Agenda Item #: 4C

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date:	**May 20, 2014**	**[ ] Consent** **[ ] Ordinance**	**[ ] Regular** **[X] Public Hearing**
Department:	**Department of Economic Sustainability**		

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to: A) Conduct a Tax Equity & Fiscal Responsibility Act (TEFRA) Public Hearing concerning the issuance of the County's up to $7,000,000 Industrial Development Revenue Bonds (Gulfstream Goodwill Industries, Inc. Project), Series 2014 (the Bonds) which will fund a loan to Gulfstream Goodwill Industries, Inc. (the Company), a Florida non-profit corporation; and **B) Approve** the application of the Company for the issuance of the Bonds.

Summary: The Company utilizes revenue generated through the sale of donated goods to fund, design and deliver vocational and training programs serving persons with disabilities and economic disadvantages. The proceeds of the Bonds will be used by the Company to refinance the County's Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Gulfstream Goodwill Industries, Inc. Project) Series 2006, refinance conventional debt of the Company and finance capital expenditures of the Company. The 2006 Bonds were issued to refinance earlier Industrial Development Revenue Bonds issued by the County and to finance capital assets for the Company's facilities in Mangonia Park and Jupiter. Assets to be financed and refinanced are also located at the Company's facilities in Boca Raton, Delray Beach, Greenacres, West Palm Beach, Palm Beach Gardens, Belle Glade, Palm Beach, Riviera Beach, Royal Palm Beach and Wellington. Prior to the issuance of any portion of the Bonds that will be tax-exempt, the Internal Revenue Code requires that the County hold a public hearing. The Bonds will be payable solely from revenues derived from the Company. **Neither the taxing power nor the faith and credit of the County, nor any County funds, shall be pledged to pay the principal, premium, if any, or interest on the Bonds.** Districts 1, 2, 4, 5, 6 and 7 (PFK)

Background and Policy Issues: The Bonds are being purchased by SunTrust Bank or one of its affiliated entities.

Attachments:
1. Text of the TEFRA Public Notice
2. Application from Gulfstream Goodwill Industries, Inc.
3. Economic Impact Analysis

Recommended By: Sherry Howard 4-21-14
Department Director **Date**

Approved By: Shannon LaRocque 4/30/14
Assistant County Administrator **Date**

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	**2014**	**2015**	**2016**	**2017**	**2018**
Capital Expenditures					
Operating Costs					
External Revenues	($5,000)				
Program Income					
In-Kind Match (County)					
NET FISCAL IMPACT	($5,000)				

# ADDITIONAL FTE POSITIONS (Cumulative)					

Is Item Included In Current Budget? Yes ___ No X

Budget Account No.:

Fund: 1539 Dept: 143 Unit: 2102 (Rvsc 4133 Program Code/Period _______

B. Recommended Sources of Funds/Summary of Fiscal Impact:
All costs to be borne by Applicant. Palm Beach County will receive approximately $5,000 In Industrial development revenue bond fees as well as legal fees for services rendered in reviewing this project.

C. Departmental Fiscal Review: ________________
4/24/14 Shairette Major, Fiscal Manager I

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development and Control Comments:

4/24/2014
OFMB
4/22 4/22

4/29/14
Contract Development and Control
4-29-14

B. Legal Sufficiency:

Paul F. 4/30/14
Senior Assistant County Attorney

C. Other Department Review:

____
Department Director

PUBLIC NOTICE
BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA

Public notice is hereby given that the Board of County Commissioners of Palm Beach County, Florida (the "County"), will hold a public hearing in the Jane Thompson Memorial Chambers, 6th Floor of the Palm Beach County Governmental Center, 301 North Olive Avenue, West Palm Beach, Florida 33401, during a meeting commencing at 9:30 a.m. on May 20, 2014, or as soon thereafter as possible, on the proposed issuance by the County of its industrial revenue bonds (the "Bonds"), in a principal amount not to exceed $7,000,000, for the purpose of providing a loan to Gulfstream Goodwill Industries, Inc. (the "Company") to (i) refinance the County's Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Gulfstream Goodwill Industries, Inc. Project) Series 2006, (ii) refinance approximately $2.4 million of conventional debt incurred by the Company to finance capital assets and (iii) finance up to approximately $530,000 of software and equipment capital expenditures and costs of issuance.

All facilities financed and refinanced with the Bonds consist of land, buildings and equipment used in furtherance of the Company's mission to utilize revenue generated through the sale of donated goods to fund, design and deliver vocational and training programs serving people with disabilities and economic disadvantages. All such facilities will be owned and operated by the Company and located at any of the following locations: 1715 Tiffany Drive East, Mangonia Park, FL, 1280 West Indiantown Road, Jupiter, FL, 1710 Tiffany Drive East, Mangonia Park, FL, 1887 Old Okeechobee Road, West Palm Beach, FL, 11427 West Palmetto Park Road, Boca Raton, FL, 5400 South Dixie Highway, West Palm Beach, FL, 9764-2 South Military Trail, Boca Raton, FL, 4224 Northlake Boulevard, Palm Beach Gardens, FL, 1640 North Federal Highway, Delray Beach, FL, 6601 Forest Hill Blvd., Greenacres, FL, 5821 Lake Worth Road, Greenacres, FL, 201 West Avenue A, Belle Glade, FL, 1662 N Federal Highway, Boca Raton, FL, 210 Sunset Ave, Palm Beach, FL, 3500 Broadway, Riviera Beach, FL, 9920 Belvedere Road, Royal Palm Beach, FL, 13833 Wellington Trace, Wellington, FL, 4895 Okeechobee Blvd, West Palm Beach, FL and 1837 North Military Trail, West Palm Beach, FL.

The Bonds will be payable solely from revenues derived from the Company. Neither the taxing power nor the faith and credit of the County, nor any County funds, shall be pledged to pay the principal, premium, if any, or interest on the Bond. All interested persons are invited to attend the public hearing, which will be the only public hearing held concerning the issuance of the Bonds. Any such interested parties may at their option submit written comments to the County Administrator, 11th Floor, 301 North Olive Avenue, West Palm Beach, Florida 33401, prior to the hearing. Written comments should be received by the County on or before 5:00 p.m. May 19, 2014. Any person desiring to present oral comments should appear at the hearing. If a person decides to appeal any decision made by the Commission with respect to any matter considered at this meeting or hearing, he or she will need to have a record of the proceedings and for such purpose, he or she may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

ATTACHMENT 1

5/20/14 4C

The Palm Beach Post
REAL NEWS STARTS HERE
Palm Beach Daily News
THE SHINY SHEET

GULFSTREAM GOODWILL INDUSTRIES

PROOF OF PUBLICATION

STATE OF FLORIDA
COUNTY OF PALM BEACH

Before the undersigned authority personally appeared Rosemary Hindmarch, who on oath says that she is Call Center Legal Advertising Representative of The Palm Beach Post, a daily and Sunday newspaper, published at West Palm Beach in Palm Beach County, Florida; that the attached copy of advertising for a Notice

was published in said newspaper on
First date of Publication 04/20/2014 and last date of Publication 04/20/2014

Affiant further says that the said The Post is a newspaper published at West Palm Beach, in said Palm Beach County, Florida, and that the said newspaper has heretofore been continuously published in said Palm Beach County, Florida, daily and Sunday and has been entered as second class mail matter at the post office in West Palm Beach, in said Palm Beach County, Florida, for a period of one year next preceding the first publication of the attached copy of advertisement; and affiant further says that she/he has neither paid nor promised any person, firm or corporation any discount rebate, commission or refund for the purpose of securing this advertisement for publication in the said newspaper. Also published in Martin and St. Lucie Counties.

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PUB: The Palm Beach Post
4-20/2014 #236559

Signed Rosemary Hindmarch

K M McLinton

Sworn to and subscribed before 04/25/2014.
Who is personally known to me.

NOTARY PUBLIC STATE OF FLORIDA
KAREN M. MCLINTON
MY COMMISSION # EE 833558
EXPIRES: November 15, 2016
Bonded Thru Budget Notary Services

PUBLIC NOTICE
Ad ID: 478234
Ad Cost: 412.80

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PUB: The Palm Beach Post
4-20/2014 #236559

MARK E. RAYMOND
ATTORNEY AT LAW

4360 NORTHLAKE BOULEVARD
SUITE 204
PALM BEACH GARDENS, FL 33410
Tel: 561.775.8440
Fax: 561.775.8442
mark.raymond@mraymondlaw.com

April 10, 2014

Palm Beach County, Florida
c/o Steven Misshula
Department of Economic Sustainability
100 Australian Ave.
Suite 500
West Palm Beach, FL 33406

Re: Industrial Development Bond Application for Gulfstream Goodwill Industries, Inc.

Ladies and Gentlemen:

I have been engaged by Gulfstream Goodwill Industries, Inc. ("Goodwill"), to serve as bond counsel in connection with a proposed tax-exempt industrial revenue bond issuance for the benefit of the Goodwill. Goodwill is asking the County to issue up to $7,000,000 in principal amount of bonds.

Accordingly, enclosed please find the application by Goodwill for this financing. Set forth below is the information required by the application instructions to the extent such information is not included in the application itself. The numbers preceding such information correspond to the numbers on the application instructions pursuant to which such information is provided.

1. Chairman, Board of Directors Bert Premuroso; President /CEO Marvin A. Tanck.

2. Goodwill operates multiple facilities throughout Palm Beach County as well as in Martin, St. Lucie, Indian River and Okeechobee Counties. The administrative offices are located in Mangonia Park. All of the assets involved in the proposed financing are located in Palm Beach County.

3. Goodwill commenced operations in 1966. The mission of the Company is to utilize revenue generated through the sale of donated goods to fund, design and deliver vocational and training programs serving people with disabilities and economic disadvantages. The goal of the Company is to assist those served in becoming an integral part of the local work force and to lead independent lives.

4. The proposed transaction will refinance the County's Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (Gulfstream Goodwill Industries, Inc. Project) Series 2006, presently outstanding in the amount of approximately $4,060,000. The Bonds will also refinance approximately $2.4 million of conventional debt incurred by Goodwill to finance

ATTACHMENT 2

capital assets. New money to finance up to approximately $530,000 of software and equipment capital expenditures and costs of issuance will be included.

5. Property taxes will not be impacted.

6. This financing will take the form of a private placement with a bank. SunTrust Bank and/or STI Institutional & Government, Inc., an affiliate of SunTrust Bank, will hold the debt.

7. The bonds will be sold by negotiated sale.

8. Enclosed in this application package are three years of financial statements prepared in accordance with generally accepted accounting principles which have been audited or reviewed by an independent Certified Public Accountant as well as five year financial projections.

9. Please see the attached distribution list for the names, addresses and phone numbers of the parties to the financing team.

Very truly yours,

Mark E. Raymond

INDUSTRIAL DEVELOPMENT REVENUE BOND

PALM BEACH COUNTY, FLORIDA

APPLICATION FORM

When there is insufficient space on the application to provide information include attachments. Enclose all pertinent documentation.

INDUSTRIAL REVENUE BOND FINANCING
PROJECT ELIGIBILITY QUESTIONNAIRE

1. Entity that will lease or purchase the project (or borrow the bond proceeds) from the bond issuer.

   Gulfstream Goodwill Industries, Inc.
   1715 Tiffany Drive East
   West Palm Beach, Florida 33407
   (561) 848-7200

<u>This entity is referred to as the project's "principal user" for the remainder of this questionnaire.</u>

2. Form of organization of principal user (check one): corporation

Is the principal user related to any other organization by more than 50% common ownership? No.

3. Ownership: List all stockholders or partners having 10% or more interest in the principal user: None.

4. If any of the above persons own more than 50% of the principal user, list all other organizations which are related to the principal user by virtue of such persons having more than a 50% interest in such organizations: N/A

5. Location of the project (street address & municipality or unincorporated area of County):

The "project" includes only the refinancing of existing debt and the financing of software and hardware for a point of sale system. No new buildings or real estate improvements are included. The assets to be financed/refinanced will be located at the following locations:

1715 Tiffany Drive East, Mangonia Park, FL
1280 West Indiantown Road, Jupiter, FL
1710 Tiffany Drive East, Mangonia Park, FL
1887 Old Okeechobee Road, West Palm Beach, FL

11427 West Palmetto Park Road, Boca Raton, FL
5400 South Dixie Highway, West Palm Beach, FL
9764-2 South Military Trail, Boca Raton, FL
4224 Northlake Boulvevard, Palm Beach Gardens, FL
1640 North Federal Highway, Delray Beach, FL
6601 Forest Hill Blvd., Greenacres, FL
5821 Lake Worth Road, Greenacres, FL

6. Project Site (land):N/A (see "project" description above)

   (a) indicate approximate size (in acres or square feet) of project site: Are there buildings now on the project site?

   (b) Indicate the present use of the project site:

   (c) indicate present owner of project site:

7. If the principal user now owns the project site, indicate:

   (a) Date of Purchase: various

   (b) Purchase Price: various

   (c) Balance of Existing Mortgage:$4,060,000

   (d) Holder of Mortgage: Wells Fargo Bank, N.A.

Goodwill owns only the Mangonia Park and Jupiter locations. All other locations are leased and only equipment located at the leased locations is being refinance.

8. If the principal user is not now the owner of the project site, does the principal user have an option to purchase the site and any buildings on the site? N/A

9. Has the principal user entered into a contract to purchase the site? N/A

10. If the principal user is not the owner of project site, does the principal user now lease the site or any buildings on the site? N/A

11. Is there a relationship legally or by virtue of common control or ownership between the principal user and the seller / lessor of the project site? N/A

12. Does the project involve acquisition of an existing building or buildings? no

13. Does the project consist of the construction of a new building or buildings? no

14. Does the project consist of additions and/or renovations to existing buildings? no

15. What will be the use of the buildings or buildings to be acquired, constructed or expanded by the principal user for this project? N/A

16. If any space in the project is to be leased to third parties, indicate total square footage of the project, amount to be leased to each tenant, and proposed use by each tenant: N/A

17. Has construction work on this project begun? N/A

18. List principal items or categories of equipment to be acquired as part of the project: Software for a point of sale system.

