

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Goodwill Industries of Northwest Ohio, Inc.
and Subsidiary
Toledo, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Goodwill Industries of Northwest Ohio, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Northwest Ohio, Inc. and Subsidiary as of December 31, 2021 and 2020, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Goodwill Industries of Northwest Ohio, Inc. and Subsidiary 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of Northwest Ohio, Inc. and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of Northwest Ohio, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of Northwest Ohio, Inc. and Subsidiary'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
May 3, 2022

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,427,011	\$ 4,150,957
Accounts Receivable	602,273	536,121
Inventories	2,064,012	1,052,798
Prepaid Expenses	112,753	104,884
Total Current Assets	8,206,049	5,844,760
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION		
	2,518,837	2,331,331
OTHER ASSETS		
Deposits	28,671	16,700
Investments	4,037,483	2,136,154
Total Other Assets	4,066,154	2,152,854
Total Assets	\$ 14,791,040	\$ 10,328,945
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 435,903	\$ 295,222
Accrued Compensation	652,567	554,598
Deferred Revenue	50,268	20,960
Current Incentive Rent	73,059	78,967
Other Accrued Liabilities	44,321	30,129
Total Current Liabilities	1,256,118	979,876
LONG-TERM LIABILITIES		
Economic Injury Disaster Loan Payable	-	499,900
Incentive Rent, Excluding Current Maturities	355,250	428,309
Total Liabilities	1,611,368	1,908,085
NET ASSETS		
Without Donor Restrictions:		
Undesignated	9,142,189	6,284,706
Board-Designated	4,037,483	2,136,154
Total Net Assets Without Donor Restrictions	13,179,672	8,420,860
Total Liabilities and Net Assets	\$ 14,791,040	\$ 10,328,945

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
REVENUE AND SUPPORT		
Retail Sales of Donated Goods, Net	\$ 14,061,424	\$ 9,453,664
Estimated Value of Donated Goods	13,660,092	8,745,781
Paycheck Protection Program Grant	1,398,455	1,546,600
Contributions	408,999	404,728
Contract Sales	2,006,366	2,049,060
Grants	493,298	497,880
Investment Income (Loss)	152,560	(282)
Gain on Sale of Assets	11,167	-
Other	6,788	671,002
Total Revenue and Support	32,199,149	23,368,433
EXPENSES		
Functional Expenses:		
Program Services	24,663,153	19,247,495
Management and General	2,748,033	2,226,012
Fundraising	29,151	25,644
Total Expenses	27,440,337	21,499,151
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,758,812	1,869,282
Net Asset - Beginning of Year	8,420,860	6,551,578
NET ASSETS - END OF YEAR	\$ 13,179,672	\$ 8,420,860

