



Financial Statements  
December 31, 2021 and 2020

# Goodwill Industries of Southern Nevada, Inc.

Goodwill Industries of Southern Nevada, Inc.

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December 31, 2021 and 2020

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## Independent Auditor's Report

The Board of Directors  
Goodwill Industries of Southern Nevada, Inc.  
Las Vegas, Nevada

### Report on the Audit of the Financial Statements

#### *Opinion*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Goodwill Industries of Southern Nevada, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Goodwill Industries of Southern Nevada, Inc. 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 these 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 Goodwill Industries of Southern Nevada, Inc.,’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditor’s Responsibilities of the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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



Las Vegas, Nevada  
May 24, 2022

Goodwill Industries of Southern Nevada, Inc.  
Statements of Financial Position  
December 31, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 19,911,643	\$ 10,580,655
Accounts receivable	168,812	2,844
Contracts receivable	49,602	34,949
Grants receivable	4,483	69,773
Inventory	3,241,476	2,988,325
Prepaid expenses and other assets	838,589	540,511
Deposits	520,943	520,943
Restricted cash	1,200,058	1,200,016
Property and equipment, net	17,623,518	17,757,897
Total assets	\$ 43,559,124	\$ 33,695,913
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 1,126,135	\$ 404,486
Pre-filing liabilities subject to compromise	36,005	71,270
Accrued expenses and other liabilities	1,475,518	1,314,288
Refundable advance - Paycheck Protection Program	-	3,280,000
Deferred rent payable	1,674,332	1,572,872
Bonds payable, net of unamortized bond issuance costs and discounts on bonds	20,099,685	20,401,490
Total liabilities	24,411,675	27,044,406
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	21,035,061	8,792,660
Invested in property and equipment, net of related debt	(2,476,167)	(2,643,593)
	18,558,894	6,149,067
With donor restrictions		
Purpose restrictions	588,555	502,440
Total net assets	19,147,449	6,651,507
Total liabilities and net assets	\$ 43,559,124	\$ 33,695,913

Goodwill Industries of Southern Nevada, Inc.

Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 267,570	\$ 792,898	\$ 1,060,468
Grants	365,116	-	365,116
Goods contributed for sale	45,036,222	-	45,036,222
Sale of contributed goods	44,878,737	-	44,878,737
Less cost of goods sold	(44,878,737)	-	(44,878,737)
Sale of purchased goods	1,078,906	-	1,078,906
Less cost of goods sold	(579,502)	-	(579,502)
Vocational assistance programs	421,635	-	421,635
Interest	20,876	-	20,876
Paycheck Protection Program forgiveness	3,331,581	-	3,331,581
Nevada Unemployment Insurance relief	335,919	-	335,919
Other	1,838	-	1,838
Net assets released from restrictions	706,783	(706,783)	-
	<u>50,986,944</u>	<u>86,115</u>	<u>51,073,059</u>
Total revenue, support, and gains			
Expenses			
Program services expense	37,158,420	-	37,158,420
Supporting services expense			
Management and general	1,044,431	-	1,044,431
Fundraising and development	374,266	-	374,266
	<u>1,418,697</u>	<u>-</u>	<u>1,418,697</u>
Total supporting services expenses			
Total expenses	<u>38,577,117</u>	<u>-</u>	<u>38,577,117</u>
Change in Net Assets	12,409,827	86,115	12,495,942
Net Assets, Beginning of Year	<u>6,149,067</u>	<u>502,440</u>	<u>6,651,507</u>
Net Assets, End of Year	<u>\$ 18,558,894</u>	<u>\$ 588,555</u>	<u>\$ 19,147,449</u>