19. Has any of the above equipment been ordered or purchased? No

20. List the face amount of all tax-exempt finance previously arranged by or for the benefit of the principal user in Palm Beach County:

Date of Issue	Original Face	Current Outstanding
5/24/2006	$5,210,0000	$4,060,000

21. State the proposed uses of bond proceeds: Proceeds of the bonds will be used to retire the principal of the 2006 bonds referenced in item 20, to refinance conventional debt incurred to finance capital assets (primarily equipment) located at the Borrower's locations identified in item 5, to finance software for a point of sale system and to pay costs of issuance.

22. Have any of the above expenditures already been made by the applicant? No

23. Have any of the above expenditures been incurred but not paid by the principal user? No

24. Are costs of working capital, moving expenses, work in process, or stock in trade included in the proposed uses of bond proceeds? no

25. Will any of the funds to be borrowed through the County be used to repay or refinance an existing mortgage or outstanding loan? yes

If yes, indicate particulars: Proceeds of the bonds will be used to retire the principal of the 2006 bonds referenced in item 20, to refinance conventional debt incurred to finance capital assets (primarily equipment) located at the Borrower's locations identified in item 5. The 2006 bonds were issued to refinance earlier IDB's issued by the County and to finance capital assets for the principal user.

(Complete questions 26 and 27 only if the proposed financing is an industrial development financing in excess of $1 million.)

26. List capital expenditures with respect to this project: Up to approximately $530,000.

27. List capital expenditures with respect to other facilities of the principal user or any related person, if the facilities are located in Palm Beach County: N/A This is a 501(c)(3) financing.

28. Indicate approximate number of individuals who will be employed after completion of the project:

The Borower has approxiamtely 654 Full-time employees, 456 Part-time employees and 45 open positions. Total payroll hours equal approximately 867 Full Time Equivalents.

29. Do any of said employees require specialized training or skills to qualify for said employment? Yes. Certain personnel require specialized training. The Company provides training and local educational institutions also provide such training.

30. Please indicate utility needs; i e , electrical, water and sewer Include quantity and character of said needs: All utility needs are currently met.

31. Does the project produce emissions through stacks or chimneys which would subject it to the jurisdiction of the Florida Department of Environmental Regulation? no

32. Does the project produce sewage, industrial effluent, or discharge of an unusual character requiring specialized treatment? no

Authorized Signature
Print Name: Mark E. Raymond
Title: Attorney for Applicant
Date: April 9, 2014

Gulfstream Goodwill Industries

5 Year Projection Presentation

2014		2015	2016	2017	2,018
	REVENUES				
33,220,537	Store Sales	34,881,564	36,974,458	38,083,691	39,226,202
8,197,125	Employment & Training	8,361,068	8,611,900	8,698,019	8,958,959
955,311	Respect of Florida	955,311	955,311	983,970	983,970
2,582,590	Nish Okeechobee Waterways	2,582,590	2,582,590	2,660,068	2,660,068
217,702	Contracts	213,348	209,081	215,353	215,353
100,600	Donations	150,000	200,000	200,000	250,000
210,000	Fund Raising	225,000	250,000	250,000	300,000
1,612,963	Salvage	1,650,000	1,650,000	1,732,500	1,819,125
75,000	Miscellaneous Income	77,250	79,568	81,955	84,413
400,000	Career Academy expense reimbursement	412,000	412,000	424,360	437,091
617,366	Lighthouse expense reimbursement	635,887	654,964	654,964	674,612
$ 48,189,194	*TOTAL REVENUES*	*$ 50,144,017*	*$ 52,579,870*	*$ 53,984,880*	*$ 55,609,794*
	EXPENSES				
24,475,040	Payroll	25,698,792	26,983,732	27,793,244	28,627,041
1,543,076	Employee Health & Benefits	1,774,537	1,827,774	1,882,607	1,939,085
1,865,646	FICA - Employer	1,958,928	2,056,875	2,118,581	2,182,138
232,200	Unemployment Tax	239,166	246,341	253,731	261,343
824,027	Workers' Comp. Ins.	848,748	874,210	900,437	927,450
28,939,989	Total Payroll Related Expenses	30,520,172	31,988,931	32,948,599	33,937,057
264,065	Pension Plan	271,987	280,147	288,551	297,207
961,395	Professional Fees	990,237	1,010,042	1,040,343	1,071,553
1,015,745	Supplies	1,046,217	1,077,604	1,109,932	1,143,230
519,585	Telephone & Internet	535,173	551,228	567,765	584,797
192,459	Postage & Shipping	198,233	204,180	210,305	216,614
8,808,263	Building Rents	9,072,511	9,344,686	9,625,027	9,913,778
750,000	General Liability Insurance	825,000	849,750	875,243	901,500
258,000	Interest Expense	252,840	247,783	237,872	232,916
739,839	Electric & Water	762,034	784,895	808,442	832,695
539,800	Maintenance & Repair	555,994	572,674	589,854	607,550
68,078	Taxes, Licenses & Permits	70,120	72,224	72,224	74,391
226,211	Rentals & Maintenance Contracts	232,997	239,987	247,187	254,602
270,878	Public Relations & Printing	279,004	287,374	295,996	304,876
156,205	Auto Expense Reimbursement	160,891	165,718	170,689	175,810
799,802	Vehicle Consumable Supplies	823,796	848,510	873,965	900,184
121,299	Vehicle Repair & Parts	124,938	128,686	132,547	136,523
171,548	Vehicle Insurance	205,858	212,033	218,394	224,946
307,128	Vehicle Rental	316,342	325,832	335,607	345,675
8,272	Vehicle Licenses	8,520	8,776	9,039	9,310
946,572	Trash & Dumpage Fees	974,969	1,004,218	1,034,345	1,065,375
54,479	Membership Dues	56,113	57,797	59,531	61,317
142,478	Conferences, Conventions, & Meetings	146,752	151,155	155,690	160,360
170,000	GII Dues	175,100	180,353	185,764	191,336
110,059	Miscellaneous Expenses	113,361	116,762	120,264	123,872
2,300	Specific assistance to Organization	2,369	2,440	2,513	2,589
983,412	Depreciation and amortization	1,012,914	1,043,302	1,074,601	1,106,839
47,527,861	*TOTAL EXPENSES*	*49,734,443*	*51,757,086*	*53,290,287*	*54,876,904*
$ 661,333	*NET PROFIT (LOSS)*	*$ 409,574*	*$ 822,784*	*$ 694,592*	*$ 732,890*

GULFSTREAM GOODWILL INDUSTRIES, INC.

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012
(with comparable totals for 2011)

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Holyfield & Thomas, LLC
Certified Public Accountants & Advisors
125 Butler Street • West Palm Beach, FL 33407
(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

We have audited the accompanying consolidated financial statements of Gulfstream Goodwill Industries, Inc. (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulfstream Goodwill Industries, Inc., as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

GULFSTREAM GOODWILL INDUSTRIES, INC.

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012
(with comparable totals for 2011)

Gulfstream Goodwill Industries

5 Year Projection Presentation

2014		2015	2016	2017	2,018
	REVENUES				
33,220,537	Store Sales	34,881,564	36,974,458	38,083,691	39,226,202
8,197,125	Employment & Training	8,361,068	8,611,900	8,698,019	8,958,959
955,311	Respect of Florida	955,311	955,311	983,970	983,970
2,582,590	Nish Okeechobee Waterways	2,582,590	2,582,590	2,660,068	2,660,068
217,702	Contracts	213,348	209,081	215,353	215,353
100,600	Donations	150,000	200,000	200,000	250,000
210,000	Fund Raising	225,000	250,000	250,000	300,000
1,612,963	Salvage	1,650,000	1,650,000	1,732,500	1,819,125
75,000	Miscellaneous Income	77,250	79,568	81,955	84,413
400,000	Career Academy expense reimbursement	412,000	412,000	424,360	437,091
617,366	Lighthouse expense reimbursement	635,887	654,964	654,964	674,612
$ 48,189,194	*TOTAL REVENUES*	*$ 50,144,017*	*$ 52,579,870*	*$ 53,984,880*	*$ 55,609,794*
	EXPENSES				
24,475,040	Payroll	25,698,792	26,983,732	27,793,244	28,627,041
1,543,076	Employee Health & Benefits	1,774,537	1,827,774	1,882,607	1,939,085
1,865,646	FICA - Employer	1,958,928	2,056,875	2,118,581	2,182,138
232,200	Unemployment Tax	239,166	246,341	253,731	261,343
824,027	Workers' Comp. Ins.	848,748	874,210	900,437	927,450
28,939,989	Total Payroll Related Expenses	30,520,172	31,988,931	32,948,599	33,937,057
264,065	Pension Plan	271,987	280,147	288,551	297,207
961,395	Professional Fees	990,237	1,010,042	1,040,343	1,071,553
1,015,745	Supplies	1,046,217	1,077,604	1,109,932	1,143,230
519,585	Telephone & Internet	535,173	551,228	567,765	584,797
192,459	Postage & Shipping	198,233	204,180	210,305	216,614
8,808,263	Building Rents	9,072,511	9,344,686	9,625,027	9,913,778
750,000	General Liability Insurance	825,000	849,750	875,243	901,500
258,000	Interest Expense	252,840	247,783	237,872	232,916
739,839	Electric & Water	762,034	784,895	808,442	832,695
539,800	Maintenance & Repair	555,994	572,674	589,854	607,550
68,078	Taxes, Licenses & Permits	70,120	72,224	72,224	74,391
226,211	Rentals & Maintenance Contracts	232,997	239,987	247,187	254,602
270,878	Public Relations & Printing	279,004	287,374	295,996	304,876
156,205	Auto Expense Reimbursement	160,891	165,718	170,689	175,810
799,802	Vehicle Consumable Supplies	823,796	848,510	873,965	900,184
121,299	Vehicle Repair & Parts	124,938	128,686	132,547	136,523
171,548	Vehicle Insurance	205,858	212,033	218,394	224,946
307,128	Vehicle Rental	316,342	325,832	335,607	345,675
8,272	Vehicle Licenses	8,520	8,776	9,039	9,310
946,572	Trash & Dumpage Fees	974,969	1,004,218	1,034,345	1,065,375
54,479	Membership Dues	56,113	57,797	59,531	61,317
142,478	Conferences, Conventions, & Meetings	146,752	151,155	155,690	160,360
170,000	GII Dues	175,100	180,353	185,764	191,336
110,059	Miscellaneous Expenses	113,361	116,762	120,264	123,872
2,300	Specific assistance to Organization	2,369	2,440	2,513	2,589
983,412	Depreciation and amortization	1,012,914	1,043,302	1,074,601	1,106,839
47,527,861	*TOTAL EXPENSES*	*49,734,443*	*51,757,086*	*53,290,287*	*54,876,904*
$ 661,333	*NET PROFIT (LOSS)*	*$ 409,574*	*$ 822,784*	*$ 694,592*	*$ 732,890*

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditure of Federal Awards and Other Financial Assistance on page 30 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic consolidated financial statements. In addition, the supplemental schedules on pages 31 to 32 and 35, as listed in the table of contents, are presented for purposes of additional analysis as required by U.S. Department of Housing and Urban Development and are also not a required part of the basic consolidated financial statements. The supplemental schedules on pages 33 and 34 as listed in the table of contents are presented for purposes of additional analysis and are also not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2013, on our consideration of Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 28, 2013

GULFSTREAM GOODWILL INDUSTRIES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2012

(with comparable totals for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Totals	2011 Totals
ASSETS					
Cash and cash equivalents	$ 3,525,774	$ -	$ -	$ 3,525,774	$ 2,496,984
Investments	723,685	-	-	723,685	494,390
Accounts receivable, net	1,896,118	-	-	1,896,118	1,550,100
Note receivable, current	-	-	-	-	7,988
Prepaid expenses and other assets	567,333	-	-	567,333	498,731
Contributed goods inventory	2,570,944	-	-	2,570,944	2,294,239
Total current assets	9,283,854			9,283,854	7,342,432
Cash, designated	271,937	-	-	271,937	-
Note receivable, non-current	-	-	-	-	611,260
Land, building, and equipment, net	9,219,637	-	-	9,219,637	9,116,835
Benefical interest in trusts and estate	-	1,048,474	270,697	1,319,171	1,104,479
Total assets	$ 18,775,428	$ 1,048,474	$ 270,697	$ 20,094,599	$ 18,175,006
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	$ 493,846	$ -	$ -	$ 493,846	$ 349,502
Accrued expenses	1,539,763	-	-	1,539,763	1,456,493
Deferred revenue	-	-	-	-	3,322
Current portion of capital leases, notes and bond payable	345,863	-	-	345,863	302,824
Total current liabilities	2,379,472	-	-	2,379,472	2,112,141
Capital leases and notes payable	2,447,253	-	-	2,447,253	2,463,090
Derivative financial instrument	568,785	-	-	568,785	653,207
Bond payable	4,060,000	-	-	4,060,000	4,270,000
Total liabilities	9,455,510	-	-	9,455,510	9,498,438
Net assets	9,319,918	1,048,474	270,697	10,639,089	8,676,568
Total liabilities and net assets	$ 18,775,428	$ 1,048,474	$ 270,697	$ 20,094,599	$ 18,175,006