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	Program Services				Program Services Total	Management and General	Fundraising	2021 Total	2020 Total
	Mission	Stores	Donated Goods Processing	Contracts					
Cost of Goods Sold	\$ -	\$ 12,667,563	\$ -	\$ -	\$ 12,667,563	\$ -	\$ -	\$ 12,667,563	\$ 8,377,810
Salaries and Wages	652,917	3,218,341	525,756	1,033,631	5,430,645	1,523,038	11,121	6,964,804	6,255,178
Payroll Taxes	61,104	293,531	48,223	104,222	507,080	124,275	882	632,237	580,048
Employee Health Benefits	65,786	118,865	71,479	22,009	278,139	314,764	2,086	594,989	586,762
Total Payroll Related Expenses	779,807	3,630,737	645,458	1,159,862	6,215,864	1,962,077	14,089	8,192,030	7,421,988
Occupancy	21,529	3,148,287	405,153	26,644	3,601,613	116,093	-	3,717,706	3,465,844
Local Transportation	3,706	1,518	395,768	43,260	444,252	72,702	17	516,971	424,579
Postage and Shipping	241	340,327	83	18	340,669	2,102	110	342,881	213,078
Supplies	197,456	161,703	122,651	79,132	560,942	79,254	405	640,601	440,376
Bank Charges and Interest	170	212,378	404	377	213,329	38,465	180	251,974	182,625
National and Organizational Dues	150	-	-	-	150	125,748	-	125,898	107,388
Professional Fees	140,079	106,022	1,428	8,242	255,771	123,670	5	379,446	297,672
Telephone	4,580	35,989	6,498	4,975	52,042	19,452	120	71,614	62,241
Advertising, Printing, and Promotion	578	349	68	-	995	52,527	12,051	65,573	56,274
Building Maintenance	1,250	109,476	6,918	15,021	132,665	21,361	-	154,026	149,620
Equipment Maintenance	1,393	8,404	3,054	14,872	27,723	7,167	24	34,914	38,121
Software Expense	404	-	-	-	404	5,832	-	6,236	5,990
Security and Insurance	-	3,463	-	-	3,463	1,964	-	5,427	4,453
Miscellaneous	832	684	118	348	1,982	29,843	2,018	33,843	11,613
Total Functional Expenses Before Depreciation and Amortization	1,152,175	20,426,900	1,587,601	1,352,751	24,519,427	2,658,257	29,019	27,206,703	21,259,672
Depreciation and Amortization	9,873	107,860	11,065	14,928	143,726	89,776	132	233,634	239,479
Total Functional Expenses	<u>\$ 1,162,048</u>	<u>\$ 20,534,760</u>	<u>\$ 1,598,666</u>	<u>\$ 1,367,679</u>	<u>\$ 24,663,153</u>	<u>\$ 2,748,033</u>	<u>\$ 29,151</u>	<u>\$ 27,440,337</u>	<u>\$ 21,499,151</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services				Program Services Total	Management and General	Fundraising	2020 Total
	Mission	Stores	Donated Goods Processing	Contracts				
Cost of Goods Sold	\$ -	\$ 8,377,810	\$ -	\$ -	\$ 8,377,810	\$ -	\$ -	\$ 8,377,810
Salaries and Wages	628,691	2,773,263	582,667	1,033,870	5,018,491	1,225,550	11,137	6,255,178
Payroll Taxes	58,224	252,329	64,785	95,420	470,758	108,430	860	580,048
Employee Health Benefits	57,766	137,349	60,431	42,076	297,622	287,053	2,087	586,762
Total Payroll Related Expenses	744,681	3,162,941	707,883	1,171,366	5,786,871	1,621,033	14,084	7,421,988
Occupancy	16,099	2,926,194	432,876	13,995	3,389,164	76,680	-	3,465,844
Local Transportation	2,384	2,889	343,293	20,721	369,287	55,288	4	424,579
Postage and Shipping	298	210,380	55	7	210,740	2,240	98	213,078
Supplies	56,169	106,268	164,477	68,195	395,109	45,155	112	440,376
Bank Charges and Interest	24	147,825	1,091	649	149,589	32,923	113	182,625
National and Organizational Dues	-	-	-	-	-	107,388	-	107,388
Professional Fees	143,735	46,106	456	6,370	196,667	101,005	-	297,672
Telephone	5,623	28,399	6,902	3,179	44,103	18,018	120	62,241
Advertising, Printing, and Promotion	668	55	-	-	723	45,023	10,528	56,274
Building Maintenance	821	105,530	11,782	12,845	130,978	18,642	-	149,620
Equipment Maintenance	3,385	6,649	9,503	13,634	33,171	4,885	65	38,121
Software Expense	341	-	-	-	341	5,649	-	5,990
Security and Insurance	71	2,458	-	-	2,529	1,924	-	4,453
Miscellaneous	1,396	71	-	-	1,467	10,138	8	11,613
Total Functional Expenses Before Depreciation and Amortization	975,695	15,123,575	1,678,318	1,310,961	19,088,549	2,145,991	25,132	21,259,672
Depreciation and Amortization	9,898	122,073	15,166	11,809	158,946	80,021	512	239,479
Total Functional Expenses	<u>\$ 985,593</u>	<u>\$ 15,245,648</u>	<u>\$ 1,693,484</u>	<u>\$ 1,322,770</u>	<u>\$ 19,247,495</u>	<u>\$ 2,226,012</u>	<u>\$ 25,644</u>	<u>\$ 21,499,151</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,758,812	\$ 1,869,282
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	233,634	239,479
Amortization of Rent Incentive	(78,967)	(80,816)
Net Unrealized and Realized (Gain) Loss on Investments	(64,141)	58,804
Gain on Sale of Assets	(11,167)	-
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(66,152)	580,011
Inventories	(1,011,214)	(370,045)
Prepaid Expenses	(7,869)	10,967
Deposits	(11,971)	3,770
Increase (Decrease) in Liabilities:		
Accounts Payable	140,681	46,621
Accrued Compensation	97,969	120,572
Deferred Revenue	29,308	(99,471)
Other Accrued Liabilities	14,192	2,375
Net Cash Provided by Operating Activities	4,023,115	2,381,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(426,117)	(62,638)
Purchases of Investments	(4,220,929)	(871,515)
Proceeds from Sale of Investments	2,383,741	819,120
Proceeds from Sale of Property and Equipment	16,144	-
Net Cash Used by Investing Activities	(2,247,161)	(115,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Economic Injury Disaster Loan	-	499,900
Repayment of Economic Injury Disaster Loan	(499,900)	-
Net Cash Provided (Used) by Financing Activities	(499,900)	499,900
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,276,054	2,766,416
Cash and Cash Equivalents - Beginning of Year	4,150,957	1,384,541
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,427,011	\$ 4,150,957
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 14,324	\$ 6,834