Goodwill Industries of Southern Nevada, Inc.  
Statement of Activities  
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 242,525	\$ 461,586	\$ 704,111
Grants	485,379	-	485,379
Goods contributed for sale	32,682,079	-	32,682,079
Sale of contributed goods	32,382,576	-	32,382,576
Less cost of goods sold	(32,382,576)	-	(32,382,576)
Sale of purchased goods	600,124	-	600,124
Less cost of goods sold	(342,483)	-	(342,483)
Vocational assistance programs	231,142	-	231,142
Amortization of deferred gains on sale-leaseback	865,148	-	865,148
Gain on early termination of sale-leaseback	610,692	-	610,692
Interest	12,822	-	12,822
Other	6,343	-	6,343
Loss on disposal of assets	(56,186)	-	(56,186)
Net assets released from restrictions	306,872	(306,872)	-
	<u>35,644,457</u>	<u>154,714</u>	<u>35,799,171</u>
Total revenue, support, gains, and losses			
Expenses			
Program services expense	32,508,076	-	32,508,076
Supporting services expense			
Management and general	831,318	-	831,318
Fundraising and development	350,485	-	350,485
	<u>1,181,803</u>	<u>-</u>	<u>1,181,803</u>
Total supporting services expenses			
Total expenses	<u>33,689,879</u>	<u>-</u>	<u>33,689,879</u>
Change in Net Assets	1,954,578	154,714	2,109,292
Net Assets, Beginning of Year	<u>4,194,489</u>	<u>347,726</u>	<u>4,542,215</u>
Net Assets, End of Year	<u>\$ 6,149,067</u>	<u>\$ 502,440</u>	<u>\$ 6,651,507</u>

Goodwill Industries of Southern Nevada, Inc.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 18,303,560	\$ 536,118	\$ 192,084	\$ 19,031,762
Payroll taxes	1,597,326	46,786	16,763	1,660,875
Employee benefits	738,520	21,632	7,750	767,902
Advertising and promotion	309,112	9,054	3,244	321,410
Selling expenses	787,008	-	-	787,008
Travel	62,637	1,835	657	65,129
Occupancy	5,988,286	175,399	62,843	6,226,528
Equipment rental	941,387	27,574	9,879	978,840
Repairs and maintenance	439,645	12,877	4,614	457,136
Insurance	1,186,596	34,756	12,453	1,233,805
Utilities	1,063,566	31,152	11,161	1,105,879
Property taxes	165,684	4,853	1,739	172,276
Office expenses	557,013	16,314	5,845	579,172
Client assistance	713,810	-	-	713,810
Printing and duplication	38,364	1,124	403	39,891
Security	81,341	2,383	854	84,578
Supplies	782,080	22,907	8,207	813,194
Telecommunications	241,989	7,088	2,540	251,617
Mileage and other vehicle expense	274,558	8,042	2,881	285,481
Postage and shipping	355,436	10,411	3,730	369,577
Conferences, conventions and meetings	15,530	455	163	16,148
Professional services	260,377	7,627	2,732	270,736
Depreciation and amortization	817,133	23,934	8,575	849,642
Interest and debt related amortization	1,233,241	36,122	12,942	1,282,305
Other expense	-	-	62	62
Membership fees	204,221	5,988	2,145	212,354
Cost of goods sold	45,458,239	-	-	45,458,239
	<u>82,616,659</u>	<u>1,044,431</u>	<u>374,266</u>	<u>84,035,356</u>
Less expenses included with revenues on the statement of activities				
Sale of contributed goods cost of goods sold	(44,878,737)	-	-	(44,878,737)
Sale of purchased goods cost of goods sold	(579,502)	-	-	(579,502)
	<u>(45,458,239)</u>	<u>-</u>	<u>-</u>	<u>(45,458,239)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 37,158,420</u>	<u>\$ 1,044,431</u>	<u>\$ 374,266</u>	<u>\$ 38,577,117</u>



