

**GOODWILL INDUSTRIES OF THE HEARTLAND  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Goodwill Industries of the Heartland and Subsidiary  
Iowa City, Iowa

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Goodwill Industries of the Heartland and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities, functional expenses, and cash flows 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.

### ***Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' 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 Goodwill Industries of the Heartland and Subsidiary as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, Goodwill Industries of the Heartland and Subsidiary adopted a recently issued accounting standard related to the accounting of debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and activities and schedule of activities by functional area is presented for purposes of additional analysis and is not a required part of the 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.

***Report on Summarized Comparative Information***

We have previously audited the Goodwill Industries of the Heartland and Subsidiary's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

Cedar Rapids, Iowa  
April 13, 2017

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
(WITH COMPARATIVE TOTALS FOR 2015)

<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,261,935	\$ 5,151,825
Certificates of Deposit, Current Maturities	406,602	542,806
Accounts Receivable, Less Allowance for Doubtful Accounts of \$138,846 in 2016 and \$68,509 in 2015	1,821,992	953,051
Unconditional Promises to Give:		
Grants Receivable	293,456	298,650
Interest Receivable	1,636	1,434
Donated Goods Inventory	305,349	271,954
Prepaid Expenses	518,289	642,979
Total Current Assets	7,609,259	7,862,699
<b>PROPERTY AND EQUIPMENT</b>		
Land	3,623,997	3,623,997
Buildings	12,716,748	12,642,898
Improvements	2,091,378	2,069,475
Equipment	4,100,600	3,656,932
Total	22,532,723	21,993,302
Less: Accumulated Depreciation	(11,007,749)	(9,962,259)
Net Property and Equipment	11,524,974	12,031,043
<b>OTHER ASSETS</b>		
Investments	1,049,479	-
Beneficial Interest in Assets Held by Community Foundations	806,241	756,492
Certificates of Deposit, Long-Term	221,342	98,934
Deferred Compensation Asset	84,331	67,693
Total Other Assets	2,161,393	923,119
 Total Assets	 \$ 21,295,626	 \$ 20,816,861

See accompanying Notes to Consolidated Financial Statements.

<b>LIABILITIES AND NET ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 817,885	\$ 564,744
Accrued Payroll	582,756	725,189
Payroll Taxes and Withholdings	310,986	335,173
Accrued Compensated Absences	888,046	864,015
Other Accrued Expenses	81,715	78,246
Deferred Revenue	30,000	86,690
Current Maturity of Obligation Under Capital Lease	25,130	-
Notes Payable, Current Maturities	<u>376,736</u>	<u>366,442</u>
Total Current Liabilities	3,113,254	3,020,499
<b>LONG-TERM LIABILITIES</b>		
Deferred Compensation Liability	84,331	67,693
Obligation Under Capital Lease, Less Current Maturity Above	86,263	-
Notes Payable, Net, Less Current Maturities Above	<u>4,986,847</u>	<u>5,359,869</u>
Total Long-Term Liabilities	<u>5,157,441</u>	<u>5,427,562</u>
 Total Liabilities	 8,270,695	 8,448,061
<b>NET ASSETS</b>		
Unrestricted, Board Designated	8,849,060	8,978,473
Unrestricted, Undesignated	<u>4,078,246</u>	<u>3,284,327</u>
Total Unrestricted Net Assets	12,927,306	12,262,800
 Temporarily Restricted	 <u>97,625</u>	 <u>106,000</u>
Total Net Assets	<u>13,024,931</u>	<u>12,368,800</u>
 Total Liabilities and Net Assets	 <u>\$ 21,295,626</u>	 <u>\$ 20,816,861</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
<b>SUPPORT AND REVENUE</b>				
Public Support:				
Contributions	\$ 105,621	\$ -	\$ 105,621	\$ 118,018
United Way	81,651	66,125	147,776	157,887
Change in Year-End Inventory Valuation	35,906	-	35,906	4,855
Total Public Support	<u>223,178</u>	<u>66,125</u>	<u>289,303</u>	<u>280,760</u>
Governmental Support:				
Grants	1,014,434	-	1,014,434	894,997
Supported Services Fees	7,313,592	-	7,313,592	6,933,003
Total Governmental Support	<u>8,328,026</u>	<u>-</u>	<u>8,328,026</u>	<u>7,828,000</u>
Sales of Donated Goods:				
Store Sales	21,414,403	-	21,414,403	21,188,395
Salvage Sales	1,865,861	-	1,865,861	1,749,999
Total Sales of Donated Goods	<u>23,280,264</u>	<u>-</u>	<u>23,280,264</u>	<u>22,938,394</u>
Other Revenue:				
Contracts with Businesses	2,219,119	-	2,219,119	1,909,361
Investment Income	41,061	-	41,061	17,143
Change in Beneficial Interest in Assets				
Held by Community Foundations	49,749	-	49,749	(23,924)
Easement Income	86,690	-	86,690	40,381
Miscellaneous	19,506	-	19,506	8,616
Loss on Disposal of Property and Equipment	-	-	-	(65,517)
Total Other Revenue	<u>2,416,125</u>	<u>-</u>	<u>2,416,125</u>	<u>1,886,060</u>
Net Assets Released from Restrictions:				
Satisfaction of Purpose and Time Restrictions	74,500	(74,500)	-	-
Total Support and Revenue	<u>34,322,093</u>	<u>(8,375)</u>	<u>34,313,718</u>	<u>32,933,214</u>
<b>EXPENSES</b>				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	18,426,321	-	18,426,321	17,932,364
Contracts with Businesses	1,866,574	-	1,866,574	1,833,348
Client Training and Development	9,526,402	-	9,526,402	9,586,215
Heartland Enterprises	366,473	-	366,473	111,169
Total Program Services	<u>30,185,770</u>	<u>-</u>	<u>30,185,770</u>	<u>29,463,096</u>
Supporting Activities:				
Fundraising	64,971	-	64,971	52,724
Management and General	3,406,846	-	3,406,846	3,141,842
Total Supporting Activities	<u>3,471,817</u>	<u>-</u>	<u>3,471,817</u>	<u>3,194,566</u>
Total Expenses	<u>33,657,587</u>	<u>-</u>	<u>33,657,587</u>	<u>32,657,662</u>
<b>CHANGE IN NET ASSETS</b>	664,506	(8,375)	656,131	275,552
Net Assets - Beginning of Year	<u>12,262,800</u>	<u>106,000</u>	<u>12,368,800</u>	<u>12,093,248</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,927,306</u>	<u>\$ 97,625</u>	<u>\$ 13,024,931</u>	<u>\$ 12,368,800</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