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2012 *(with comparable totals for 2011)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Totals	2011 Totals
Support and revenues:					
Support:					
Contributed goods store sales	$ 28,631,671	$ -	$ -	$ 28,631,671	$ 26,775,914
Salvage and recycling	1,516,879	-	-	1,516,879	1,427,552
Contributions and bequest	563,179	140,000	-	703,179	893,483
Total support	30,711,729	140,000	-	30,851,729	29,096,949
Revenues:					
Employment and training	6,081,980	-	-	6,081,980	5,181,723
Contracts	3,982,750	-	-	3,982,750	4,213,777
Investment income	18,077	-	-	18,077	42,284
Gain on disposal of assets	12	-	-	12	463,872
Realized and unrealized gain (loss) on investments	25,915	-	-	25,915	(15,159)
Change in value of beneficial interest in trusts and estate	-	74,691	-	74,691	(35,964)
Other revenues:	-				
E-books	345,360	-	-	345,360	345,113
Participant rents	212,668	-	-	212,668	214,902
Administrative fee	400,851	-	-	400,851	453,144
Miscellaneous	48,022	-	-	48,022	12,015
Total revenues	11,115,635	74,691	-	11,190,326	10,875,707
Total support and revenues	41,827,364	214,691	-	42,042,055	39,972,656
Expenses:					
Program services:					
Vocational and rehabilitation	35,836,759	-	-	35,836,759	34,147,177
Supporting services:					
Management and general	3,891,566	-	-	3,891,566	3,832,071
Fundraising	435,631	-	-	435,631	31,522
Total expenses	40,163,956	-	-	40,163,956	38,010,770
Other gain (loss):					
Gain (loss) on derivative financial instrument	84,422	-	-	84,422	(72,765)
Change in net assets	1,747,830	214,691	-	1,962,521	1,889,121
Net assets, beginning of year	7,572,088	833,783	270,697	8,676,568	6,787,447
Net assets, end of year	$ 9,319,918	$ 1,048,474	$ 270,697	$ 10,639,089	$ 8,676,568

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2012 *(with comparable totals for 2011)*

	2012	2011
Cash flows from operating activities:		
Cash received from support and revenues	$ 41,106,591	$ 38,971,139
Cash paid for program and supporting services	(38,631,944)	(36,705,796)
Investment income	18,077	42,283
Interest paid:		
Non-occupancy related	(178,301)	(184,474)
Occupancy related	(202,439)	(209,280)
Net cash provided by operating activities	2,111,984	1,913,872
Cash flows from investing activities:		
Proceeds from note receivable	619,248	5,752
Purchase of equipment	(909,932)	(498,770)
Proceeds from sale of land, building, and equipment	600	25,000
Purchase of investments	(203,380)	(414,544)
Proceeds from redemption of investments	-	78,183
Proceeds from beneficial interest in trusts	-	5,956
Net cash used in investing activities	(493,464)	(798,423)
Cash flows from financing activities:		
Payment on capital leases and notes payable	(117,793)	(240,917)
Payment on bond payable	(200,000)	(190,000)
Net cash used in financing activities	(317,793)	(430,917)
~~Change in cash~~	~~1,300,727~~	~~684,532~~
Cash and cash equivalents, beginning of year	2,496,984	1,812,452
Cash and cash equivalents, ending of year	$ 3,797,711	$ 2,496,984

Cash and cash equivalents	$ 3,525,774	$ 2,496,984
Cash, designated	271,937	-
	$ 3,797,711	$ 2,496,984

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2012 *(with comparable totals for 2011)*

	2012	2011
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 1,962,521	$ 1,889,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	981,945	975,509
Gain on disposal of assets	(12)	(463,872)
Realized and unrealized (gain) loss on investments	(25,915)	15,159
Change in value of beneficial interest in trusts and estate	(74,691)	35,964
Non-cash donation of vehicle and computer hardware and software	-	(344,027)
Provision for bad debt	50,721	77,880
(Gain) loss on derivative financial instrument	(84,422)	72,765
(Increase) decrease in assets:		
Accounts receivable	(396,739)	(20,814)
Prepaid expenses and other assets	(109,006)	(183,995)
Contributed goods inventory	(276,705)	(7,410)
Beneficial interest in estate	(140,000)	-
Increase (decrease) in liabilities:		
Accounts payable	144,344	(246,715)
Accrued expenses	83,270	115,362
Deferred revenue	(3,327)	(1,055)
Net cash provided by operating activities	$ 2,111,984	$ 1,913,872

Supplemental schedule of noncash investing and financing activities:

During the year ended December 31, 2012, the Organization entered into capital leases of approximately $135,000. The amount is included in equipment and capital leases on the Statement of Financial Position.

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2012 *(with comparable totals for 2011)*

	Program Services: Vocational and Rehabilitation	Supporting Services: Management and General	Supporting Services: Fundraising	2012 Totals	2011 Totals
Salaries	$ 18,171,022	$ 1,967,574	$ 249,693	$ 20,388,289	$ 18,629,996
Employee benefits	1,369,506	176,228	17,767	1,563,501	1,411,573
Payroll taxes and related	1,973,927	196,716	26,971	2,197,614	2,368,730
Total salaries and other related expenses	21,514,455	2,340,518	294,431	24,149,404	22,410,299
Bad debt expense	-	50,720	-	50,720	77,880
Bank and other fees	52,747	50,326	1,329	104,402	101,082
Interest (non-occupancy)	-	178,301	-	178,301	184,474
Meetings	15,066	11,872	42,491	69,429	38,230
Membership dues	9,880	185,987	5,816	201,683	198,136
Store discounts and other	79,506	28,722	3,393	111,621	330,725
Occupancy	9,932,819	185,292	136	10,118,247	9,844,310
Postage	126,701	2,233	6,476	135,410	151,948
Professional fees and contract services	665,629	216,628	7,820	890,077	788,229
Shipping and freight	8,419	1,251	365	10,035	3,501
Specific assistance to clients and organizations	11,736	11,750	-	23,486	35,059
Supplies and printing	1,059,179	79,154	49,039	1,187,372	1,034,663
Telephone	473,778	75,004	8,672	557,454	561,638
Transportation	1,292,786	88,552	13,032	1,394,370	1,275,085
Depreciation and amortization	594,058	385,256	2,631	981,945	975,511
Total expenses	$ 35,836,759	$ 3,891,566	$ 435,631	$ 40,163,956	$ 38,010,770

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements reflect the consolidated financial statements of Gulfstream Goodwill Industries, Inc. ("Goodwill"), Gulfstream Goodwill Industries Foundation, Inc. ("Foundation"), and Lighthouse for the Blind of the Palm Beaches, Inc. (Lighthouse), (collectively the "Organization"), for which Goodwill has both control and economic interest, as defined in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-810, *Consolidation,* issued by the American Institute of Certified Public Accountants. All significant inter-organization accounts and transactions have been eliminated.

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting whereby revenue is recognized when earned, support is recognized when received, and expenses are recognized when the corresponding liability is incurred.

Organization and Purpose

Gulfstream Goodwill Industries, Inc. is a community service organization whose mission is to fund, design, and deliver vocational and training programs that serve people with disabilities and other barriers to employment. The goal of Goodwill's services is to assist those served in becoming an integral part of the local workforce and to lead independent lives. Goodwill's income is derived principally through the sale of contributed goods, and from funding received from various governmental resources. To achieve its mission, Goodwill is committed to being the following:

- A premier provider of quality rehabilitation, employment, and training opportunities for people with barriers to employment and independence.
- Recognized as a community leader and partner, communicating closely and networking with key community groups to respond to ever-changing social problems and ensure wide use of community resources.
- A quality retailer, offering high quality, economical and fashionable merchandise, in well maintained locations, within the communities Goodwill serves.
- A quality industrial work program, providing timely delivery of quality products and services to community businesses and industry.

Gulfstream Goodwill Industries, Inc. serves Palm Beach, Martin, St. Lucie, Indian River, and Okeechobee counties in Southeast Florida and maintains administration facilities in West Palm Beach, Florida.

Gulfstream Goodwill Industries Foundation, Inc. was formed on August 27, 2003, for the purpose of establishing an endowment to provide financial support and assistance to Goodwill.

Lighthouse for the Blind of the Palm Beaches, Inc. was founded in 1946 to assist visually impaired persons to develop their capabilities to the fullest and to utilize them in the pursuits of life that are the right and privilege of all. The Lighthouse provides direct education and rehabilitation services to people who are blind or visually impaired in Palm Beach, Martin, St. Lucie, Indian River, and Okeechobee counties.

1. ***Summary of Significant Accounting Policies, continued***

Consolidated Financial Statement Presentation

The Organization's consolidated financial statements are presented in accordance with FASB ASC 958-205, *Presentation of Financial Statements.* This standard requires the classification of the Organization's consolidated financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classifications of net assets are described below:

- *Unrestricted net assets* - this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.
- *Temporarily restricted net assets* - this classification includes those net assets whose use by the Organization has been limited by donors to either a later period of time, after a specified date, or for a specified purpose.
- *Permanently restricted net assets* - this classification includes those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements.

Fair Value Measurements and Disclosure

FASB ASC 820, *Fair Value Measurements and Disclosure*, establishes a framework for measuring fair value and provides a fair value hierarchy that categorizes into three levels the inputs to valuation techniques 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

1. <u>Summary of Significant Accounting Policies</u>, *continued*

Fair Value Measurements and Disclosures, continued

Level 2 - Inputs to the valuation methodology, continued

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. Adjustments to arrive at measurements based on fair value, such as costs to sell when measuring fair value less costs to sell, shall not be taken into account when determining the level of the fair value hierarchy within which a fair value measurement is categorized.

Financial Instruments

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosure*, in disclosing the fair value of financial instruments. The Organization has a number of financial instruments, none of which are held for trading purposes. As set forth in FASB ASC 820, management has estimated the fair value of these financial instruments as follows:

Cash and cash equivalents, accounts receivable, other assets, accounts payable, and accrued expenses - The carrying amounts reported in the Consolidated Statement of Financial Position for these items approximate fair value due to the short maturity of these financial instruments.

Investments - Investments are stated at fair value, based on quoted market prices of those investments.

Derivative financial instrument - This instrument is valued at fair value determined by the Organization's bank, which used prevailing rates based on an estimate of the net present values of the resulting cash flows, relevant market data inputs, and assumptions of no unusual market conditions or forced liquidation.

FASB ASC 825, *Financial Instruments*, provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Organization's beneficial interest in trusts and estate has been selected for this fair value election.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, the Organization considers money market accounts and short-term investments with original maturities of three months or less to be cash equivalents. However, cash and cash equivalents maintained by the Organization's investment managers are part of the Organization's long-term investment policy and are classified as investments. Cash and cash equivalents maintained in the beneficial interest in trusts and estate accounts are classified accordingly on the Consolidated Statement of Financial Position. Designated cash represents cash funds held by a third party administrator under an agreement whereby the Organization is self-insuring its state unemployment obligation. These funds are deposited monthly with the administrator to fund a reserve for future unemployment payments.

Investments

Under FASB ASC 958-320 - *Investments-Debt and Equity Securities*, investments in marketable securities with readily determinable fair values are reported at their fair values in the Consolidated Statement of Financial Position, with the amount of unrealized gains or losses on investments not previously recognized shown in the Consolidated Statement of Activities.

Accounts Receivable

Accounts receivable consists of amounts due from various government agencies and vendors that contract with Goodwill for services. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. As of December 31, 2012, the Organization's allowance for potentially uncollectible accounts receivable was approximately $70,000.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of utility and security deposits, prepaid insurance and rent, and intangible assets related to the closing costs of the various debt instruments. Supply inventory is also included, consisting of small general office and maintenance supplies which are stated at lower of cost or market.

1. Summary of Significant Accounting Policies, continued

Contributed Goods Inventory

Contributed goods inventory consists of donor contributed goods, which are valued according to an estimate of fair value. This estimate considers that fair value is that portion of retail value which exceeds Goodwill's cost of transporting and processing the merchandise for sale. Goodwill follows the industry-wide practice of measuring contributed goods inventory based on an accepted model of excess value over cost of processing. Contributed goods received during the year are reported in the Consolidated Statement of Activities.

Note Receivable

In 2011, the Organization held a note receivable from the sale of the Lighthouse former operations building. The sale was financed by holding the mortgage and taking back a note receivable. The terms specified a down payment of $25,000 and monthly payments of principal and interest, based on 6.00% rate of interest and a 30-year amortization. The note called for an additional principal payment of $65,000 on March 10, 2016 and was scheduled to mature March 20, 2021 with a balloon payment of $439,108. On January 6, 2012 the purchaser of the building paid the note off in full.

Land, Building, and Equipment

Land, building, and equipment are recorded at cost, if purchased, or fair value, if contributed, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful asset lives, ranging from 3-30 years. Capital expenditures in excess of $500 are capitalized and depreciated. Maintenance and repair costs are expensed as incurred.

Beneficial Interest in Trusts and Estate

Beneficial interest in trusts and estate represent split-interest agreements in which the Organization has been named the residual or income beneficiary of several irrevocable trust and unitrust agreements and an estate. The irrevocable trust agreements and estate are measured at fair value upon contribution or notification and at subsequent reporting dates. The terms of the unitrust agreements require a promise by the trust to pay fixed amounts for a specified period of time to the income beneficiaries. The assets contributed pursuant to split-interest agreements and the associated liabilities are measured at fair value upon contribution and at subsequent reporting dates. The unitrust agreements are measured at fair value based upon the present value of future cash distributions, using discount rates prevalent at the date of the gift.

A charitable remainder unitrust is a trust that pays the donor or other named income beneficiary a percentage of the fair market value of the trust assets as revalued annually for a term of years or one or more lives. At the end of the trust term, the remaining principal goes to the charities named in the trust agreement. The fair value of the Organization's interest in the trust was estimated based on the income beneficiary's life expectancy and a percentage payout rate. The Organization is a residual beneficiary under these instruments and is not the trustee; therefore, only the net estimated fair value to be received is reflected in the Consolidated Statement of Financial Position.

1. *Summary of Significant Accounting Policies, continued*

Deferred Revenue

Deferred revenue represents funds received in advance for Goodwill program services to be provided in the coming year.

Support and Revenues

- *Contributed Goods Store Sales and Salvage and Recycling*

  Contributed goods store sales consists of the sale of donor contributed goods. Support is recognized upon sale, as an allocation of the overall retail price received based upon the same accepted model of excess processing value over cost, as described above.

  Salvage and recycling consists of the bulk sale of donated goods which have not otherwise been sold as contributed goods store sales.

- *Contributions*

  The Organization follows FASB ASC 958-605, *Revenue Recognition.* In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are initially restricted as to use are required to be reported as temporarily restricted support and are later reclassified to unrestricted net assets upon expiration of the time restriction or to unrestricted support upon use of the contribution in accordance with the restricted purpose. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is satisfied or expires in the reporting period in which the support is recognized.