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill Industries of Northwest Ohio, Inc. (Goodwill) is a nonprofit Ohio corporation organized in 1933 that provides human services to assist disadvantaged individuals with disabilities to achieve their optimum level of independence. Specifically, the programs of Goodwill provide employment, training, and rehabilitation services to assist in overcoming limitations that prevent the individual from being a productive, independent citizen. In addition, Goodwill operates thrift stores in Northwest Ohio as a means of providing jobs and training, as well as assistance and affordable goods to the local area's families and children. Goodwill is a member of Goodwill Industries International.

The consolidated financial statements include the accounts of Goodwill Industries of Northwest, Ohio, Inc. and its subsidiary, ContractTech Inc. (collectively, the Organization). ContractTech Inc. (ContractTech) was established as a wholly owned subsidiary in 1992 and was formed to administer general services contracts. All material balances and transactions between the entities have been eliminated.

Significant accounting policies followed by the Organization are presented below.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting provides for the recognition of revenues when earned and expenses when incurred.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. There were no Net Assets With Donor Restrictions as of December 31, 2021 and 2020.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant areas involving the use of management's estimates and assumptions are the end of year inventory, depreciable lives and methods of property and equipment, and the allocation of functional expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with several financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times cash balances may be in excess of FDIC insurance limits. Management regularly monitors the financial condition of each institution in which it has depository accounts and believes the risk of loss is minimal.

Investments

Investments, consisting of equity and fixed income mutual funds, are carried at fair value. Fair value is determined based on quoted market values of the funds.

In general, investments are exposed to various risks such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Accounts Receivable

The Organization extends credit to its nonretail customers based on an evaluation of the customer's credit history. Accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts using the specific identification method. The allowance is based on experience, third party contracts, and other circumstances which may affect the ability of the payor to meet their obligations. Receivables are considered delinquent when payments have not been received in accordance with the contractual terms. It is the policy of the Organization to charge off uncollectible accounts when management determines that the receivable will not be collected. There was no allowance for doubtful accounts as of December 31, 2021 and 2020.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift stores. Inventory for these contributions in kind is stated at the estimated fair value of the items contributed.

Property and Equipment

Property and equipment are carried at cost, except for donated items which are recorded at fair value when donated. Costs greater than \$500 that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

The Organization provides for depreciation and amortization using the straight-line method over the estimated useful lives of the depreciable assets, or for leasehold improvements, the shorter of estimated useful lives or the applicable lease term, which generally range from 5 to 45 years for building and leasehold improvements and 3 to 10 years for other assets.

Retail Sales of Donated Goods, Net

Retail store revenue is recorded at the purchase price, net of any sale discounts and in-kind vouchers, at the time the goods are sold. The payments are received, from customers, through cash or credit card.

Salvage sales are included in retail sales on the consolidated statement of activities and are recorded at the purchase price when salvage loads are picked up.

ShopGoodwill is the Organization's online sales platform and is included in retail sales on the consolidated statement of activities. Revenue is recognized at the time the goods are shipped and is recorded twice a month, net of any fees, adjustments and sales tax. The online system only takes credit cards as payment. The funds are deposited into our operating account twice a month from Goodwill Orange County ShopGoodwill.

For the years ended December 31, 2021 and 2020, the Organization recognized revenue of \$14,061,424 and \$9,453,664 for retail sales that are recognized at a point in time.