EXPENSES	Supporting Activities				Total Expenses	
	Program Services	Management and			2016	2015
		Fundraising	General	Total		
Salaries	\$ 17,879,811	\$ -	\$ 1,620,261	\$ 1,620,261	\$ 19,500,072	\$ 18,833,295
Employee Benefits	2,801,293	-	136,356	136,356	2,937,649	2,685,861
Payroll Taxes	1,667,138	-	129,400	129,400	1,796,538	1,687,414
Total Salaries and Related Expenses	22,348,242	-	1,886,017	1,886,017	24,234,259	23,206,570
Professional Services	191,532	12,430	112,189	124,619	316,151	319,057
Supplies	948,475	351	84,701	85,052	1,033,527	1,232,673
Telephone	270,664	-	43,724	43,724	314,388	291,959
Postage and Shipping	192,917	-	10,299	10,299	203,216	211,854
Occupancy	3,651,377	-	599,324	599,324	4,250,701	4,181,834
Printing and Publications	301,821	51,970	21,204	73,174	374,995	346,142
Travel, Trucking, and Related Expenses	1,115,292	-	20,923	20,923	1,136,215	1,315,409
Membership Dues	9,303	-	171,714	171,714	181,017	178,378
Provision for Bad Debts	105,005	-	-	-	105,005	5,497
Miscellaneous	400,331	220	40,572	40,792	441,123	411,352
Total Other Expenses	7,186,717	64,971	1,104,650	1,169,621	8,356,338	8,494,155
Total Expenses Before Depreciation	29,534,959	64,971	2,990,667	3,055,638	32,590,597	31,700,725
Depreciation	650,811	-	416,179	416,179	1,066,990	956,937
Total Expenses	<u>\$ 30,185,770</u>	<u>\$ 64,971</u>	<u>\$ 3,406,846</u>	<u>\$ 3,471,817</u>	<u>\$ 33,657,587</u>	<u>\$ 32,657,662</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**  
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 656,131	\$ 275,552
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Year-End Inventory Valuation	(33,395)	(21,462)
Loss on Disposal of Property and Equipment	-	65,517
Depreciation	1,066,990	956,937
Amortization of Bond Issuance Costs	3,242	3,243
Provision for Bad Debts	105,005	5,497
Reinvested Investment Earnings	(30,841)	(1,555)
Change in Beneficial Interest in Assets Held by Community Foundations	(49,749)	23,924
Effects of Changes in Operating Assets and Liabilities:		
Receivables	(968,954)	(68,342)
Prepaid Expenses	124,690	(59,105)
Accounts Payable	304,896	131,971
Accrued Expenses	(139,120)	197,252
Deferred Revenue	(56,690)	86,690
Net Cash Provided by Operating Activities	982,205	1,596,119
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,023,397)	-
Proceeds from Matured Certificates of Deposit	540,554	573,439
Purchases of Certificates of Deposit	(522,000)	(444,000)
Transfers to Community Foundations	-	(342,100)
Purchases of Property and Equipment	(482,986)	(1,671,400)
Proceeds from Sales of Property and Equipment	-	36,253
Net Cash Used by Investing Activities	(1,487,829)	(1,847,808)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Notes Payable	(365,970)	(356,007)
Principal Payments on Capital Lease	(18,296)	-
Net Cash Used by Financing Activities	(384,266)	(356,007)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(889,890)	(607,696)
Cash and Cash Equivalents - Beginning of Year	5,151,825	5,759,521
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,261,935	\$ 5,151,825
<b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid for Interest	\$ 170,173	\$ 175,536
Noncash Purchases of Property and Equipment	\$ 140,939	\$ 63,005