  All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of goods for resale are recorded as revenue based upon the incremental increase in value added from Goodwill's program related expense and processes.

- *Employment, Training, and Contracts*

  The Organization receives funding under various federal, state and local government programs and public grants. Employment, training, and contract revenues are recorded when performance occurs under the terms of the grant agreement. These program revenues are reflected under employment and training in the Consolidated Statement of Activities.

- *Other Revenues*

  - Goodwill established an on-line sales program (E-books) in which it sells books over the internet and these revenues are reflected as other revenues in the Consolidated Statement of Activities.
  - Goodwill operates a rental assistance program under the U.S. Department of Housing and Urban Development (HUD). Program participants are required to contribute a specified percentage of their individual income as rent; these amounts are reflected as other revenues in the Consolidated Statement of Activities.

1. *Summary of Significant Accounting Policies, continued*

- *Other Revenues*, continued
    - Goodwill also provides management services to two other organizations: Lighthouse and Career Academy, a charter school, for which Goodwill acts as sponsor. The revenues from Lighthouse, a related party are eliminated during consolidation. Career Academy has a separate board and acts independently of the Organization.

Expenses

Expenses are summarized on a functional basis. Expenses that can be specifically identified with a functional activity are charged accordingly. The amount of time spent on the various functional categories by the employees are used to develop percentages which are used in allocating salary and related expenses and other expenses which cannot be specifically identified with a particular functional activity.

Income Taxes

Goodwill, the Foundation, and Lighthouse are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and from state income taxes under similar provisions of the State of Florida Income Tax Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under 509(a) of the Code. The Organization did not engage in any unrelated business activities during the year ended December 31, 2012, and accordingly there is no provision for income taxes reflected in the accompanying consolidated financial statements.

The Organization follows FASB ASC 740, *Accounting for Uncertainty in Income Taxes.* This standard seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Organization assesses the income tax positions based on management's evaluation of the facts, circumstances, and information available at the reporting date. The Organization uses the prescribed more likely than not threshold when making their assessment. There are currently no open Federal or State tax years under audit.

Advertising

Goodwill expenses advertising costs as they are incurred. Advertising expense was approximately $115,000 for the year ended December 31, 2012, and is reflected as part of supplies and printing in the Consolidated Statement of Functional Expenses.

Shipping Expense

Shipping expense is incurred as a result of the E-books program. Goodwill expenses the cost of shipping as incurred. Total shipping expense is reported on the Consolidated Statement of Functional Expenses.

1. *Summary of Significant Accounting Policies, continued*

Comparable Financial Information

The consolidated financial statements include certain prior-year summarized comparable information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2011, from which the summarized information was derived. Certain 2011 amounts may have been reclassified to conform to 2012 classifications, although any such reclassification would have no effect on the 2011 change in net assets.

2. *Investments*

Investments as of December 31, 2012 consisted of the following, all of which are measured on a recurring basis as Level 1:

	Cost	Fair Value	Unrealized Gain
Goodwill:			
Mutual funds	$ 407,708	$ 416,348	$ 8,640
Foundation:			
Cash and cash equivalents	202,110	202,110	-
Exchanged-traded funds	98,230	105,227	6,997
	300,340	307,337	6,997
	$ 708,048	$ 723,685	$ 15,637

3. *Accounts Receivable*

Accounts receivable as of December 31, 2012, consisted of the following:

	Goodwill	Lighthouse	Eliminations	Total
Due in less than one year	$ 1,984,270	$ 31,157	$ (49,309)	$ 1,966,118
Less allowance for uncollectible accounts	70,000	-	-	70,000
	$ 1,914,270	$ 31,157	$ (49,309)	$ 1,896,118

4. *Prepaid Expenses and Other Assets*

Prepaid expenses and other assets as of December 31, 2012, consisted of the following:

	Goodwill	Lighthouse	Total
Deposits	$ 69,431	$ 480	$ 69,911
Prepaid insurance	57,055	6,434	63,489
Prepaid rents	82,956	2,687	85,643
Prepaid worker's compensation	111,252	-	111,252
Bond issue costs, net	116,709	-	116,709
Letter of credit fees, net	33,612	-	33,612
Loan closing costs, net	16,447	-	16,447
Supplies	19,811	4,858	24,669
Other miscellaneous	45,601	-	45,601
	$ 552,874	$ 14,459	$ 567,333

5. *Land, Building, and Equipment*

Land, building, and equipment as of December 31, 2012, consisted of the following:

	Goodwill	Lighthouse	Foundation	Total
Land	$ 2,215,845	$ -	$ -	$ 2,215,845
Building	6,635,946	61,626	-	6,697,572
Building improvements	746,541	-	-	746,541
Leasehold improvements	3,133,515	-	-	3,133,515
Automotive and communications equipment	1,642,308	26,650	-	1,668,958
Furniture and equipment, including assets under capital lease	4,775,955	50,479	6,950	4,833,384
	19,150,110	138,755	6,950	19,295,815
Less accumulated depreciation	9,948,226	121,002	6,950	10,076,178
	$ 9,201,884	$ 17,753	$ -	$ 9,219,637

6. *Beneficial Interest in Trusts and Estate*

Beneficial interest in trusts and estate as of December 31, 2012, consisted of several split interest agreements wherein Goodwill and Lighthouse are named beneficiary of several irrevocable trust and unitrust agreements and an estate. Two (2) of the irrevocable trusts will pay all of the annual income to Lighthouse in perpetuity. In addition, Goodwill is beneficiary of an estate which is estimated to settle within 2 years.

6. <u>*Beneficial Interest in Trusts and Estate*</u>*, continued*

Fair values of beneficial interest in trusts and estate measured on a recurring basis as of December 31, 2012 are as follows:

Goodwill:	Level 2	Level 3	Total
Beneficial interests in irrevocable trusts and estate	$ 191,283	$ 31,020	$ 222,303
Charitable remainder unitrusts	-	118,365	118,365
Bequest receivable	140,000	-	140,000
	331,283	149,385	480,668
Lighthouse:			
Beneficial interests in irrevocable trusts and estate	514,017	31,020	545,037
Charitable remainder unitrusts	-	293,466	293,466
	514,017	324,486	838,503
	$ 845,300	$ 473,871	$ 1,319,171

A reconciliation of the Organization's Level 3 instruments for the year ended December 31, 2012 is provided below:

	Goodwill	Lighthouse	Total
Balance, beginning of year	$ 216,707	$ 383,377	$ 600,084
Contributions	-	-	-
Reclassifications	-	-	-
Net change in value	(67,322)	(58,891)	(126,213)
Balance, end of year	$ 149,385	$ 324,486	$ 473,871

FASB ASC 820 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about Level 3 assets held as charitable remainder unitrust agreements:

Goodwill:	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Charitable remainder unitrust agreements	$ 118,365	Present value future cash flows	Life expectancy	7 years
Commercial real Estate	31,020	Market appraisal	Appraisal methodology	
	149,385			

6. *Beneficial Interest in Trusts and Estate, continued*

Lighthouse:	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Charitable remainder unitrust agreements	$ 293,466	Present value future cash flows	Life expectancy	7-13.5 years
Commercial real Estate	31,020	Market appraisal	Appraisal Methodology	N/A
	324,486			
	$ 473,871			

7. *Accrued Expenses*

Accrued expenses as of December 31, 2012, consisted of the following:

Accrued payroll and related payables	$ 1,357,712
Accrued NISH fees	26,522
Accrued employee PTO	34,605
Accrued sales tax	63,607
Other miscellaneous accrued expenses	57,317
	$ 1,539,763

8. *Line of Credit*

Goodwill and Foundation

Goodwill and Foundation have a combined commitment from a financial institution for a $1,000,000 revolving line of credit secured by real estate, with mortgages on the properties located at 1280 W. Indiantown Road, Jupiter, Florida, and 1715 and 1710 E. Tiffany Drive, West Palm Beach, Florida. Interest only payments are due each month at the Bank's prime interest rate, plus 2.5% (5.75% as of December 31, 2012). The interest rate shall never be less than 5.0%. Any unpaid principal balance plus accrued interest is due in full July 30, 2013. There is no outstanding balance as of December 31, 2012.

9. *Bond Payable, Capital Leases, and Notes Payable*

A) Bond Payable

On May 1, 2006, Goodwill re-financed its industrial development revenue bond (IDB) with a tax-exempt adjustable mode industrial development revenue bond, both of which were issued by Palm Beach County, Florida. The bond has a floating interest rate; however, the interest rate is fixed for a period of 10 years at 4.40% under an interest rate swap agreement entered into with a financial institution. Interest is payable monthly and principal is payable annually.

9. Bond Payable, Capital Leases, and Notes Payable, continued

A) Bond Payable, continued

The principal is payable according to the following schedule:

2013	$ 210,000
2014	220,000
2015	230,000
2016	250,000
2017	260,000
Thereafter	3,100,000
	$ 4,270,000

The bond is collateralized by a first mortgage on land and building with a book value of approximately $6,290,000, as of December 31, 2012.

Loan Covenants

Under the terms of the bond, Goodwill must maintain a fixed charge coverage ratio (FCCR) of at least 1.25 to 1.00. For the year ended December 31, 2012, Goodwill had a FCCR service ratio of 4.53 to 1.00.

Goodwill must also maintain a ratio of senior liabilities to effective tangible net worth (net worth) of no more than 3.25 to 1.00. For the year ended December 31, 2012, Goodwill maintained a net worth ratio of 1.10 to 1.00.

B) Capital Leases

Goodwill leases equipment for its Okeechobee Waterway contract. The capitalized cost of the equipment reflected in the fixed assets is approximately $146,000. The leases require monthly payments totaling $2,883 of principal and interest with effective interest rates of 0% to 43.60%. The leases mature through May 2017.

The following schedule illustrates future minimum lease payments under capital leases and the present value of net minimum lease payments:

Total minimum lease payments	$ 128,377
Less amount representing interest	1,132
Present value of minimum lease payments	127,245
Less current maturities	36,531
Obligations under capital leases, non-current maturities	$ 90,714

9. *Bond Payable, Capital Leases, and Notes Payable, continued*

C) Notes Payable

Goodwill:

$1,250,000 note payable to a bank, at an annual interest rate of 6.80%, requiring monthly principal and interest payments of $8,751, collateralized by real estate. This note matures January 2015, with a balloon payment of approximately $1,044,700.	$ 1,108,581
$1,500,000 note payable to a bank, at an annual interest rate of 7.00%, requiring monthly principal and interest payments of $13,565, collateralized by real estate. This note is based on a fifteen year amortization and matures June 2015, with a balloon payment of approximately $1,163,500.	1,347,290
	2,455,871
Less current maturity	99,332
	$ 2,356,539

D) Future Maturities

The future principal maturity payment schedules of Goodwill are as follows:

Goodwill:

	Bond	Capital Lease	Notes Payable	Total
2013	$ 210,000	$ 36,531	$ 99,332	$ 345,863
2014	220,000	26,999	106,133	353,132
2015	230,000	26,999	2,250,406	2,507,405
2016	250,000	26,999	-	276,999
2017	260,000	9,717	-	269,717
Thereafter	3,100,000	-	-	3,100,000
	$ 4,270,000	$ 127,245	$ 2,455,871	$ 6,853,116

10. *Derivative Financial Instrument*

The Organization's derivative financial instrument consisted of an interest rate swap measured at fair value on a recurring basis as of December 31, 2012:

Goodwill:	Level 3
Interest rate swap	$ 568,785

10. *Derivative Financial Instrument, continued*

FASB ASC 820 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides the following information about Level 3 interest rate swap liability:

Goodwill:	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Interest rate swap	$ 568,785	Third Party Valuation	Interest rate volatility	variable %

Goodwill entered into an interest rate swap arrangement with Wells Fargo Bank (formerly Wachovia Bank) on its tax-exempt adjustable mode industrial development revenue bond series 2006 effective June 1, 2006 that in effect fixed the interest rate on Goodwill's long-term bank note payable at 4.40%. The arrangement is scheduled to expire on July 1, 2016. The notional amount of the contract as of December 31, 2012 was $4,270,000.

Goodwill's purpose in entering into the swap arrangement was to hedge against the risk of interest rate increases on the related variable rate debt and not to hold the instrument for trading purposes. Accordingly, the swap agreement, which is a derivative financial instrument, is classified as a cash flow hedge. As such, the derivative financial instrument is reflected on the Consolidated Statement of Financial Position at its estimated fair value. Because the hedge is considered effective, the results of the swap arrangement are included in interest expense on the Consolidated Statement of Activities. The effect for the year ended December 31, 2012 was to increase interest expense by approximately $190,000. The liquidating value of the swap as of December 31, 2012 was approximately $569,000. This amount would be owed to the bank if Goodwill were to terminate the agreement.

A reconciliation of this Level 3 instrument for the year ended December 31, 2012 is provided below:

Balance, beginning of year	$ 653,207
Net unrealized gain on derivative financial instrument	(84,422)
Balance, end of year	$ 568,785

11. *Employee Benefit Plans*

Goodwill maintains a qualified thrift plan under section 403(b) of the Internal Revenue Code. Under this plan, Goodwill, at its discretion, will make a matching contribution on the employee's behalf equal to 100% of the first 4% of employee's allowable contribution. Goodwill contributed approximately $198,000 to the plan for the year ended December 31, 2012. In addition, Goodwill maintained a 457(b) deferred compensation plan; this plan was terminated during 2012.

11. *Employee Benefit Plans, continued*

Goodwill also provides a deferred compensation plan for a management executive. The agreement provides for annual contributions to a "Rabbi Trust" arrangement for each year including 2012. The executive vested in this plan on December 31, 2012. Goodwill contributed approximately $77,600 to this plan for the year ended December 31, 2012.

12. *Related Party Transactions*

During 2012, Goodwill advanced funds to various parties that are related by common management and/or board members. Goodwill advanced approximately $581,000 to Career Academy, a charter school which was sponsored by Goodwill and is related to the broader mission of Goodwill. The charter school owed Goodwill approximately $83,000, as of December 31, 2012. Goodwill also paid Florida Goodwill Association (FGA), a membership association with a common officer, approximately $15,000 for dues and owed an additional $5,000 for dues, at year end. In addition, during 2012 Goodwill paid Goodwill Industries International (GII), an affiliated national organization, approximately $185,000: $173,000 for annual dues, $10,000 for a contribution, and $2,000 for miscellaneous expenses.