Goodwill Industries of Southern Nevada, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	Management and General	Fundraising and Development	Total
Salaries and wages	\$ 15,598,265	\$ 424,279	\$ 178,692	\$ 16,201,236
Payroll taxes	1,322,766	35,980	15,153	1,373,899
Employee benefits	893,652	24,308	10,238	928,198
Advertising and promotion	177,097	4,817	2,029	183,943
Selling expenses	552,380	-	-	552,380
Travel	21,787	593	250	22,630
Occupancy	6,055,701	164,717	69,373	6,289,791
Equipment rental	676,578	18,403	7,751	702,732
Repairs and maintenance	396,416	10,783	4,541	411,740
Insurance	940,336	25,577	10,772	976,685
Utilities	1,046,887	28,476	11,993	1,087,356
Property taxes	142,979	3,889	1,638	148,506
Office expenses	463,138	12,599	5,306	481,043
Client assistance	145,756	-	-	145,756
Printing and duplication	15,986	435	183	16,604
Security	66,799	1,817	765	69,381
Supplies	914,149	24,865	10,472	949,486
Telecommunications	220,245	5,991	2,523	228,759
Mileage and other vehicle expense	212,966	5,793	2,440	221,199
Postage and shipping	251,648	6,859	2,889	261,396
Conferences, conventions and meetings	11,898	330	139	12,367
Professional services	104,419	2,840	1,196	108,455
Depreciation and amortization	853,632	23,219	9,779	886,630
Interest and debt related amortization	1,248,054	-	-	1,248,054
Other expense	-	-	363	363
Membership fees	174,542	4,748	2,000	181,290
Cost of goods sold	32,725,059	-	-	32,725,059
	<u>65,233,135</u>	<u>831,318</u>	<u>350,485</u>	<u>66,414,938</u>
Less expenses included with revenues on the statement of activities				
Sale of contributed goods cost of goods sold	(32,382,576)	-	-	(32,382,576)
Sale of purchased goods cost of goods sold	(342,483)	-	-	(342,483)
	<u>(342,483)</u>	<u>-</u>	<u>-</u>	<u>(342,483)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 32,508,076</u>	<u>\$ 831,318</u>	<u>\$ 350,485</u>	<u>\$ 33,689,879</u>

Goodwill Industries of Southern Nevada, Inc.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 12,495,942	\$ 2,109,292
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	849,642	886,630
Interest expense attributable to amortization of bond issuance costs and bond discount	33,275	33,275
Amortization of deferred gain on sale-leaseback	-	(1,475,840)
Loss on disposal of assets	-	56,186
Donated property and equipment	-	(93,816)
Paycheck Protection Program forgiveness	(3,280,000)	-
Changes in operating assets and liabilities		
Accounts receivable	(165,968)	24,644
Contracts receivable	(14,653)	(23,029)
Grants receivable	65,290	(34,200)
Inventory	(253,151)	(317,619)
Prepaid expenses and other assets	(298,077)	175,489
Deposits	-	104,865
Accounts payable and pre-filing liabilities subject to compromise	686,384	(196,429)
Accrued expenses and other liabilities	161,230	457,111
Refundable advance - Paycheck Protection Program	-	3,280,000
Deferred rent payable	101,460	519,375
Net Cash from Operating Activities	10,381,374	5,505,934
Investing Activities		
Purchases of property and equipment	(715,264)	(669,041)
Financing Activities		
Principal payments on bonds payable	(335,080)	(335,081)
Net Change in Cash, Cash Equivalents, and Restricted Cash	9,331,030	4,501,812
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	11,780,671	7,278,859
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 21,111,701	\$ 11,780,671
Cash and Cash Equivalents	\$ 19,911,643	\$ 10,580,655
Cash Restricted for Debt Service	1,200,058	1,200,016
Total Cash, Cash Equivalents, and Restricted Cash	\$ 21,111,701	\$ 11,780,671
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 1,273,727	\$ 1,239,475

## **Note 1 - Principal Activity and Significant Accounting Policies**

### **Organization and Nature of Activities**

Goodwill Industries of Southern Nevada, Inc. (the Organization) is a nonprofit organization that solicits and collects donated materials, processes and resells them to the general public, and provides employment and training services to people with disabilities and other barriers to employment as well as local veterans seeking to transition from military to civilian life and their spouses.

The Organization operates under, and has the use of, the Goodwill® name as allowed under an in-substance franchise license agreement with Goodwill Industries International, Inc.