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization Background**

Goodwill Industries of the Heartland (the Organization) was incorporated in November 1965 in the State of Iowa as a nonprofit entity. The mission of the Organization is to advance the social and economic well-being of people who experience barriers to independence. The Organization is committed to helping the people they serve improve their social and economic well-being and achieve independence. Those goals are achieved through programs and services tailored to the individual needs of each person. The Organization's fiscal year ends on December 31. Significant accounting policies followed by the Organization are presented below.

The Organization's revenue is generated from two primary sources with percentages of total annual revenue as follows: Store and Salvage Sales, 68%, and Supported Services Fees, 21%.

Heartland Enterprises (the Subsidiary) is a nonprofit corporation created to serve individuals with severe disabilities. The Subsidiary's service programs are designed to encourage and enhance the dignity, self-respect, and social and economic independence of persons served.

**Principles of Consolidation**

The accompanying financial statements include the amounts of the Organization and Subsidiary. Intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates in Preparing Financial Statements**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Net Assets**

Net assets are based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

**Unrestricted Net Assets**

Includes all net assets which are neither temporarily or permanently restricted. If the board of directors specifies a purpose where none has been stated by the original donor, such funds are classified as unrestricted board designated.

**Temporarily Restricted Net Assets**

Includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

**Permanently Restricted Net Assets**

Include contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

**Description of Programs**

The Organization operates the following programs:

*Retail, Salvage, Solicitation and Transportation* – Retail operations provide vocational training and employment to individuals facing barriers to independence and are a vital funding source that supports the mission through the processing and sale of materials donated by the public. The retail program operates seventeen stores in southeast Iowa and Henry and Rock Island Counties, Illinois. Donated goods that do not meet quality standards for sale in a store contribute revenue for the mission as they are salvaged through a third-party vendor. Solicitation and transportation provides merchandise to the retail and contract programs.

*Contracts with Businesses* – This program supports the mission by providing a variety of vocational training opportunities both within the Organization and through businesses in the community. The programs offer vocational training, work skills development and job placement for clients with disabilities and other barriers to employment.

*Client Training and Development* – This program advances the social and economic well-being of people who experience barriers to independence through a number of programs and services. The program offers a variety of vocational services; including work training, work experience, job placement, and postemployment support. Services also include life skills training, social and recreational opportunities, and assistance to individuals wishing to maintain their independence by offering support with everyday tasks.

**Support and Revenue**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and as support when received. Conditional contributions are not recorded until all conditions have been satisfied, at which time they are recognized as support. Advances received on conditional contributions are recorded as refundable advances until all conditions have been satisfied.

Fees received in advance of services performed are recorded as deferred revenue.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Support and Revenue (Continued)**

Bequests are recorded when the probate court declares the will valid and the amount is determinable.

The Organization receives contributions of donated services from unpaid volunteers. No amounts have been recognized in the consolidated statement of activities because the criteria for revenue recognition under financial accounting standards have not been satisfied.

Contributed property and equipment are recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The Organization accounts for grants as exchange transactions and recognizes grant revenue upon fulfillment of requirements detailed in the grant documents.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less as cash and cash equivalents.