Estimated Value of Donated Goods

Generally, contributions are received in the form of goods such as clothing, household furnishings, and electronics. The items are sorted, processed, and distributed to Goodwill's thrift stores. Items which cannot be retailed or reconditioned are sold as salvage. Collection, sorting, processing, renovation, and distribution costs are charged to operations as incurred. No amounts have been reflected in the consolidated financial statements for donated services, as services provided do not meet the definition for services required to be reported under accounting principles generally accepted in the United States of America. A number of volunteers, including the board of directors; however, have donated significant amounts of their time and expertise to the Organization's programs and supportive services.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as revenue based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenue are recognized at the time the Organization is notified of the contribution, regardless of the timing of the cash receipt. For contributions with donor-imposed conditions - that is, those with a measurable performance or other barrier and a right or return or release - revenue is recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

Contributions are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contract Sales

Contract sales are recorded as revenue when eligible expenditures, as defined in each contract, are made. Funds received but not yet earned are recorded as deferred revenue. Contract revenue is based on hours worked, units serviced, or billed lump sum. There was no deferred revenue related to contract sales at December 31, 2021 and 2020.

Mission service fees are included in contract sales on the statement of activities and are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to their program participants. The revenue is recognized when services are rendered. Programs are funded by Ohioans with Disabilities (OOD), Department of Developmental Disabilities (DODD), or the Veteran Administration. The Organization also has programs that are funded by private donations and grants.

For the years ended December 31, 2021 and 2020, the Organization recognized revenue of \$2,006,366 and \$2,049,060 from contract sales that are recognized over time.

Grants

Conditional local government grants and contract funds are recognized as revenue when eligible expenditures, as defined in each contract, are made or service metrics are achieved (over time). Grants of \$45,399 and \$17,960 have not been recognized as qualifying expenditures have not yet been incurred or metrics not achieved and are included as deferred revenue as of December 31, 2021 and 2020, respectively. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Paycheck Protection Program Grant

On April 15, 2020, the Organization received a first draw in the amount of \$1,546,600 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). On April 2, 2021, the Organization received a second draw in the amount of \$1,398,455. The PPP Loans may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act.

The Organization has classified these loans as conditional contributions for accounting purposes. The Organization recognized \$1,398,455 and \$1,546,600 of revenue related to these agreements during the year ended December 31, 2021 and 2020, respectively, which represents the portion of the PPP Loan funds for which the performance barriers have been met. As of December 31, 2021 and 2020, the Organization has satisfied the performance barriers attributable to the PPP Loan proceeds. The loan first and second draws were forgiven by the SBA in April 2021 and January 2022, respectively.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Each expense is allocated using a method that is appropriate to the manner in which the expense is accrued. Salaries, wages, taxes, and benefits are allocated directly to the proper program, grant, department, administrative, or fundraising category based on hours spent on each. Shared direct expenses are allocated based on the percentage of total staff hours spent in each program area, which include occupancy costs, technology, equipment, telephone, postage, and office supplies.

Advertising

Advertising and promotion costs are expensed as incurred. Such costs were \$65,573 and \$56,274 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

Goodwill Industries of Northwest Ohio, Inc. and its subsidiary are each exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and are not classified as private foundations. As such, no provision for income tax expense has been made in the accompanying consolidated financial statements. The IRC provides for taxation of unrelated business income under certain circumstances. The Organization reports no net unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization follows the income tax standard for uncertain tax positions. Management has determined that they have no uncertain tax positions.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported consolidated net assets.

Subsequent Events

Management evaluated subsequent events through May 3, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of programs, contracts, and overhead to support the mission.

At December 31, the Organization's financial resources were earmarked as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 5,427,011	\$ 4,150,957
Accounts Receivable	602,273	536,121
Available for Operations	<u>\$ 6,029,284</u>	<u>\$ 4,687,078</u>
Board-Designated Endowment	<u>\$ 4,037,483</u>	<u>\$ 2,136,154</u>
Total Reserves	<u>\$ 4,037,483</u>	<u>\$ 2,136,154</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures through store sales and other contracts.

The Organization's board of trustees (the board) has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board and President/CEO based on the spending policy as described in Note 5.

In addition, the Organization has available a \$1,000,000 line of credit with Fifth Third Bank.