The Organization funds job training, employment placement services and other community programs by selling donated, “gently used” items through its retail, post-retail and e-commerce operations. Its nationally certified workforce development services target job seekers with disabilities and other barriers to employment. The Organization’s traditional workforce development programs deliver vocational rehabilitation services, including assessment, training, job placement and job coaching to clients. The Organization also administers federal workforce development programs.

The Organization operates 16 thrift retail stores, 1 clearance center, 1 distribution center, and 6 attended donation centers and has approximately 800 employees.

### **Cash and Cash Equivalents**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for long-term purposes are excluded from this definition.

### **Restricted Cash**

Cash reserved for debt service as required per the amended bond indenture (Note 6) is considered to be restricted cash.

### **Accounts Receivable and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for sale of contributed goods made on credit. Allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2021 and 2020, an allowance was not deemed necessary.

Receivables from contracts with customers are reported as accounts receivable in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

**Contracts Receivable**

Contract receivables consist primarily of noninterest-bearing amounts due from the Nevada Bureau of Vocational Rehabilitation in connection with the Organization's involvement in vocational assistance programs.

**Grants Receivable**

Grants receivable consist primarily of noninterest-bearing amounts due for reimbursement of expenses in connection with the Organization's administration of a federal workforce development program.

**Inventory**

Inventory held for sale is comprised primarily of donated goods and some purchased products. Donated goods inventory is recorded at fair value as described below and new goods inventory is valued at the lower of cost or net realizable value using the first-in first-out (FIFO) method.

The Organization's method for valuing its donated goods inventory varies depending on the location and condition or quality of the donated items. Donated goods on the retail floor of its stores have been processed and pre-determined to be of retail quality. Goods in this category are aggregated by type and valued by multiplying item counts in each type by the average expected sales prices associated with the type. Item counts are determined by specific counts. Estimated sales prices for each of the respective type of goods is based on the average price received for the specific type during the month of December of the then current year.

The Organization values donated goods in its e-commerce program at the expected sales price associated with each item. Donated goods in the Organization's clearance centers are valued by establishing product weights for the various types of goods multiplied by the average price per pound the Organization expects to receive for each type. The Organization values donated goods in its distribution centers and storage trailers at the prevailing salvage market value per pound for each type of good.

**Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years, or in the case of capitalized leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020, respectively.

## 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.

*Net Assets with Donor Restrictions* – Net assets subject to donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports unconditional contributions restricted by donors as increases in net assets 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports conditional contributions restricted by donors 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 conditional 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 statements of activities as net assets released from restrictions.

## Revenue and Revenue Recognition

### *Exchange Revenues*

Revenue from the sale of goods is measured based on consideration specified in an implicit contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

For performance obligations relating to the sale of goods, control transfers to the customer at a point in time. Most sales are point of sale transactions and revenue is recorded at the time of sale. For all other exchange transactions, the Organization's principal terms of sale are FOB shipping point and the Organization records revenue for the sale of goods upon shipment to the customer.

The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

These goods are sold to customers through retail and e-commerce outlets. Goods that cannot be sold through retail outlets are sold on secondary markets at salvage value.

### *Nonexchange Revenues*

Contributions, grants, and vocational assistance program revenues are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2021 and 2020, conditional contributions approximating \$441,256 and \$1,565,859 respectively, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

### **Shipping and Handling Costs**

Shipping and handling costs of \$369,577 and \$261,396 respectively, for the years ended December 31, 2021 and 2020, are included in the statements of functional expenses.

### **Donated Services and In-Kind Contributions**

Goods contributed for sale are recorded in revenue at expected selling prices. Accordingly, no acquisition costs are recognized for the sales of such goods.

Volunteers may contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. Contributions towards the program services function include donated services valued at \$17,590 and \$11,602, during December 31, 2021 and 2020, respectively.

### **Bond Issuance Costs**

Bond issuance costs are amortized over the period the related obligation is outstanding using the effective interest method. Unamortized bond issuance costs are included within bonds payable in the statements of financial position. Amortization of bond issuance costs is included in interest expense in the accompanying financial statements.