**Accounts Receivable**

Accounts receivable are uncollateralized customer obligations which generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over ninety days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, to the earliest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual accounts receivable balances that exceed ninety days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. In addition, a general valuation allowance is established based principally on historical experience.

**Inventory**

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift stores. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received, and that they be measured at their fair value.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale.

The Organization considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventory. The difference between year-end inventory valuations is shown on the statement of activities as a change in year-end inventory valuation.

**Certificates of Deposit**

Certificates of deposit consist of brokered and nonbrokered certificates of deposit. Brokered certificates are carried at fair value. Nonbrokered certificates are carried at cost plus accrued interest.

**Property and Equipment**

Property and equipment are stated at cost if purchased or at fair market value on the date received if donated. Major expenditures for improvements and those that substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as paid. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. The Organization follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$5,000 and a useful life greater than two years.

Depreciation is provided on a straight-line basis over the estimated useful lives of the property and equipment. The estimated useful lives are as follows:

Buildings	5 - 40 Years
Improvements	5 - 20 Years
Equipment	3 - 5 Years

**Impairment of Long-Lived Assets**

The Organization reviews long-lived assets for impairment whenever events or change in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments are carried at fair value with unrealized and realized gains and losses reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor-imposed restrictions.

Investment income is reported in the consolidated statement of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor-imposed restrictions. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported in unrestricted net asset when the restrictions are met in the same reporting period as the gains and income are recognized.

**Beneficial Interest in Assets Held by Community Foundations**

Certain funds are held by community foundations in quasi-endowment funds for the benefit of the Organization. The transactions with the foundations are deemed to be reciprocal and, therefore, the value of the funds held by the foundations is recognized as an asset (beneficial interest in assets held by community foundations) by the Organization.

**Advertising Costs**

Advertising costs are expensed as incurred.

**Functional Expenses**

The Organization allocates its expenses on a functional basis among its various program services and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**Sales Taxes**

State sales tax is imposed on certain services billed to customers in Illinois. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's policy is to exclude the tax collected and remitted to the State from revenue and expenses.

**Income Taxes**

The Organization and Subsidiary are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Internal Revenue Service has not determined that the Organization is a private foundation.

The Organization and Subsidiary file information returns in the U.S. federal jurisdiction. They follow the accounting standard to evaluate uncertain tax positions and have determined that they were not required to record a liability related to uncertain tax positions.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

The Organization has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835:30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by \$42,151 as of January 1, 2016. The adoption of the standard had no effect on previously reported net assets. The ASU is effective for fiscal years beginning after December 15, 2015. The ASU is retrospectively applied.

**NOTE 2 CONDITIONAL PROMISES TO GIVE**

The following conditional promises to give have not been recognized as assets in the consolidated statement of financial position.

The Organization has been awarded various cost reimbursement grants totaling \$1,093,106. The budget periods for the grants run throughout 2016. Grant funds are not recognized as revenue until the reimbursements become due. The remaining balance of available grant funds at December 31, 2016 is \$596,279.

**NOTE 3 INVESTMENTS**

Investments consist of the following as of December 31, 2016:

Mutual Funds	\$ 1,001,906
Money Market Funds	47,573
Total Investments	<u>\$ 1,049,479</u>

**NOTE 4 FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets;

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Certificates of deposit* are valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type.

*Mutual funds* are securities listed on a national market or exchange and valued at the last sales price or if there is no sale and the market is still considered active, at the last transaction price before year-end.

*Beneficial interest in assets held by community foundations* is valued at the Organization's pro-rata share of the community foundations' investment pools. The unobservable inputs are the underlying assets at the community foundations and follow their investment policies.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 620,639	\$ -	\$ 620,639
Mutual Funds				
Equity	211,623	-	-	211,623
Fixed Income	790,283	-	-	790,283
Beneficial Interest in Assets Held by Community Foundations	-	-	806,241	806,241
Total	<u>\$ 1,001,906</u>	<u>\$ 620,639</u>	<u>\$ 806,241</u>	<u>\$ 2,428,786</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs:

Balance, January 1, 2016	\$ 756,492
Change in Beneficial Interest in Assets held by Community Foundations	<u>49,749</u>
Balance, December 31, 2016	<u><u>\$ 806,241</u></u>

**NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS**

The Organization has contributed amounts to community foundations in order to establish quasi-endowment funds. These funds are administered by the foundations for the benefit of the Organization. Control over the investment or reinvestment of these funds is exercised exclusively by the foundations. A portion of the funds' earnings are made available for distribution to the Organization periodically. The balance of these funds at December 31, 2016 was \$806,241. During the year ended December 31, 2016, the Organization received no distributions from these funds.