**GOODWILL INDUSTRIES OF NORTHWEST OHIO, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 INVESTMENTS

Investments at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Domestic Equities	\$ 794,183	\$ 355,048
International Equities	382,385	156,843
Emerging Markets	-	49,201
Domestic Fixed Income	2,039,431	1,168,143
International Fixed Income	300,917	176,205
Alternative Mutual Funds	26,194	16,327
Balanced Funds	-	162,836
Multi Asset Funds	286,995	-
Money Market	207,378	51,551
Total Investments	<u>\$ 4,037,483</u>	<u>\$ 2,136,154</u>

Investment income for December 31 is as follows:

	<u>2021</u>	<u>2020</u>
Unrealized and Realized Gain (Loss)	\$ 64,141	\$ (58,804)
Investment Fees	(14,874)	(9,362)
Interest and Dividend Income	103,293	67,884
Total Investment Income (Loss)	<u>\$ 152,560</u>	<u>\$ (282)</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 326,092	\$ 326,092
Building and Leasehold Improvements	3,617,983	3,563,582
Furniture, Fixtures, and Equipment	2,000,690	1,868,578
Trucks and Trailers	309,748	167,706
Construction in Progress	29,889	-
Subtotal	<u>6,284,402</u>	<u>5,925,958</u>
Less: Accumulated Depreciation and Amortization	<u>3,765,565</u>	<u>3,594,627</u>
Net Property and Equipment	<u>\$ 2,518,837</u>	<u>\$ 2,331,331</u>

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NOTE 5 ENDOWMENTS

The Organization's endowments consist of a fund established to support the achievement of the Organization's mission. The Goodwill Industries of Northwest Ohio, Inc. Endowment Fund (the Endowment Fund) consists of funds designated by the board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies net assets with donor restrictions of a perpetual nature as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as perpetual in nature are classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets that attempts to manage fund assets according to prudent standards as established in common trust law. Investment of the funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The intent is for investments to be broadly diversified so as to participate in market growth. The principal investment objective of the portfolio is to provide a rate of return sufficient to offset the impact of inflation on Endowment Fund assets as well as to provide for a degree of real growth commensurate with a moderate level of risk. In order to attain these investment objectives, Endowment Fund assets are comprised of equity and fixed income securities as well as cash equivalents allocated in a manner broadly consistent with the long-term goals.

Distribution Policy

The board determines an amount to be withdrawn from the cumulative investment return of certain endowment funds to support the activities of the Organization; the remainder is retained to support operations of future years and to offset potential market declines. Annual distributions from the Endowment Fund may be made to the Organization based on the spending guidelines of the Endowment Fund; however, the Organization may request distributions in excess of the spending guidelines.

The President/CEO of the Organization may also take a distribution from the Endowment Fund on a yearly basis based on spending policy of no more than 3.5% of principal based on a rolling three-year average of year-end assets.

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NOTE 5 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives

In order to meet its needs, the investment strategy of the Organization is to emphasize total return; that is, the aggregate return from realized and unrealized capital gains and losses and dividend and interest income.

At December 31, 2021 and 2020, unrestricted board-designated endowment funds totaled \$4,037,483 and \$2,136,154, respectively.

Changes in unrestricted endowment net assets for the years ended December 31 were as follows:

	2021	2020
Endowment Net Assets - Beginning of Year	\$ 2,136,154	\$ 2,142,563
Net Investment Return:		
Investment Income, Net	87,188	52,395
Net Appreciation (Depreciation)	64,141	(58,804)
Total Net Investment Return	151,329	(6,409)
Contributions	1,750,000	-
Distributions	-	-
Endowment Net Assets - End of Year	\$ 4,037,483	\$ 2,136,154

NOTE 6 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value. The term “fair value hierarchy” refers to the relative reliability of inputs to a fair value measurement. Generally, the lower the level of input for a fair value measurement, the more extensive the disclosure requirement.

The three-level fair value hierarchy prioritizes the inputs to valuation technique used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets or markets that are not active, such as dealer or broker markets.

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy due to the lack of observable quotes in inactive markets for those instruments during the years ended December 31, 2021 and 2020.

Certain financial assets and liabilities are measured at fair value on a recurring basis while others are measured on a nonrecurring basis. The Organization had no assets or liabilities measured on a nonrecurring basis at December 31, 2021 and 2020.

