 2024 and 2023:

	2024	2023
Land	\$ 1,500,000	\$ 1,500,000
Building and improvements	8,503,939	8,468,768
Furniture and equipment	2,803,895	3,116,840
Software	5,123,327	5,123,327
Artwork	60,000	60,000
	<u>17,991,161</u>	<u>18,268,935</u>
Less accumulated depreciation and amortization	<u>(13,831,761)</u>	<u>(13,932,984)</u>
	<u>\$ 4,159,400</u>	<u>\$ 4,335,951</u>

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 10. Net Assets

Net assets without donor restrictions consisted of the following at December 31, 2024 and 2023:

	2024	2023
Undesignated—general activities	\$ 40,036,024	\$ 36,576,181
Designated by the board for:		
Reserves for unexpected downturns	6,000,000	5,400,000
Reserves for investment needs	2,500,000	2,500,000
Reserves for building repairs and maintenance	500,000	500,000
	<u>\$ 49,036,024</u>	<u>\$ 44,976,181</u>

The Organization's net assets with donor restrictions consisted of the following at December 31, 2024 and 2023:

	2024	2023
Specified purpose:		
Private foundation funds	\$ 20,759,503	\$ 11,381,469
Operations funds	457,733	318,089
International funds	34,637	34,637
Endowment:		
Endowment accumulated contributions*	1,462,401	1,462,401
Endowment accumulated earnings*	791,020	635,089
	<u>\$ 23,505,294</u>	<u>\$ 13,831,685</u>

* See discussion of endowments in Note 11.

The Organization's net assets released from restrictions consisted of the following for the years ended December 31, 2024 and 2023:

	2024	2023
Private foundation funds	\$ 11,400,629	\$ 6,932,289
Operations funds	147,990	643,066
	<u>\$ 11,548,619</u>	<u>\$ 7,575,355</u>

Note 11. 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.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 11. 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. There were no funds with deficiencies at December 31, 2024 and 2023.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 11. Endowments (Continued)

The Organization's endowment funds consisted of the following at December 31, 2024 and 2023:

	2024		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Operations funds:			
Kenneth K. King Training Trust *	\$ 236,614	\$ 1,019,092	\$ 1,255,706
Richard and Lois England*	55,718	176,627	232,345
Frank F. Flegal Education and Training	180,591	38,351	218,942
International funds:			
Gerald Clore Training	274,067	100,000	374,067
Barker Education	28,221	123,131	151,352
Sioux City	15,809	5,200	21,009
	<u>\$ 791,020</u>	<u>\$ 1,462,401</u>	<u>\$ 2,253,421</u>
	2023		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Operations funds:			
Kenneth K. King Training Trust *	\$ 181,311	\$ 1,019,092	\$ 1,200,403
Richard and Lois England*	35,024	176,627	211,651
Frank F. Flegal Education and Training	160,098	38,351	198,449
International funds:			
Gerald Clore Training	230,298	100,000	330,298
Barker Education	14,463	123,131	137,594
Sioux City	13,895	5,200	19,095
	<u>\$ 635,089</u>	<u>\$ 1,462,401</u>	<u>\$ 2,097,490</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 11. Endowments (Continued)

Changes in the Organization's endowment funds consisted of the following for the year ended December 31, 2024:

	2024		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Endowment funds, beginning	\$ 635,089	\$ 1,462,401	\$ 2,097,490
Investment gain, net	165,110	-	165,110
Appropriations	(9,179)	-	(9,179)
Endowment funds, ending	<u>\$ 791,020</u>	<u>\$ 1,462,401</u>	<u>\$ 2,253,421</u>

Changes in the Organization's endowment funds consisted of the following for the year ended December 31, 2023:

	2023		
	With Donor Restrictions		
	Accumulated Earnings	Accumulated Contributions	Total
Endowment funds, beginning	\$ 555,080	\$ 1,375,063	\$ 1,930,143
Investment gain, net	80,009	87,338	167,347
Endowment funds, ending	<u>\$ 635,089</u>	<u>\$ 1,462,401</u>	<u>\$ 2,097,490</u>

Note 12. 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 the Organization 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, 2024 and 2023, conditional grant commitments to subrecipients are estimated to be \$23,736,000 and \$21,740,000, respectively.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 13. Leases

Operating lease: The Organization has entered various computer equipment leases that expire at various dates through December 2027. Lease expense for the years ended December 31, 2024 and 2023, was \$74,837 and \$24,604, respectively. The weighted-average discount rate for the computer leases is 3.7% for 2024 and 2023, respectively, which is based on the risk-free rate at the time of the lease commencement. The weighted-average remaining lease term is 2.4 years for 2024 and 2023, respectively. Cash payments are made annually for leases and total \$96,319 and \$72,614 as of December 31, 2024 and 2023, respectively.

Future minimum cash basis lease payments are as follows:

Years ending December 31:	
2025	\$ 87,565
2026	60,928
	<hr/> 148,493
Discount to net present value	(5,410)
	<hr/> \$ 143,083

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, 2031. Monthly payments approximated \$25,000 during the year ended December 31, 2024, and will reduce to approximately \$22,000 for the remaining term. Rental revenue totaled \$305,872 and \$322,673 for the years ended December 31, 2024 and 2023, respectively.

Future minimum cash basis rental receipts are expected to be as follows:

Years ending December 31:	
2025	\$ 274,008
2026	274,008
2027	274,008
2028	274,008
2029	274,008
Thereafter	548,016
	<hr/> \$ 1,918,056

Note 14. Contributions of Nonfinancial Assets

The Organization received donated professional services during the years ended December 31, 2024 and 2023, which consisted of consulting services for strategic planning, media services, and advertising support. The contributed consulting services were valued based on current market rates for the professionals utilized. The contributed media were valued based on the price that would have been charged for each advertisement. The Organization did not monetize any contributed nonfinancial assets and the contributed nonfinancial assets did not have donor restrictions. The Organization recognized the donated services revenue with a corresponding expense.

Goodwill Industries International, Inc. and Related Entities

Notes to Consolidated Financial Statements

Note 14. Contributions of Nonfinancial Assets (Continued)

The donated services are further broken down into the following categories:

	2024	2023
Media	\$ 3,109,058	\$ -
Consulting services	1,349,070	644,569
	<u>\$ 4,458,128</u>	<u>\$ 644,569</u>

Note 15. Subsequent Events

Subsequent to year-end, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the EOs. During the year ended December 31, 2024, the Organization recognized federal financial assistance totaling \$28,789,812 and at December 31, 2024 had outstanding federal receivables of \$2,773,742. The Organization has not experienced any issues with the collectability of the receivables as a result of the EOs. As of the date of this report, the full impact of President Trump's EOs on the Organization's financial position and results of operations is uncertain. Management is actively monitoring the situation and assessing the potential effects on the Organization's consolidated financial statements.