Goodwill also received payments from various related parties during 2012. Goodwill received approximately $180,000 from the charter school as reimbursement for rent which was part of the advances referenced above. In addition, the charter school reimbursed approximately $450,000 of the expenses referenced above over the course of 2012.

13. *Commitments*

As part of its cash management activities, Goodwill has issued irrevocable standby letters of credit to utilities, vendors, and landlords. By using letters of credit in lieu of placing cash deposits, Goodwill has better use of its working capital. Currently, Goodwill has approximately $470,000 issued under these agreements.

Goodwill leases storefront facilities, residential units and vehicles under numerous operating leases that expire through 2044 (including renewal options). Rent expense incurred for the facilities under these leases, which is reflected as part of occupancy in the consolidated financial statements, is approximately $7,322,000 for the year ended December 31, 2012. The storefront leases contain renewal options varying from one to fourteen years, and rent escalation clauses ranging from three percent to six percent per year.

Total minimum rental payments under non-cancelable operating leases as of December 31, 2012 are approximately:

2013	$ 8,013,700
2014	7,283,200
2015	7,500,200
2016	7,603,400
2017	7,894,500
Thereafter	97,664,500
	$ 135,959,500

14. Concentrations and Contingencies

At various times during the year, the Organization had more funds on deposit at financial institutions than the $250,000 currently insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial condition of its banking institution, along with its cash balances, and in so doing, tries to keep this potential risk to a minimum. In management's opinion, its cash management does not represent unusual risk. As of December 31, 2012, cash deposits exceeded federally insured limits by approximately $2,846,000.

With respect to accounts receivable, Goodwill does not appear subject to significant credit risk as its principal account debtors are Palm Beach County Division of Human Services, which accounts for approximately 28% of the outstanding balance, State of Florida Vocational Rehabilitation, which accounts for approximately 11% of the outstanding balance and the U.S. Army Corps of Engineers, which accounts for approximately 12% of the outstanding balance. The remaining balance of its accounts receivable is owed by a variety of organizations or companies.

Goodwill is involved in various legal actions arising in the normal course of business. In management's opinion, such matters will not have a material effect upon the financial position of Goodwill.

15. Net Assets Restrictions

As of December 31, 2012, temporarily and permanently restricted net assets consisted of:

	Temporarily Restricted	Permanently Restricted	Total
Goodwill:			
Time restrictions			
Split interest agreements	$ 480,668	$ -	$ 480,668
Lighthouse:			
Time restrictions			
Split interest agreements	567,806	270,697	838,503
	$ 1,048,474	$ 270,697	$ 1,319,171

16. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through May 28, 2013, the date on which the financial statements were available to be issued, and determined that there were no further disclosures required to be presented in these financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gulfstream Goodwill Industries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulfstream Goodwill Industries, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulfstream Goodwill Industries, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 28, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

The Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

Report on Compliance for Each Major Federal Program

We have audited Gulfstream Goodwill Industries, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gulfstream Goodwill Industries, Inc.'s major federal programs for the year ended December 31, 2012. Gulfstream Goodwill Industries, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gulfstream Goodwill Industries, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gulfstream Goodwill Industries, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Gulfstream Goodwill Industries, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Gulfstream Goodwill Industries, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Gulfstream Goodwill Industries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gulfstream Goodwill Industries, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gulfstream Goodwill Industries, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, ~~material weaknesses may exist that have not been identified.~~

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 28, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
◦ Material weakness(es) identified?	No
◦ Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
◦ Material weakness(es) identified?	No
◦ Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance of major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?	No
Identification of major programs:	
CFDA Number	14.235
Name of Federal Program or Cluster: U.S. Department of Housing and Urban Development	Supportive Housing Assistance
Dollar Threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as a low-risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended December 31, 2012.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended December 31, 2012.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there were no findings or questioned costs for the year ended December 31, 2012.

PRIOR YEAR FINDINGS

There were no prior audit findings for the year ended December 31, 2011, relative to federal awards requiring action on the part of the auditee for that fiscal year.

SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2012

Federal/State Agency, Pass-through Entity	CFDA Number	Contract Grant Number	Federal Expenditures
Federal Awards:			
U.S. Department of Labor:			
Workforce Alliance - Out of School Youth	17.259	S11-003	$ 65,042
Workforce Alliance - WTP/WIA/WTW		V11-070 / V12-070	66,063
Workforce Alliance - Good Jobs		S11-0038	193,281
			324,386
U.S. Department of Justice:			
Offender Re-entry Program		R2011-0538 & R2013-0076	97,266
U.S.Department of Housing and Urban Development:			
Project Succeed:			
Supportive housing	14.235	FL0289B4D051003	834,740
Supportive housing	14.235	FL0289B4D051104	155,523
Project Succeed #3			
Supportive housing	14.235	FL0367B4D051001	9,770
Supportive housing	14.235	FL0367B4D051102	122,487
Project Success:		FL0292B4D050802	
Support services	14.235	R2011-1990	66,492
~~Supportive housing~~	~~14.235~~	~~R2011-1991~~	~~288,398~~
New Avenues	14.235	FL0347B4D050900	195,632
			1,673,042
			$ 2,094,694

Other Financial Assistance:	Revenue	Expenditures
Palm Beach County - Lewis Center	$ 760,464	$ 578,041

1. ***Basis of Presentation***

The above schedule includes the federal award and other financial assistance of Gulfstream Goodwill Industries, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Therfore, some amounts presented in this schedule may differ from amounts in, or used in the preparation of, the basic consolidated financial statements.

See independent auditor's report.

For the Year Ended December 31, 2012

		Project Succeed #3	Project Succeed #4	Project Success	New Avenues
	REVENUES:				
5120	Rent revenues	$ 18,996	$ 84,063	$ 51,181	$ 14,890
5121	Tenant assistance payments	132,257	990,263	354,890	195,631
5100T	Total rent revenue	151,253	1,074,326	406,071	210,521
5990	Miscellaneous revenue	-	-	34,452	-
5000T	Total revenue	151,253	1,074,326	440,523	210,521
	EXPENSES:				
6250	Other renting expenses - rent payments	82,270	624,786	103,500	69,457
6310	Payroll	30,048	207,613	224,272	46,906
6311	Office expenses	5,872	39,005	341	1,142
6350	Audit expense	900	6,100	1,000	-
6360	Telephone expenses	522	14,943	14,231	1,342
6263T	Total administrative expenses	119,612	892,447	343,344	118,847
6450	Electric	-	-	20,685	-
6451	Water	-	-	11,232	-
6400T	Total utilities expenses	-	-	31,917	-
6510	Operating and maintenance- payroll	12,669	44,183	-	49,003
6515	Operating and maintenance- supplies	4,633	34,486	7,284	16,068
6520	Building maintenance and repair	326	-	1,330	-
6525	Garbage and trash removal	-	-	2,619	-
6570	Vehicle and maintenance equipment operation and repairs	2,596	32,082	4,869	2,835
6500T	Total operating and maintenance expenses	20,224	110,751	16,102	67,906
6711	Payroll taxes	4,500	26,498	28,966	9,487
6720	Property and liability insurance	1,608	13,272	6,625	2,750
6723	Health insurance and other employee benefits	5,309	31,358	13,569	11,531
6700T	Total taxes and insurance	11,417	71,128	49,160	23,768
6000T	Total costs of operations before depreciation	151,253	1,074,326	440,523	210,521
5060N	Operating income (loss)	-	-	-	-
3250	Change in total net assets from operations	$ -	$ -	$ -	$ -

See independent auditor's report.

For the Year Ended December 31, 2012

		Project Succeed #3	Project Succeed #4	Project Success	New Avenues
	Cash flows from operating activities:				
S1200-030	Other operating receipts	$ 151,253	$ 1,074,326	$ 440,523	$ 210,521
S1200-040	Total receipts	151,253	1,074,326	440,523	210,521
S1200-050	Adminstrative	119,612	892,447	343,344	118,847
S1200-090	Utilities	-	-	31,917	-
S1200-100	Operating and maintenance	20,224	110,751	16,102	67,906
S1200-150	Miscellaneous taxes and insurance	11,417	71,128	49,160	23,768
S1200-230	Total disbursements	151,253	1,074,326	440,523	210,521
S1200-240	Net cash provided by operating activites	-	-	-	-
S1200-470	Net increase in cash and cash equivalents	-	-	-	-
S1200-480	Cash-beginning of year	-	-	-	-
S1200T	Cash-end of year	$ -	$ -	$ -	$ -

See independent auditor's report.

As of December 31, 2012

	Goodwill	Lighthouse	Foundation	Eliminating Entry	Totals
ASSETS					
Cash and cash equivalents	$ 2,155,728	$ 1,052,853	$ 317,193	$ -	$ 3,525,774
Investments	416,348	-	307,337	-	723,685
Accounts receivable, net	1,914,270	31,157	-	(49,309)	1,896,118
Prepaid expenses and other assets	552,874	14,459	-	-	567,333
Contributed goods inventory	2,570,944	-	-	-	2,570,944
Total current assets	7,610,164	1,098,469	624,530	(49,309)	9,283,854
Cash, designated	271,937	-	-	-	271,937
Land, building and equipment, net	9,201,884	17,753	-	-	9,219,637
Benefical interest in trusts and estate	480,668	838,503	-	-	1,319,171
Total assets	$ 17,564,653	$ 1,954,725	$ 624,530	$ (49,309)	$ 20,094,599
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	$ 493,625	$ 49,530	$ -	$ (49,309)	$ 493,846
Accrued expenses	1,539,705	58	-	-	1,539,763
Deferred revenue	-	-	-	-	-
Current portion of capital leases, notes and bond payable	345,863	-	-	-	345,863
Total current liabilities	2,379,193	49,588	-	(49,309)	2,379,472
Capital leases and notes payable	2,447,253	-	-	-	2,447,253
Derivative financial instrument	568,785	-	-	-	568,785
Bond payable	4,060,000	-	-	-	4,060,000
Total liabilities	9,455,231	49,588	-	(49,309)	9,455,510
Net assets	8,109,422	1,905,137	624,530	-	10,639,089
Total liabilities and net assets	$ 17,564,653	$ 1,954,725	$ 624,530	$ (49,309)	$ 20,094,599

See independent auditor's report.

For the Year Ended December 31, 2012

Support and revenues:	Goodwill	Lighthouse	Foundation	Eliminating Entry	Totals
Support:					
Contributed goods store sales	$ 28,631,671	$ -	$ -	$ -	$ 28,631,671
Salvage and recycling	1,516,879	-	-	-	1,516,879
Contributions and bequest	329,615	300,095	73,469	-	703,179
Total support	30,478,165	300,095	73,469	-	30,851,729
Revenues:					
Employment and training	5,673,710	408,270	-	-	6,081,980
Contracts	3,982,750	-	-	-	3,982,750
Investment income	10,205	3,131	4,741	-	18,077
Gain on disposal of assets	12	-	-	-	12
Realized and unrealized gain (loss) on investments	20,012	185	5,718	-	25,915
Change in value of beneficial interest in trusts and estate	24,356	50,335	-	-	74,691
Other revenues:					
E-books	345,360	-	-	-	345,360
Participant rents	212,668	-	-	-	212,668
Administrative fee	1,012,443	-	-	(611,592)	400,851
Miscellaneous	40,720	7,302	-	-	48,022
Total revenues	11,322,236	469,223	10,459	(611,592)	11,190,326
Total support and revenues	41,800,401	769,318	83,928	(611,592)	42,042,055
Expenses:					
Salary and other related expenses	24,149,404	425,071	-	(425,071)	24,149,404
Bad debt expense	50,665	55	-	-	50,720
Bank and other fees	101,178	1,895	1,329	-	104,402
Contractual payment to Goodwill	-	-	-	-	-
Interest	178,301	-	-	-	178,301
Meetings	60,566	9,002	-	(139)	69,429
Membership dues	197,835	3,848	-	-	201,683
Store discounts and other	111,621	4,522	-	(4,522)	111,621
Occupancy	10,103,260	90,917	-	(75,930)	10,118,247
Postage	131,681	5,442		(1,713)	135,410
Professional fees and contract services	870,923	85,164	559	(66,569)	890,077
Shipping and freight	10,035	-	-	-	10,035
Specific assistance to clients and organizations	6,002	17,484	-	-	23,486
Supplies and printing	1,139,538	54,523	-	(6,689)	1,187,372
Telephone	549,854	10,000	-	(2,400)	557,454
Transportation	1,393,046	29,883	-	(28,559)	1,394,370
Depreciation and amortization	970,915	11,030	-	-	981,945
Total expenses	40,024,824	748,836	1,888	(611,592)	40,163,956
Other gain:					
Gain on derivative financial instrument	84,422	-	-	-	84,422
Change in net assets	$ 1,859,999	$ 20,482	$ 82,040	$ -	$ 1,962,521

See independent auditor's report.

Goodwill
Gulfstream Goodwill Industries, Inc.

1715 Tiffany Drive East
West Palm Beach, FL 33407
Tel: 561.848.7200
Fax: 561.848.0346
TDD: 561.848.3806
www.gulfstreamgoodwill.com

Gulfstream Goodwill Industries, Inc

HUD Project No:

Project Succeed:	FL0289B4D051003 and FL089B4D051104
Project Succeed #3:	FL0367B4D051001 and FL0367B4D051102
Project Success:	FL0292B4D051104
New Avenues:	FL0347B4D050900

CERTIFICATION OF PROJECT OWNER

We hereby certify that we have examined the accompanying financial statements and supplemental data of Gulfstream Goodwill Industries, Inc., for the HUD Projects listed above and, to the best of our knowledge and belief, the same are accurate and complete.

Marvin Tanck, President/CEO
May 28, 2013

GULFSTREAM GOODWILL INDUSTRIES, INC.