The following table summarizes financial assets (no liabilities) measured at fair value as of December 31, 2021 and 2020, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	2021			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Domestic Equities	\$ 794,183	\$ -	\$ -	\$ 794,183
International Equities	382,385	-	-	382,385
Domestic Fixed Income	2,039,431	-	-	2,039,431
International Fixed Income	300,917	-	-	300,917
Alternative Mutual Funds	26,194	-	-	26,194
Multi Asset Funds	286,995	-	-	286,995
Money Market	-	207,378	-	207,378
Total Investments at Fair Value	<u>\$ 3,830,105</u>	<u>\$ 207,378</u>	<u>\$ -</u>	<u>\$ 4,037,483</u>
	2020			
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Domestic Equities	\$ 355,048	\$ -	\$ -	\$ 355,048
International Equities	156,843	-	-	156,843
Emerging Markets	49,201	-	-	49,201
Domestic Fixed Income	1,168,143	-	-	1,168,143
International Fixed Income	176,205	-	-	176,205
Alternative Mutual Funds	16,327	-	-	16,327
Balanced Funds	162,836	-	-	162,836
Money Market	-	51,551	-	51,551
Total Investments at Fair Value	<u>\$ 2,084,603</u>	<u>\$ 51,551</u>	<u>\$ -</u>	<u>\$ 2,136,154</u>

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NOTE 7 LINE OF CREDIT

At December 31, 2021, the Organization has available a \$1,000,000 line of credit with interest at 1.72% in excess of the one-month Secured Overnight Financing Rate (SOFR, previously LIBOR) (1.97% and 1.75% as of December 31, 2021 and 2020, respectively). This line of credit is secured by substantially all assets of the Organization and matures on October 4, 2022. There were no borrowings under this or a similar note at December 31, 2021 and 2020.

NOTE 8 ECONOMIC INJURY DISASTER LOAN PAYABLE

Economic Injury Disaster Loan Payable at December 31, consists of the following:

<u>Description</u>	<u>2020</u>
Economic Injury Disaster Loan to the U.S. Small Business Administration, payable in monthly installments of \$2,136, including interest at a fixed rate of 2.75%, beginning April 21, 2021. Note was secured by all assets of the Organization and was paid in full on May 4, 2021.	\$ 499,900
Total Economic Injury Disaster Loan Payable	<u>\$ 499,900</u>

There was \$14,063 of interest paid on this note in 2021 (none in 2020).

NOTE 9 MAJOR CUSTOMERS

Contract sales included revenue from three customers in 2021 and 2020 of approximately 90% and 91%, respectively, of total contract sales. Accounts receivable at December 31, 2021 and 2020 from one of these customers aggregated approximately 23% and 27%, respectively, of total receivables. There was one additional customer in 2020 that amounted to 14% of total receivables.

Grants included revenue from four grantors in 2021 and 2020 of approximately 100% of total grant revenue. Accounts receivable at December 31, 2020 from these grantors was approximately 17% of total receivables (none at 2021).

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NOTE 10 PENSION PLAN

The Organization has a defined contribution pension plan covering substantially all employees. The plan allows for contributions by the Organization to be determined annually at its discretion. Total pension expense, including administrative expenses paid by the Organization, was \$28,768 and \$27,572 for the years ended December 31, 2021 and 2020, respectively.

NOTE 11 LEASE COMMITMENTS

As of December 31, 2021, Goodwill leased 13 retail store locations: four in Toledo, and one each in Bowling Green, Bryan, Defiance, Findlay, Napoleon, Ottawa, Tiffin, Whitehouse, and Wauseon, Ohio. In addition, Goodwill leases four donation stations with office space and two storage facilities. Rent expense, including maintenance fees, totaled \$2,534,571 and \$2,438,450 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments under noncancellable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 2,371,278
2023	1,862,426
2024	1,788,591
2025	1,179,404
2026	771,470
Thereafter	552,553
Total	<u>\$ 8,525,722</u>

NOTE 12 SUBSEQUENT EVENTS

In March 2022, Goodwill entered into a purchase agreement to purchase property in Toledo Ohio for \$3.1M to be used for donated goods storage, salvage sales, logistic operations, trailer storage, mowing and contracts supplies and equipment, and industrial contracts work. Goodwill will pay \$1M from operating reserves and will finance the remaining \$2.1M balance with The Citizens National Bank of Bluffton. The closing is scheduled for May 13, 2022, and the building mortgage will bear interest at a fixed rate of 4.5% for the first 60 months, subject to the variable index of the average yield on United States Treasury securities plus 3% for the remaining 60 months until maturity of June 1, 2032. The note will be secured by the property, including the assignment of rents and the security interest in the rents and personal property.

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