**NOTE 6 ENDOWMENTS**

The Organization's endowments consist of various funds established to support general operating needs of the Organization. Its endowments consist of board designated quasi-endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide current income to fund the operations of the Organization as well as to enhance the future resources available to the Organization through long-term appreciation of assets. The endowment assets are invested in a manner that is intended to provide growth of principal and income. Currently, all of the endowment assets are being held and managed by various community foundations.

**Spending Policy**

Distributions, if any, are determined annually by the Organization's governing board.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 6 ENDOWMENTS (CONTINUED)**

**Strategies Employed for Achieving Objectives**

The Organization primarily follows the investment strategy of the community foundations in which they are invested which rely on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). This strategy targets a diversified asset allocation that emphasizes growth instruments and equity securities to achieve their long-term objectives within prudent risk constraints.

Changes in endowment net assets for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 756,492	\$ -	\$ -	\$ 756,492
Change in Beneficial Interest in Assets held by Community Foundations	49,749	-	-	49,749
Net Assets - End of Year	<u>\$ 806,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806,241</u>

**NOTE 7 DEBT**

**Lines of credit**

The Organization has a \$1,000,000 revolving line of credit with Hills Bank and Trust. The line carries a fixed interest rate of 4.25% with a maturity date of August 2021. This line of credit is collateralized by a building. There were no amounts outstanding on the line at December 31, 2016. The Organization also has a revolving line of credit with Morgan Stanley Smith Barney. This line carries a variable interest rate. The maximum draw amount is set at 65% of the Organization's investment balance. There were no amounts outstanding on the line at December 31, 2016.

**Notes Payable**

	<u>Amount</u>
Revenue bond issued by Iowa Finance Authority, up to \$10,000,000 payable to Hills Bank and Trust. Currently requiring monthly installments of \$44,025, including fixed rate interest at 2.85% for 10 years at December 31, 2013, subsequently adjusted every 6 years up to a maximum rate of 3.90%. Final payment is due in December 2028. Note is secured by the Iowa City properties, Coralville building, and Bettendorf building.	\$ 5,402,492
Less: Unamortized Debt Issuance Costs	<u>(38,909)</u>
Total, Net of Unamortized Debt Issuance Costs	5,363,583
Less: Current Portion	<u>(376,736)</u>
Long-Term Portion	<u>\$ 4,986,847</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 7 DEBT (CONTINUED)**

Future maturities of notes payable debt are as follows as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 376,736
2018	388,200
2019	399,567
2020	411,267
2021	423,006
Thereafter	3,403,716
Total	<u>\$ 5,402,492</u>

**NOTE 8 OBLIGATIONS UNDER CAPITAL LEASE**

The Organization is leasing office equipment under a capitalized lease which expires in January, 2021. The lease requires a monthly payment of \$2,322. The total cost of the lease equipment is \$129,689 as of December 31, 2016. Accumulated depreciation at December 31, 2016 is \$18,553. Amortization of the capital lease totaled \$18,553 for the year ended December 31, 2016 and is included in depreciation expense.

Future minimum payments under this lease are as follows as of December 31, 2016:

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 27,861
2018	27,861
2019	27,861
2020	27,861
2021	2,322
Total Minimum Lease Payments	113,766
Less: Amount Representing Interest	(2,373)
Present Value of Minimum Lease Payments	<u>\$ 111,393</u>

**NOTE 9 NATURE AND AMOUNTS OF NET ASSETS**

Board designated net assets are available for the following purposes as of December 31, 2016:

Capital Budget	\$ 550,000
Endowment	806,241
Principal Needs	402,130
Property and Equipment	6,011,089
Strategic Reserve	809,700
Long-Term Reserve	269,900
Total	<u>\$ 8,849,060</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 9 NATURE AND AMOUNTS OF NET ASSETS (CONTINUED)**

Temporarily restricted net assets are available for the following periods and purposes as of December 31, 2016:

United Way - for Future Periods	\$ 61,250
Employment Training	4,875
Property Enhanced by Iowa City Funding-for Subsequent Years Usage	<u>31,500</u>
Total	<u><u>\$ 97,625</u></u>

**NOTE 10 ADVERTISING COSTS**

Advertising costs for the year ended December 31, 2016 totaled \$323,987.

**NOTE 11 OBLIGATIONS UNDER OPERATING LEASES**

At December 31, 2016, the Organization is leasing buildings from which operations are conducted in numerous locations in Iowa and Illinois. In addition, the Organization leases office equipment for administrative use.