### **Deferred Rent Payable**

Rent expense associated with office, stores, and warehouse leases is recorded on a straight-line basis over the terms of the related lease agreements. Deferred rent represents the straight-line rent expense recorded in excess of the total payments made on the lease contracts from lease inception-to-date.

### **Advertising Costs**

Advertising costs are expensed as incurred and were \$321,410 and \$183,943 during the years ended December 31, 2021 and 2020, respectively.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The 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. Expenses that can be determined to be directly related to programs or supporting services are recorded in the appropriate category. Those expenses that cannot be directly attributed are allocated based on the amount of time and effort, as estimated by management, and reviewed and amended annually. All expenses are allocated with the exception of selling expenses, advertising and promotion, client assistance, other expenses, and cost of goods sold.

**Income Taxes**

The Organization is organized as a Nevada nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable, contracts and grants receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission.

### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard requires lessees to recognize almost all leases on their statement of financial position as a right-of-use asset and a lease liability. The new guidance will require the asset and the liability to be initially measured at the present value of the lease payments in the statement of financial position. The new guidance will also require the Organization to recognize interest expense on the lease liability separately from the amortization of the right-of-use-asset for finance leases and recognize a single lease cost allocated on a straight-line basis over the term of the lease term for operating leases. This ASU is effective for annual reporting periods beginning after December 15, 2021. The Organization anticipates that adoption of this guidance will bring all current operating leases on the statements of financial position as a right of use asset and related rent liability and is currently evaluating the effect that implementation of this guidance will have on its statements of activities.

### Subsequent Events

The Organization has evaluated subsequent events through May 24, 2022, the date the financial statements were available to be issued.

### Note 2 - Reorganization and Emergence from Chapter 11 Bankruptcy

On August 11, 2017, the Organization filed petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of Nevada. Under Chapter 11, certain claims against the Organization in existence before the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Organization continues operations as Debtor-in-Possession. These claims were reflected in the December 31, 2021 and 2020 statements of financial position as liabilities subject to compromise. Claims secured by the Organization's assets (secured claims) also are stayed, although the holders of such claims have a right to request the Court for relief from the stay. Secured claims are collateralized primarily by liens on the Organization's property and equipment. During the period of bankruptcy, the Organization received approval from the Bankruptcy Court to pay or otherwise honor certain of its prepetition obligations, including most employee wages. During 2018, principal and interest payments were not made on the Bonds payable, and interest did not accrue.

Effective April 18, 2019 (the Effective Date), a plan of reorganization (the Plan) was approved by the Bankruptcy Court and the Organization officially emerged from bankruptcy. Pursuant to the Plan, the unpaid interest accrued during the bankruptcy period from the date of filing of August 11, 2017 through January 31, 2019 was forgiven by the lender. The unpaid interest accruing from June 1, 2017 to August 11, 2017 and from February 1, 2019 to June 1, 2019 totaling \$635,598 was added to the bond principal and the terms of payment were amended. Under the plan \$1,773,590 in pre-filing liabilities subject to compromise are not payable from the resources of the Organization. Accordingly, a reorganization gain was recorded. The pre-filing liabilities subject to compromise presented in the statements of financial position as of December 31, 2021 and 2020 in the amount of \$36,005 and \$71,270, respectively, represent the remaining portion of pre-filing liabilities that will be paid from the resources of the Organization.



**Note 3 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 19,911,643	\$ 10,580,655
Accounts receivable	168,812	2,844
Contracts receivable	49,602	34,949
Grants receivable	4,483	69,773
	<u>\$ 20,134,540</u>	<u>\$ 10,688,221</u>

As part of a liquidity management plan, operating surplus funds may be invested in short-term investments as determined by executive management and the finance committee, subject to approval by the board of directors. Consideration for the investment of the Organization's funds is in the order of 1) security; then 2) liquidity; then 3) rate of return. At December 31, 2021 and 2020, the Organization's short-term investments, included in cash and cash equivalents, consisted of funds invested in savings and money market accounts, totaling \$16,202,736 and \$4,040,174, respectively.