REPORT ON AUDIT OF
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011
(with comparable totals for 2010)

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Holyfield & Thomas, LLC
Certified Public Accountants & Advisors
125 Butler Street • West Palm Beach, FL 33407
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

We have audited the accompanying consolidated statement of financial position of Gulfstream Goodwill Industries, Inc. (a Florida not-for-profit corporation) as of December 31, 2011, and the related consolidated statements of activities, cash flows, and functional expenses, for the year then ended. These consolidated financial statements are the responsibility of Gulfstream Goodwill Industries, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Gulfstream Goodwill Industries, Inc.'s 2010 consolidated financial statements (see Note 1 for explanation of changes) and, in our original report dated May 25, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulfstream Goodwill Industries, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2012, on our consideration of Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Gulfstream Goodwill Industries, Inc. taken as a whole. The accompanying supplemental schedules on pages 27-28 as listed in the table of contents are presented for purposes of additional analysis and are also not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Holyfield & Thomas, LLC

West Palm Beach, Florida
June 4, 2012

GULFSTREAM GOODWILL INDUSTRIES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2011 *(with comparable totals for 2010)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Totals	2010 Totals
ASSETS					
Cash and cash equivalents	$ 2,496,984	$ -	$ -	$ 2,496,984	$ 1,812,452
Investments	494,390	-	-	494,390	179,142
Accounts and bequests receivable, net	1,550,100	-	-	1,550,100	1,607,166
Note receivable, current	7,988	-	-	7,988	-
Prepaid expenses and other assets	498,731	-	-	498,731	520,275
Contributed goods inventory	2,294,239	-	-	2,294,239	2,286,829
Total current assets	7,342,432			7,342,432	6,405,864
Note receivable, non-current	611,260	-	-	611,260	-
Land, building, and equipment, net	9,116,835	-	-	9,116,835	9,403,316
Benefical interest in trusts	-	833,782	270,697	1,104,479	967,264
Total assets	$ 17,070,527	$ 833,782	$ 270,697	$ 18,175,006	$ 16,776,444
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	$ 349,502	$ -	$ -	$ 349,502	$ 596,217
Accrued expenses	1,456,493	-	-	1,456,493	1,341,131
Deferred revenue	3,322	-	-	3,322	4,379
Current portion of capital leases, notes and bond payable	302,824	-	-	302,824	434,852
~~Total current liabilities~~	~~2,112,141~~	~~-~~	~~-~~	~~2,112,141~~	~~2,376,579~~
Capital leases and notes payable	2,463,090	-	-	2,463,090	2,561,976
Derivative financial instrument	653,207	-	-	653,207	580,442
Bond payable	4,270,000	-	-	4,270,000	4,470,000
Total liabilities	9,498,438	-	-	9,498,438	9,988,997
Net assets	7,572,089	833,782	270,697	8,676,568	6,787,447
Total liabilities and net assets	$ 17,070,527	$ 833,782	$ 270,697	$ 18,175,006	$ 16,776,444

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2011 *(with comparable totals for 2010)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Totals	2010 Totals
Support and revenues:					
Support:					
Contributed goods store sales	$ 26,775,914	$ -	$ -	$ 26,775,914	$ 25,058,224
Salvage and recycling	1,427,552	-	-	1,427,552	1,330,717
Contributions	720,304	173,179	-	893,483	438,500
Total support	28,923,770	173,179	-	29,096,949	26,827,441
Revenues:					
Employment and training	5,181,723	-	-	5,181,723	5,872,343
Contracts	4,213,777	-	-	4,213,777	4,152,175
Investment income	42,284	-	-	42,284	10,295
Gain on disposal of assets	463,872	-	-	463,872	11,998
Realized and unrealized gain (loss) on investments	(15,159)	-	-	(15,159)	2,581
Change in value of beneficial interest in trusts	-	(10,030)	(25,934)	(35,964)	7,957
Other revenues	1,025,174	-	-	1,025,174	1,039,939
Total revenues	10,911,671	(10,030)	(25,934)	10,875,707	11,097,288
Total support and revenues	39,835,441	163,149	(25,934)	39,972,656	37,924,729
Expenses:					
Program services:					
Vocational and rehabilitation	34,147,177	-	-	34,147,177	33,443,159
Supporting services:					
Management and general	3,832,071	-	-	3,832,071	3,441,122
Fundraising	31,522	-	-	31,522	36,884
Total expenses	38,010,770	-	-	38,010,770	36,921,165
Other loss:					
Loss on derivative financial instrument	(72,765)	-	-	(72,765)	(57,909)
Change in net assets	1,751,906	163,149	(25,934)	1,889,121	945,655
Net assets, beginning of year	5,820,183	670,633	296,631	6,787,447	5,841,792
Net assets, end of year	$ 7,572,089	$ 833,782	$ 270,697	$ 8,676,568	$ 6,787,447

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2011 *(with comparable totals for 2010)*

	2011	2010
Cash flows from operating activities:		
Cash received from support and revenues	$ 38,971,139	$ 38,176,218
Cash paid for program and supporting services	(36,705,796)	(35,578,441)
Investment income	42,283	10,294
Interest paid	(393,755)	(441,575)
Net cash provided by operating activities	1,913,872	2,166,496
Cash flows from investing activities:		
Proceeds from note receivable	5,752	-
Purchase of equipment	(498,770)	(447,405)
Proceeds from sale of land, building, and equipment	25,000	3,600
Purchase of investments	(414,544)	(73,205)
Proceeds from redemption of investments	78,183	68,291
Proceeds from beneficial interests in trusts	5,956	83,160
Net cash used in investing activities	(798,423)	(365,559)
Cash flows from financing activities:		
Payment on line of credit	-	(681,834)
Proceeds from capital leases and notes payable	-	112,249
Payment on capital leases and notes payable	(240,917)	(383,504)
Payment on bond payable	(190,000)	(180,000)
Net cash used in financing activities	(430,917)	(1,133,089)
Change in cash	684,532	667,848
Cash and cash equivalents, beginning of year	1,812,452	1,144,604
Cash and cash equivalents, ending of year	$ 2,496,984	$ 1,812,452

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2011 *(with comparable totals for 2010)*

	2011	2010
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 1,889,121	$ 945,655
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	975,509	952,627
Gain on disposal of assets	(463,872)	(11,998)
Realized and unrealized (gain) loss on investments	15,159	(2,581)
Change in value of beneficial interest in trusts	35,964	(7,957)
Non-cash contributions	(344,027)	-
Provision for bad debt	77,880	16,886
Loss on derivative financial instrument	72,765	57,909
(Increase) decrease in assets:		
Accounts and bequests receivable	(20,814)	497,775
Prepaid expenses and other assets	(183,995)	(111,784)
Contributed goods inventory	(7,410)	(193,252)
Increase (decrease) in liabilities:		
Accounts payable	(246,715)	(205,086)
Accrued expenses	115,362	248,507
Deferred revenue	(1,054)	(20,205)
Net cash provided by operating activities	$ 1,913,872	$ 2,166,496

	2011
Supplemental schedule of noncash investing and financing activities:	
Non-cash donation of vehicle	$ 61,406
Non-cash donation of hardware and software	$ 282,621

See accompanying notes to consolidated financial statements.

For the Year Ended December 31, 2011 *(with comparable totals for 2010)*

	Program Services	Supporting Services			
	Vocational and Rehabilitation	Management and General	Fundraising	2011 Totals	2010 Totals
Salaries	$ 16,670,144	$ 1,949,221	$ 10,631	$ 18,629,996	$ 17,943,388
Employee benefits	1,255,581	154,942	1,050	1,411,573	1,457,770
Payroll taxes and related	2,161,653	205,883	1,194	2,368,730	2,099,260
Total salaries and other related expenses	20,087,378	2,310,046	12,875	22,410,299	21,500,418
Bad debt expense	77,880	-	-	77,880	16,886
Bank and other fees	52,246	48,269	566	101,081	109,439
Interest	4,846	179,629	-	184,475	224,228
Meetings	10,313	27,916	-	38,229	38,045
Membership dues	13,722	184,414	-	198,136	182,360
Store discounts and other	199,043	131,682	-	330,725	271,008
Occupancy	9,659,653	184,199	458	9,844,310	9,410,114
Postage	136,221	3,479	12,248	151,948	113,459
Professional fees and contract services	654,249	128,921	5,064	788,234	1,324,999
Shipping and freight	2,644	857	-	3,501	23,576
Specific assistance to clients and organizations	13,187	21,872	-	35,059	15,162
Supplies and printing	909,235	125,191	236	1,034,662	1,025,127
Telephone	480,322	81,315	-	561,637	553,220
Transportation	1,196,001	79,009	75	1,275,085	1,160,497
Depreciation and amortization	650,237	325,272	-	975,509	952,627
Total expenses	$ 34,147,177	$ 3,832,071	$ 31,522	$ 38,010,770	$ 36,921,165

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements reflect the consolidated financial statements of Gulfstream Goodwill Industries, Inc. ("Goodwill"), Gulfstream Goodwill Industries Foundation, Inc. ("Foundation"), and Lighthouse for the Blind of the Palm Beaches, Inc. (Lighthouse), (collectively the "Organization"), for which Goodwill has both control and economic interest, as defined in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-810, *Consolidation*, issued by the American Institute of Certified Public Accountants. All significant inter-organization accounts and transactions have been eliminated.

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting whereby revenue is recognized when earned, support is recognized when received, and expenses are recognized when the corresponding liability is incurred.

Organization and Purpose

Gulfstream Goodwill Industries, Inc. is a community service organization whose mission is to fund, design, and deliver vocational and training programs that serve people with disabilities and other barriers to employment. The goal of Goodwill's services is to assist those served in becoming an integral part of the local workforce and to lead independent lives. Goodwill's income is derived principally through the sale of contributed goods, and from funding received from various governmental resources. To achieve its mission, Goodwill is committed to being the following:

- A premier provider of quality rehabilitation, employment, and training opportunities for people with barriers to employment and independence.
- Recognized as a community leader and partner, communicating closely and networking with key community groups to respond to ever-changing social problems and ensure wide use of community resources.
- A quality retailer, offering high quality, economical and fashionable merchandise, in well maintained locations, within the communities Goodwill serves.
- A quality industrial work program, providing timely delivery of quality products and services to community businesses and industry.

Goodwill serves Palm Beach, Martin, St. Lucie, Indian River, and Okeechobee counties in Southeast Florida. Goodwill maintains administration facilities in West Palm Beach, Florida.

The Gulfstream Goodwill Industries Foundation, Inc. was formed on August 27, 2003, for the purpose of establishing an endowment to provide financial support and assistance to Goodwill.

Lighthouse for the Blind of the Palm Beaches, Inc. was founded in 1946 to assist visually impaired persons to develop their capabilities to the fullest and to utilize them in the pursuits of life that are the right and privilege of all. The Lighthouse provides direct education and rehabilitation services to people who are blind or visually impaired in Palm Beach, Martin, St. Lucie, Indian River, and Okeechobee counties.

1. Summary of Significant Accounting Policies, continued

Consolidated Financial Statement Presentation

The Organization's consolidated financial statements are presented in accordance with FASB ASC 958-205, *Presentation of Financial Statements*. This standard requires the classification of the Organization's consolidated financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* - this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted by class.
- *Temporarily restricted net assets* - this classification includes those net assets whose use by the Organization has been limited by donors to either a later period of time, or after a specified date, or for a specified purpose.
- *Permanently restricted net assets* – this classification includes those net assets that must be maintained by the Organization in perpetuity. Permanently restricted net assets increase when the Organization receives contributions for which donor-imposed restrictions limiting the Organization's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Organization meeting certain requirements.

Fair Value Measurements and Disclosures

FASB ASC 820-10, *Fair Value Measurements and Disclosure*, establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques 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 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

1. Summary of Significant Accounting Policies, continued

Fair Value Measurements and Disclosures, continued

Level 2 – Inputs to the valuation methodology, continued

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial Instruments

FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures regarding fair value measurements. The standard does not require any new fair value measurements, but its application may, for some entities, change current practice. Changes to current practice stem from the revised definition of fair value and the application of this definition within the framework established by FASB ASC 820-10.

The Organization has a number of financial instruments, none of which are held for trading purposes. As set forth in FASB ASC 820-10, management has estimated the fair value of these financial instruments as follows:

Investments – Investments are stated at fair value, based on quoted market prices of those investments.

Derivative financial instrument - This instrument is valued at fair value determined by the Organization's bank, which used prevailing rates based on an estimate of the net present values of the resulting cash flows, relevant market data inputs, and assumptions of no unusual market conditions or forced liquidation.

FASB ASC 825-10, *Financial Instruments,* provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Organization's beneficial interest in trusts has been selected for this fair value election.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, the Organization considers money market accounts and short-term investments with original maturities of three months or less to be cash equivalents. However, cash and cash equivalents maintained by the Organization's investment managers are part of the Organization's long-term investment policy and are classified as investments. Cash and cash equivalents maintained in the beneficial interest in trust accounts are classified accordingly on the consolidated statement of financial position.

Investments

Under FASB ASC 958-320 – *Investments-Debt and Equity Securities*, investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statement of financial position, with the amount of unrealized gains or losses on investments not previously recognized shown in the consolidated statement of activities.

Accounts and Bequests Receivable

Accounts receivable consists of amounts due from various government agencies and vendors that contract with Goodwill for services. Lighthouse has a bequest receivable from an estate as of December 31, 2011. The receipt of these funds is expected within the next fiscal year; therefore, no adjustment to the present value has been reflected in the consolidated financial statements. The Organization establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. As of December 31, 2011, the Organization's allowance for potentially uncollectible accounts receivable was approximately $107,000.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of utility and security deposits, prepaid insurance and rent expense, and intangible assets related to the closing costs of the various debt instruments. Supply inventory is also included, consisting of small general office and maintenance supplies which are stated at lower of cost or market.