**Note 4 - Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 4,680,000	\$ 4,680,000
Leasehold improvements	944,032	866,897
Buildings	12,796,456	12,796,456
Office equipment, furniture and fixtures	7,511,735	6,873,604
	25,932,223	25,216,957
Less accumulated depreciation and amortization	<u>(8,308,705)</u>	<u>(7,459,060)</u>
	<u>\$ 17,623,518</u>	<u>\$ 17,757,897</u>

**Note 5 - Deferred Gain on Sale-Leaseback**

In 2007, the Organization entered into a sale-leaseback arrangement that was accounted for under the financing method since the Organization retained continuing involvement in the property in the form of an option to repurchase. In 2010, however, the repurchase option was removed from the lease agreement, by amendment, thereby resulting in a change to sale lease-back accounting. Accordingly, in 2010, the property and associated debt were removed and a net deferred gain of \$7,582,760 was recorded, which was being amortized at the rate of \$610,692 annually over the remaining life of the lease, scheduled to end in June 2022. At December 31, 2019, the net deferred gain was \$1,475,840. On August 4, 2020, the Organization terminated the sale-leaseback arrangement resulting in recognition of the remaining deferred gain, for a total of \$1,475,840.

**Note 6 - Bonds Payable**

Pursuant to a Limited Offering Memorandum (the LOM) dated November 13, 2015, and amended December 9, 2015, the Public Finance Authority of Madison, Wisconsin (the Authority) sold the Public Finance Authority Revenue Bonds (Goodwill Industries of Southern Nevada Project) Series 2015 (the Bonds) to an “accredited investor” or “Qualified Institutional Buyer”. The proceeds from the Bonds were loaned to the Organization to finance the acquisition of retail and/or donation facilities located, or to be located, in Las Vegas, North Las Vegas or Henderson, Clark County, Nevada, to fund the bond reserve fund, to pay off the existing line of credit under customary terms and the term loan, and to pay certain issuance expenses of the Bonds.

The Bonds consisted of Series A sold for \$19,024,145 and Series B sold for \$2,351,943, both net of original issue discount and issuance costs. Series A is tax-exempt with \$8,975,000 at an interest rate 5.50%, and \$10,760,000 at an interest rate of 5.75%. Series B is taxable with \$2,410,000 at an interest rate 5.25%.

Financial covenants include “days cash on hand”, “unrestricted financial reserve to debt ratio”, “fixed charges coverage ratio”, and limitations on borrowings, all of which were first effective as of and for the year ended December 31, 2016.

In 2017, the Organization determined that it was not in compliance with the fixed charges coverage ratio and unrestricted financial resources to debt ratio with respect to the measurement period ending December 31, 2016. Under bankruptcy law, the Bonds were not considered in default per the bond agreement as a result of the non-compliance. During 2018, principal and interest payments were not made on the Bonds, and interest did not accrue.

Effective April 18, 2019 (the Effective Date), a plan of reorganization (the Plan) was approved by the Bankruptcy Court and the Organization officially emerged from bankruptcy (Note 2). Pursuant to the Plan, the unpaid interest accrued from June 1, 2017 through August 11, 2017 and from February 1, 2019 through June 1, 2019 was added to the bond principal and the terms of payment were amended and extended. Financial covenants under the amended agreement remain substantially unchanged.

Payment of principal and interest on the Bonds is guaranteed by a loan agreement which provides the Authority with rights and title to unrestricted gross revenues, receivables, inventory, receivables, and is secured by the Organization's real property. Interest on the Bonds is payable semi-annually on June 1 and December 1. Bonds payable at December 31, 2021 and 2020, net of unamortized bond issuance costs and discounts of \$895,671 in 2021 and \$928,947 in 2020, based on effective interest rates between 5.38% and 5.92%, totaled \$20,099,685 and \$20,401,490, respectively.

Future maturities of the bonds payable are as follows:

<u>Years Ending December 31,</u>	<u>Bonds Payable</u>
2022	\$ 335,081
2023	335,082
2024	615,794
2025	615,794
2026	615,794
Thereafter	18,477,811
Less unamortized debt issuance costs	(626,982)
Unamortized bond discount	(268,689)
	<u>\$ 20,099,685</u>

### Note 7 - Operating Leases

The Organization has operating lease arrangements as lessee for several retail and donation locations, vehicles and office equipment expiring at various dates through 2035. The operating leases are collateralized by various non-leased assets, including inventory, certain chattels and personal property.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Operating Leases</u>
2022	\$ 5,099,175
2023	4,445,380
2024	3,777,910
2025	3,241,624
2026	2,771,370
Thereafter	13,199,928
Total minimum lease payments	<u>\$ 32,535,387</u>

Total rent expense (including rent and common area maintenance charges) for all operating leases in 2021 and 2020 totaled \$6,226,528 and \$6,289,791, respectively. Prepaid rent of \$515,544 and \$421,722, respectively, for the years ended December 31, 2021 and 2020, are included in prepaid expenses and other assets in the statements of financial position.

**Note 8 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Mission salaries and supportive services	\$ 459,558	\$ 440,514
Job placement, career readiness, training, recruitment and intake	100,000	-
Team coach salaries	28,997	61,926
	<u>\$ 588,555</u>	<u>\$ 502,440</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Mission salaries and supportive services	\$ 673,854	\$ 264,104
Team coach salaries	32,929	42,768
	<u>\$ 706,783</u>	<u>\$ 306,872</u>

**Note 9 - Paycheck Protection Program**

During the year ending December 31, 2020, the Organization was granted a \$3,280,000 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. The Organization recognized \$3,331,581 of PPP forgiveness revenue for the year ended December 31, 2021, which includes forgiven interest in the amount of \$51,581.

**Note 10 - Nevada Unemployment Insurance Forgiveness**

On June 15, 2021, the State of Nevada finalized regulations providing relief for both Contributory and Reimbursable Employers' Unemployment Insurance (UI) benefit. Employers who reimburse Nevada Department of Employment, Training and Rehabilitation (DETR) dollar for dollar for any charges to their UI account, will not have to make payments for the second, third and fourth quarters of 2020, or the first and second quarters of 2021. During the year ended December 31, 2021, the Organization recorded a \$335,919 benefit related to the UI which is presented as Nevada Unemployment Insurance relief in the statements of activities.

**Note 11 - Revenue from Contracts with Customers**

Revenue from contracts with customers regarding the sale of contributed goods disaggregated by type, during the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Retail stores	\$ 38,516,651	\$ 28,150,797
E-commerce	2,725,127	1,968,328
Salvage	3,551,421	2,229,155
Vocational assistance programs	421,635	231,142
Other	85,538	34,296
	<u>\$ 45,300,372</u>	<u>\$ 32,613,718</u>

The following table provides information about significant changes in deferred revenue for the years ended December 31, 2021 and 2020:

	2021	2020
Deferred revenue, beginning of period	\$ 136,254	\$ -
Increases in deferred revenue due to cash received during the period	150,000	150,000
Revenue recognized due to satisfied performance obligations	<u>(147,229)</u>	<u>(13,746)</u>
Deferred revenue, end of period	<u>\$ 139,025</u>	<u>\$ 136,254</u>

Deferred revenue is included in accrued expenses and other liabilities on the statements of financial position.

The following table provides the balances of receivables:

January 1, 2020	\$ 74,981
December 31, 2020	107,566
December 31, 2021	222,897

**Note 12 - Related Party Transactions**

During the years ended December 31, 2021 and 2020, board member contributions totaled \$12,790 and \$15,500, respectively.

The Organization operates under, and has the use of, the Goodwill name as allowed under an in-substance franchise license agreement with Goodwill Industries International, Inc. The agreement requires payment of dues based on sales and other specified factors. During the years ended December 31, 2021 and 2020, dues incurred to Goodwill Industries International, Inc. totaled \$178,898 and \$173,544, respectively.