1. ***Summary of Significant Accounting Policies, continued***

Contributed Goods Inventory

Contributed goods inventory consists of donor contributed goods, which are valued according to an estimate of fair value. This estimate considers that fair value is that portion of retail value which exceeds Goodwill's cost of transporting and processing the merchandise for sale. During 2009, the Organization changed the process of estimating the fair value of contributed goods inventory. Goodwill follows the industry-wide practice of measuring contributed goods inventory based on an accepted model of excess value over cost of processing. Contributed goods received during the year are reported in the Consolidated Statement of Activities.

Note Receivable

The Organization's note receivable is carried at face value. During the year, Lighthouse sold its former operations building, and financed the sale by holding a mortgage with terms that specify a down payment of $25,000 and monthly payments of principal and interest of $3,747. The note calls for an additional principal payment of $65,000 on March 10, 2016. The mortgage note carries an interest rate of 6.00% and matures March 20, 2021 with a balloon payment of $439,108.

Land, Building, and Equipment

Land, building, and equipment are recorded at cost, if purchased, or fair value, if contributed, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful asset lives, ranging from 3-30 years. Capital expenditures in excess of $500 are capitalized and depreciated. Maintenance and repair costs are expensed as incurred.

Beneficial Interest in Trusts

Beneficial interest in trusts represents split-interest agreements in which the Organization has been named the residual or income beneficiary of several irrevocable trust and unitrust agreements. The irrevocable trust agreements are measured at fair value upon contribution and at subsequent reporting dates. The terms of the unitrust agreements require a promise by the trust to pay fixed amounts for a specified period of time to the income beneficiaries. The assets contributed pursuant to split-interest agreements and the associated liabilities are measured at fair value upon contribution and at subsequent reporting dates. The unitrust agreements are measured at fair value based upon the present value of future cash distributions, using discount rates prevalent at the date of the gift.

A charitable remainder unitrust is a trust that pays the donor or other named income beneficiary a percentage of the fair market value of the trust assets as revalued annually for a term of years or one or more lives. At the end of the trust term, the remaining principal goes to the charities named in the trust agreement. The fair value of the Organization's interest in the trust was estimated based on the income beneficiary's life expectancy and a percentage payout rate.

Deferred Revenue

Deferred revenue represents funds received in advance for Goodwill program services to be provided in the coming year.

1. **Summary of Significant Accounting Policies, continued**

Support and Revenues

- *Contributed Goods Store Sales and Salvage and Recycling*

  Contributed goods store sales consists of the sale of donor contributed goods. Support is recognized upon sale, as an allocation of the overall retail price received based upon the same accepted model of excess processing value over cost, as described above.

  Salvage and recycling consists of the bulk sale of donated goods which have not otherwise been sold as store sales.

- *Contributions*

  The Organization follows FASB ASC 958-605, *Revenue Recognition*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are initially restricted as to use are required to be reported as temporarily restricted support and are later reclassified to unrestricted net assets upon expiration of the time restriction or to unrestricted support upon use of the contribution in accordance with the restricted purpose. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is satisfied or expires in the reporting period in which the support is recognized.

  All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of goods for resale are recorded as revenue based upon the incremental increase in value added from Goodwill's program related expense and processes.

- *Employment, Training, and Contracts*

  The Organization receives funding under various federal, state and local government programs, and public grants. Employment, training, and contract revenues are recorded when performance occurs under the terms of the grant agreement.

- *Other Revenues*

  In 2010, the Goodwill received funding under a contract with Palm Beach County to provide employment opportunities and training through the Goodwill Achievement Through Employment (GATE) program. These program revenues are reflected under employment and training in the Consolidated Statement of Activities. As a result of the GATE program, Goodwill established a program (E-books) in which it sells books over the internet and these revenues are reflected as other revenues.

  The Organization operates a rental assistance program under the U.S. Department of Housing and Urban Development (HUD). Program participants are required to contribute a specified percentage of their individual income as rent; these amounts are reflected as other revenues in the Consolidated Statement of Activities.

1. ***Summary of Significant Accounting Policies*, continued**

- *Other Revenues*, continued

The Organization also provides management services to two other organizations: Lighthouse for the Blind (Lighthouse) and Career Academy, a charter school, for which Goodwill acts as sponsor. The revenues from Lighthouse, a related party are eliminated during consolidation. Career Academy has a separate board and acts independently of the Organization.

Expenses

Expenses are summarized on a functional basis. Expenses that can be specifically identified with a functional activity are charged accordingly. The amount of time spent on the various functional categories by the employees are used to develop percentages which are used in allocating salary and related expenses and other expenses which cannot be specifically identified with a particular functional activity.

Income Taxes

Goodwill, the Foundation, and Lighthouse are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and from state income taxes under similar provisions of the Florida Income Tax Code. The Organization has been classified as a publicly supported organization, which is not a private foundation under 509(a) of the Code. The Organization did not engage in any unrelated business activities during the year ended December 31, 2011, and accordingly there is no provision for income taxes reflected in the accompanying consolidated financial statements.

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This standard seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Organization assesses the income tax positions based on management's evaluation of the facts, circumstances, and information available at the reporting date. The Organization uses the prescribed more likely than not threshold when making their assessment. There are currently no open Federal or State tax years under audit.

Advertising

Goodwill expenses advertising costs as they are incurred. Advertising expense was approximately $53,000 for the year ended December 31, 2011, and is reflected as part of supplies and printing in the Consolidated Statement of Functional Expenses.

Shipping Expense

Shipping expense is incurred as a result of the E-books program. Goodwill expenses the cost of shipping as incurred. Total shipping expense is reported on the Consolidated Statement of Functional Expenses.

1. Summary of Significant Accounting Policies, continued

Comparable Financial Information

The consolidated financial statements include certain prior-year summarized comparable information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2010, from which the summarized information was derived. Certain 2010 amounts may have been reclassified to conform to 2011 classifications, although any such reclassification would have no effect on the 2010 change in net assets.

2. Investments

Investments, as of December 31, 2011 consisted of the following, all of which are measured on a recurring basis as Level 1:

	Cost	Fair Value	Unrealized Gain (loss)
Goodwill:			
Mutual funds	$ 330,756	$ 310,021	$ (20,735)
Foundation:			
Cash and cash equivalents	95,215	95,215	-
Exchanged-traded funds	87,860	89,154	1,294
	183,075	184,369	1,294
	$ 513,831	$ 494,390	$ (19,441)

3. Accounts and Bequests Receivable

Accounts and bequests receivable as of December 31, 2011, consisted of the following:

	Accounts Receivable	Bequest Receivable	Total
Goodwill:			
Due in less than one year	$ 1,618,033	$ -	$ 1,618,033
Less allowance for uncollectible accounts	107,000	-	107,000
	1,511,033	-	1,511,033
Lighthouse:			
Due in less than one year	36,206	50,000	86,206
Inter-organization eliminations	(47,139)	-	(47,139)
	$ 1,500,100	$ 50,000	$ 1,550,100

4. *Prepaid Expenses and Other Assets*

Prepaid expenses and other assets as of December 31, 2011, consisted of the following:

Goodwill:		
Deposits	$	65,452
Prepaid insurance		33,872
Prepaid rents		106,009
Prepaid worker's compensation		96,728
Bond issue costs, net		125,408
Loan closing costs, net		39,799
Supplies		7,583
Other miscellaneous		13,214
		488,065
Lighthouse:		
Deposits		480
Prepaid insurance		6,139
Supplies		4,047
		10,666
	$	498,731

5. *Note Receivable*

Note receivable to finance the sale of the former Lighthouse operations building. The terms of the note require monthly payments of principal and interest payments of $3,747. Amortization of the note is based on a 30 year term and an interest rate of 6.00%. In addition, the note specifies an additional principal payment of $60,000 on March 10, 2016. The note matures March 20, 2021, with a balloon payment of $439,108. Management considers the note receivable to be fully collectible and, therefore, did not provide for an allowance for uncollectible accounts as of December 31, 2011.	$	619,248
Less current amount		7,988
	$	611,260

6. *Land, Building, and Equipment*

Land, building, and equipment as of December 31, 2011, consisted of the following:

	Goodwill	Lighthouse	Foundation	Total
Land	$ 2,215,845	$ -	$ -	$ 2,215,845
Building	6,635,946	61,626	-	6,697,572
Building improvements	551,065	-	-	551,065
Leasehold improvements	3,025,480	-	-	3,025,480
Automotive and communications, including assets under capital leases	1,489,475	26,650	-	1,516,125
Furniture and equipment, including assets under capital lease	4,455,039	50,479	6,950	4,512,468
	18,372,850	138,755	6,950	18,518,555
Less accumulated depreciation	9,284,798	109,972	6,950	9,401,720
	$ 9,088,052	$ 28,783	$ -	$ 9,116,835

7. *Beneficial Interest in Trusts*

Beneficial interest in trusts as of December 31, 2011, consisted of several split interest agreements wherein Goodwill and Lighthouse are named beneficiary of several irrevocable trust and unitrust agreements. Two (2) of the irrevocable trusts will pay all of the annual income to Lighthouse in perpetuity.

Fair values of other long-term assets measured on a recurring basis as of December 31, 2011 are as follows:

	Level 2	Level 3	Total
Goodwill:			
Beneficial interests in irrevocable trusts	$ 99,605	$ 110,351	$ 209,956
Charitable remainder unitrusts	-	106,356	106,356
	99,605	216,707	316,312
Lighthouse:			
Beneficial interests in irrevocable trusts	404,790	110,351	515,141
Charitable remainder unitrusts	-	273,026	273,026
	404,790	383,377	788,167
	$ 504,395	$ 600,084	$ 1,104,479

7. *Beneficial Interest in Trusts, continued*

The following schedule reflects the assets and corresponding liabilities (i.e. the amount due to income beneficiary) associated with the charitable remainder unitrusts as of December 31, 2011:

	Assets	Liabilities	Total
Goodwill:			
Charitable remainder unitrusts	$ 212,362	$ 106,006	$ 106,356
Lighthouse:			
Charitable remainder unitrusts	632,351	359,325	273,026
	$ 844,713	$ 465,331	$ 379,382

A reconciliation of the Organization's Level 3 instruments for the year ended December 31, 2011 is provided below:

	Level 3
Balance, beginning of year	$ 391,561
Contributions	173,182
Reclassifications	50,156
Net change in value	(14,815)
Balance, end of year	$ 600,084

8. *Accrued Expenses*

Accrued expenses as of December 31, 2011, consisted of the following:

Accrued payroll and related payables	$ 1,270,893
Accrued NISH fees	12,507
Accrued employee PTO	34,605
Accrued sales tax	66,169
Other miscellaneous accrued expenses	72,319
	$ 1,456,493

9. *Line of Credit*

Goodwill and Foundation

Goodwill and Foundation have a combined commitment from a financial institution for a $750,000 revolving line of credit secured by real estate, with mortgages on the properties located at 1280 W. Indiantown Road, Jupiter, Florida, and 1715 and 1710 E. Tiffany Drive, West Palm Beach, Florida. Interest only payments are due each month at the Bank's base rate, plus 2.5%. The base rate shall never be less than 5.0%. Any unpaid principal balance plus accrued interest is due in full July 30, 2012. There is no outstanding balance as of December 31, 2011.

10. Bond Payable, Capital Leases, and Notes Payable

A) Bond Payable

On May 1, 2006, Goodwill re-financed its industrial development revenue bond (IDB) with a tax-exempt adjustable mode industrial development revenue bond, both of which were issued by Palm Beach County, Florida. The bond has a floating interest rate. Goodwill entered into an interest rate swap with a financial institution to fix the rate at 4.40% for a period of 10 years, after which a rate change may occur. Interest is payable monthly and principal is payable annually.

The principal is payable according to the following schedule:

2012	$ 200,000
2013	210,000
2014	220,000
2015	230,000
2016	250,000
Thereafter	3,360,000
	$ 4,470,000

B) Bond Payable, continued

The bond is collateralized by a first mortgage on land and building with a book value of approximately $6,360,000 as of December 31, 2011.

Loan Covenants

Under the terms of the bond, Goodwill must maintain a fixed charge coverage ratio (FCCR) of at least 1.25 to 1.00. For the year ended December 31, 2011, Goodwill had a FCCR service ratio of 4.31 to 1.00.

Goodwill must also maintain a ratio of senior liabilities to effective tangible net worth (net worth) of no more than 3.25 to 1.00. For the year ended December 31, 2011, Goodwill maintained a net worth ratio of 1.43 to 1.0.

B) Capital Leases

Goodwill leases equipment and vehicles for its Okeechobee Waterway contract. The capitalized cost of the equipment and vehicles reflected in the fixed assets is approximately $853,000. The leases require monthly payments totaling $17,131, of principal and interest at an average effective interest rate of 7.07%. The leases mature through March 2012.

10. ***Bond Payable, Capital Leases, and Notes Payable, continued***

The following schedule illustrates future minimum lease payments under capital leases and the present value of net minimum lease payments:

Total minimum lease payments	$	24,723
Less amount representing interest		6,050
Present value of minimum lease payments		18,673
Less current maturities		11,063
Obligations under capital leases, non-current maturities	$	7,610

C) Notes Payable

Goodwill:	
$1,250,000 note payable to a bank, at an annual interest rate of 6.80%, requiring monthly principal and interest payments of $8,751, collateralized by real estate. This note matures January 2015, with a balloon payment of $1,044,704.	$ 1,135,887
$1,500,000 note payable to a bank, at an annual interest rate of 7.00%, requiring monthly principal and interest payments of $13,565, collateralized by real estate. This note is based on a fifteen year amortization and matures June 2015, with a balloon payment of $1,163,531.	$ 1,411,354
	$ 2,547,241

D) Future Maturities

The future principal maturity payment schedules of Goodwill are as follows:

Goodwill:	Bond	Capital Lease	Notes Payable	Total
2012	$ 200,000	$ 11,063	$ 91,761	$ 302,824
2013	210,000	7,610	98,942	316,552
2014	220,000	-	106,133	326,133
2015	230,000	-	2,250,405	2,480,405
2016	250,000	-	-	250,000
Thereafter	3,360,000	-	-	3,360,000
	$ 4,470,000	$ 18,673	$ 2,547,241	$ 7,035,914

11. Derivative Financial Instrument

The Organization's derivative financial instrument consisted of the following interest rate swap measured at fair value on a recurring basis as of December 31, 2011:

	Level 3
Goodwill:	
Interest rate swap	$ 653,207

Goodwill entered into an interest rate swap arrangement with Wells Fargo Bank (formerly Wachovia Bank) on its tax-exempt adjustable mode industrial development revenue bond series 2006 effective June 1, 2006 that in effect fixed the interest rate on Goodwill's long-term bank note payable at 4.40%. The arrangement is scheduled to expire on July 1, 2016. The notional amount of the contract as of December 31, 2011 was $4,470,000.

Goodwill's purpose in entering into the swap arrangement was to hedge against the risk of interest rate increases on the related variable rate debt and not to hold the instrument for trading purposes. Accordingly, the swap arrangement, which is a derivative financial instrument, is classified as a cash flow hedge. As such, the derivative financial instrument is reflected on the Consolidated Statement of Financial Position at its estimated fair value. Because the hedge is considered effective, the results of the swap arrangement are included in interest expense on the Consolidated Statement of Activities. The effect for the year ended December 31, 2011 was to increase interest expense by approximately $195,000. The liquidating value of the swap as of December 31, 2011 was approximately $653,000. This amount would be owed to the bank if Goodwill were to terminate the agreement.

A reconciliation of this Level 3 instrument for the year ended December 31, 2011 is provided below:

Balance, beginning of year	$ 580,442
Net unrealized loss on derivative financial instrument	72,765
Balance, end of year	$ 653,207

12. Employee Benefit Plans

Goodwill maintains a qualified thrift plan under section 403(b) of the Internal Revenue Code. Under this plan, Goodwill, at its discretion, will make a matching contribution on the employee's behalf equal to 100% of the first 4% of employee's allowable contribution. Goodwill also maintains a 457(b) deferred compensation plan. Under this plan, Goodwill makes a non-elective deferral contribution of 4% of eligible compensation. Goodwill contributed approximately $203,000 to the employee benefit plans for the year ended December 31, 2011.

12. *Employee Benefit Plans, continued*

Goodwill also provides a deferred compensation plan for a management executive. The agreement provides for annual contributions to a "Rabbi Trust" arrangement for each year including 2011. The executive vested in this plan on December 31, 2011. Goodwill repaid approximately $250,000 borrowed from the trust in prior years. In addition, Goodwill funded an additional $75,000 in deferred contributions. Approximately $325,000 was returned to the trust during 2011.

13. *Related Party Transactions*

During 2011, Goodwill advanced funds to various parties that are related by common management and/or board members. Goodwill advanced approximately $672,000 to of a charter school, Career Academy, which was founded by Goodwill and is related to the broader mission of Goodwill. The charter school owed Goodwill approximately $132,000 as of December 31, 2011. Goodwill also paid Florida Goodwill Association, a membership association with a common officer, approximately $20,000 for dues, and paid to Goodwill Industries International (GII), an affiliated national organization, approximately $153,000 for annual dues in 2011.

Goodwill also received payments from various related parties during 2011. Goodwill received approximately $193,000 from the charter school as reimbursement for rent which was part of the advances referenced above. In addition, the charter school reimbursed approximately $489,000 of the expenses referenced above over the course of 2011 (including approximately $172,000 owed to Goodwill at the end of 2010). Goodwill contributed approximately $31,000 to the charter school and the charter school owed approximately $132,000 to Goodwill as of December 31, 2011.

14. *Commitments*

As part of its cash management activities, Goodwill has issued irrevocable standby letters of credit to utilities, vendors, and landlords. By using letters of credit in lieu of placing cash deposits, Goodwill has better use of its working capital. Currently, Goodwill has approximately $380,000 issued under these agreements.

Goodwill leases storefront facilities, residential units and vehicles under several operating leases that expire through 2020. Rent expense incurred for the facilities under these leases, which is reflected as part of occupancy in the consolidated financial statements, is approximately $7,095,000 for the year ended December 31, 2011. The storefront leases contain renewal options varying from one to seven years, and rent escalation clauses ranging from three percent to six percent per year.

14. *Commitments, continued*

Total minimum rental payments under non-cancelable operating leases as of December 31, 2011 are approximately:

2012	$ 6,671,100
2013	7,004,600
2014	7,338,600
2015	7,705,100
2016	8,047,800
Thereafter	16,628,600
	$ 53,395,800

15. *Concentrations and Contingencies*

At various times during the year, the Organization had more funds on deposit at financial institutions than the $250,000 currently insured by the Federal Deposit Insurance Corporation. Management regularly monitors the financial condition of its banking institution, along with its cash balances, and in so doing, tries to keep this potential risk to a minimum. In management's opinion, its cash management does not represent unusual risk. As of December 31, 2011, cash deposits exceeded federally insured limits by approximately $1,654,000.

With respect to accounts receivable, Goodwill does not appear subject to significant credit risk as its principal account debtors are State of Florida Vocational Rehabilitation, which accounts for approximately 21% of the outstanding balance and the U.S. Army Corps of Engineers, which accounts for approximately 22% of the outstanding balance. The remaining balance of its accounts receivable is owed by a variety of organizations or companies.

Goodwill is involved in various legal actions arising in the normal course of business. In management's opinion, such matters will not have a material effect upon the financial position of Goodwill.

16. *Net Assets Restrictions*

As of December 31, 2011, temporarily and permanently restricted net assets consisted of:

	Goodwill	Lighthouse	Total
Temporarily restricted net assets			
Time restrictions			
Split interest agreements	$ 316,312	$ 517,470	$ 833,782
Permanently restricted net assets			
Time restrictions			
Split interest agreements - income to be received in perpetuity	-	270,697	270,697
	$ 316,312	$ 788,167	$ 1,104,479

17. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through June 4, 2012, the date on which the financial statements were available to be issued, and determined that there were no further disclosures required to be presented in these financial statements.

Collection of Note Receivable

Subsequent to year end, the receivable resulting from the sale of the Lighthouse building was collected in full.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
Gulfstream Goodwill Industries, Inc.
West Palm Beach, Florida

We have audited the consolidated financial statements of Gulfstream Goodwill Industries, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated June 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gulfstream Goodwill Industries, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gulfstream Goodwill Industries, Inc. 's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gulfstream Goodwill Industries, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Gulfstream Goodwill Industries, Inc. in a separate letter dated June 4, 2012.

This report is intended for the information of the board of directors, management, federal, state, and local awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
June 4, 2012

SUPPLEMENTARY INFORMATION

As of December 31, 2011

	Goodwill	Lighthouse	Foundation	Eliminating Entry	Totals
ASSETS					
Cash and cash equivalents	$ 1,523,955	$ 614,907	$ 358,122	$ -	$ 2,496,984
Investments	310,021	-	184,369	-	494,390
Accounts and bequests receivable, net	1,511,033	86,206	-	(47,139)	1,550,100
Note receivable, current	215,384	7,988	-	(215,384)	7,988
Prepaid expenses and other assets	488,065	10,666	-	-	498,731
Contributed goods inventory	2,294,239	-	-	-	2,294,239
Total current assets	6,342,697	719,767	542,491	(262,523)	7,342,432
Note receivable, non-current	-	611,260	-	-	611,260
Land, building and equipment, net	9,088,052	28,783	-	-	9,116,835
Benefical interest in trusts	316,312	788,167	-	-	1,104,479
Total assets	$ 15,747,061	$ 2,147,977	$ 542,491	$ (262,523)	$ 18,175,006
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	$ 348,701	$ 45,111	$ -	$ (44,310)	$ 349,502
Accrued expenses	1,456,493	-	-	-	1,456,493
Deferred revenue	3,322	-	-	-	3,322
Current portion of capital leases, notes and bond payable	302,824	2,829	-	(2,829)	302,824
Total current liabilities	2,111,340	47,940	-	(47,139)	2,112,141
Capital leases and notes payable	2,463,090	215,384	-	(215,384)	2,463,090
Derivative financial instrument	653,207	-	-	-	653,207
Bond payable	4,270,000	-	-	-	4,270,000
Total liabilities	9,497,637	263,324	-	(262,523)	9,498,438
Net assets	6,249,424	1,884,653	542,491	-	8,676,568
Total liabilities and net assets	$ 15,747,061	$ 2,147,977	$ 542,491	$ (262,523)	$ 18,175,006

See independent auditor's report.

For the Year Ended December 31, 2011

	Goodwill	Lighthouse	Foundation	Eliminating Entry	Totals
Support and revenues:					
Support:					
Contributed goods store sales	$ 26,775,914	$ -	$ -	$ -	$ 26,775,914
Salvage and recycling	1,427,552	-	-	-	1,427,552
Contributions	518,781	276,252	98,450	-	893,483
Total support	28,722,247	276,252	98,450	-	29,096,949
Revenues:					
Employment and training	4,753,282	428,441	-	-	5,181,723
Contracts	4,213,777	-	-	-	4,213,777
Investment income	16,602	19,208	6,474	-	42,284
Gain on disposal of assets	14,432	449,440	-	-	463,872
Realized and unrealized gain (loss) on investments	(18,018)	2,823	36	-	(15,159)
Change in value of beneficial interest in trusts	(817)	(35,147)	-	-	(35,964)
Other revenues	1,789,421	4,359	-	(768,606)	1,025,174
Total revenues	10,768,679	869,124	6,510	(768,606)	10,875,707
Total support and revenues	39,490,926	1,145,376	104,960	(768,606)	39,972,656
Expenses:					
Salary and other related expenses	22,410,299	382,225	-	(382,225)	22,410,299
Bad debt expense	77,880	-	-	-	77,880
Bank and other fees	98,439	2,076	566	-	101,081
~~Contractual payment to Goodwill~~	~~-~~	~~220,226~~	~~-~~	~~(220,226)~~	~~-~~
Interest	184,559	(84)	-	-	184,475
Meetings	35,441	3,184	-	(396)	38,229
Membership dues	195,598	2,538	-	-	198,136
Store discounts and other	330,725	460	-	(460)	330,725
Occupancy	9,815,958	109,485	-	(81,133)	9,844,310
Postage	139,483	13,575	-	(1,110)	151,948
Professional fees and contract services	763,948	78,357	1,002	(55,073)	788,234
Shipping and freight	3,501	-	-	-	3,501
Specific assistance to clients and organizations	33,459	1,600	-	-	35,059
Supplies and printing	1,008,302	30,456	236	(4,332)	1,034,662
Telephone	554,593	9,748	-	(2,704)	561,637
Transportation	1,263,467	32,565	-	(20,947)	1,275,085
Depreciation and amortization	951,953	23,556	-	-	975,509
Total expenses	37,867,605	909,967	1,804	(768,606)	38,010,770
Other loss:					
Loss on derivative financial instrument	(72,765)	-	-	-	(72,765)
Change in net assets	$ 1,550,556	$ 235,409	$ 103,156	$ -	$ 1,889,121

See independent auditor's report.

DISTRIBUTION LIST

Palm Beach County, Florida
Industrial Development Revenue Bond, Series 2014
(Gulfstream Goodwill Industries, Inc. Project)

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INTEROFFICE MEMORANDUM

TO: Paul King
Assistant County Attorney

FROM: Sherry Howard SH
Deputy Director, Department of Economic Sustainability

DATE: April 14, 2014

RE: Industrial Development Bond Application
Gulfstream Goodwill Industries, Inc.

The Palm Beach County Department of Economic Sustainability (DES) has reviewed the Industrial Development Bond Application (specifically for a 501(c)(3) bond) submitted by Gulfstream Goodwill Industries, Inc. ("The Borrower") to be used for the refinancing of a previously issued bond, a conventional loan and for the purchase of new point of sale (POS) software and equipment for its retail operations.

The Application requests that Palm Beach County issue $7,000,000 in Industrial Development Bonds (IDB). The proceeds from the bond sales will be used to refinance approximately $4,060,000 of the 2006 issuance, approximately $2,400,000 of conventional loans that were used for the purchase of capital equipment. The balance of the bond issuance will be used for the purchase of software and equipment related to operations. Per The Borrower's counsel, a failure to issue this latest bond will result in the cessation of business activities for The Borrower as the term on their current bond is due.

Economic Analysis

The Application states that, The Borrower employs approximately 870 full-time equivalent (FTEs) employees. DES conducted a Regional Economic Models Inc. (REMI) analysis showing the following economic impact for the project, which reflects direct and indirect jobs as well as GDP, representing both compensation and profits.

REMI results indicate there is a positive economic impact exceeding $216.7 M over five years and resulting in the employment of 1,035 full-time equivalents (combined direct and indirect employees). There is no impact on taxes as the Applicant qualifies as a non-profit organization.

ATTACHMENT 3

Financial Overview

- Gulfstream Goodwill was formed in June 1966 as a non-profit corporation and has been serving the greater community since then. The financial statements consolidate information from three entities, Gulfstream Goodwill Industries, Inc. ("Goodwill"), Gulfstream Industries Foundation, Inc. ("Foundation") and Lighthouse for the Blind of the Palm Beaches, Inc. ("Lighthouse") collectively known as the "Organization", for which Goodwill has control.

Summary of Financial Statement for the Period Ended August 31, 2012

- The consolidated financial statements are prepared on the accrual basis of accounting and are deemed sufficient by the audit firm, "Holyfield & Thomas, LLC" to provide a basis for their audit opinion. Per the audit opinion offered, the financial statements fairly present the financial position of Gulfstream Goodwill Industries, Inc.

- For the period ending December 31, 2012, the Organization had an increase in net assets of approximately $2M. The change is primarily attributable to increases in Accounts Receivables and Beneficial Interest in Trusts & Estates whereas Goodwill is estimated to settle within two (2) years.

Contributions of Project to Palm Beach County

Goodwill Industries, Inc. has been in operation since 1966 and serves as a premier provider of quality rehabilitation, employment and training opportunities for people with barriers to employment and independence.

Recommendation

Based on the review of the initial Application, financial statements, retained/created jobs, and the County's limited obligation, the Department of Economic Sustainability supports Gulfstream Goodwill Industries, Inc.'s application.

cc: Shannon LaRocque-Baas, P.E.
Assistant County Administrator