The following is a summary of the minimum lease payments required under these agreements for:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 1,712,146
2018	1,304,262
2019	1,144,194
2020	1,086,320
2021	903,043
Thereafter	<u>2,353,085</u>
Total	<u><u>\$ 8,503,050</u></u>

Minimum lease payments exclude rentals under renewal options which, as of December 31, 2016, are not reasonably assured of being exercised. Also excluded are rentals under lease agreements with an original term of one year or less. Lease expense for the year ended December 31, 2016 totaled \$2,158,912.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 12 RETIREMENT PLAN**

The Organization has a defined contribution retirement plan as described in section 403(b) of the Internal Revenue Code. The Organization contributes 4% of eligible employee wages. In addition, the Organization will match employee contributions dollar for dollar up to 3% of an eligible employee's wages. Eligible employees have the potential to receive a maximum contribution from the Organization of 7% of eligible wages. To be eligible for employer contributions, employees must be 18 years old, have had one year of service, and worked at least 1,000 hours. Employer contributions are vested at 20% after two years of employment, with full vesting after six years of employment. The Organization's expense under this plan for the year ended December 31, 2016 was \$722,723.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

The Organization has contracted with a carrier to provide transportation services to transport its goods. The contract expired in November 2016 with a 90 day extension requiring at December 31, 2016 a weekly fixed charge of \$2,075 as well as variable charges such as for mileage and stop charges. The fixed and variable charge rates are adjusted annually. Subsequent to year end the Organization entered into a new 36 month contract requiring a weekly fixed charge of \$2,075.

The Organization is involved in various legal proceedings arising in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Organization's consolidated financial statements.

**NOTE 14 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS**

**Cash Balances**

The Organization maintains cash balances in local banks. At various times during the course of the year, the Organization's deposits at the bank will exceed the maximum amount insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2016, the Organization had \$3,994,672 of cash that is subject to a security repurchase agreement with Hills Bank & Trust. The transactions entered into under the security repurchase agreement are not insured by the FDIC, however, are collateralized by \$5,080,433 of assets segregated by Hills Bank & Trust for the Organization.

**Concentration of Credit**

The Organization is subject to a certain degree of vulnerability due to concentrations of accounts receivable and revenue from major funding sources. Medicaid funding from the Iowa Department of Human Services and managed care organizations represented 18% of total revenue for the year ended December 31, 2016. Accounts receivable includes \$1,297,279 of amounts owed from these funding sources as of December 31, 2016.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 15 PROPERTY LIEN**

In consideration of grant funds and a 0% loan received from the City of Iowa City for property improvements at the Iowa City, Iowa training center, liens in the amount of \$90,000 have been established in favor of the City as lien holder upon this property. Repayment of a pro-rated portion of the \$90,000 is required if the Organization does not continue to provide employment assistance and services to low-income persons at the property enhanced with the funding. The liens expire at various times through June 30, 2026.

**NOTE 16 SELF INSURED DENTAL PLAN, HEALTH PLAN AND UNEMPLOYMENT PLAN**

Dental claims of participants and dependents are processed by Employee Benefit Systems. The dental plan is responsible for paying dental benefits up to a pre-established maximum amount for any one participant or dependent. This plan was terminated effective January 1, 2016.

The Organization contracts with Wellmark Blue Cross Blue Shield (Wellmark) to provide health benefits to employees. In order to lower the participant's deductible and out-of-pocket maximum, the Organization implemented a split-funded medical expense reimbursement plan. The plan reimburses medical charges that are not reimbursed by Wellmark but are eligible and covered by the underlying Wellmark contract. The claims are processed by a third-party administrator.

In accordance with the Code of Iowa, the Organization has elected to reimburse Iowa Workforce Development for benefits paid to former employees of the Organization. This election is in lieu of the Organization making deposits with Iowa Workforce Development based on a predetermined contribution rate. Unemployment claims are processed for the Organization by a third-party administrator.

Claims incurred but not reported obligations for these plans at December 31, 2016, have been calculated based on claims submitted subsequent to year end and an estimate based on plan history for unremitted claims. Accrued plan obligations at December 31, 2016 were \$-0- for the dental plan, \$8,962 for the medical expense reimbursement plan, and \$-0- for the unemployment plan. Management believes this accrual is adequate based on information currently known. However, claim payments based on actual claims ultimately filed could differ significantly from these estimates.

**NOTE 17 RELATED PARTY TRANSACTIONS**

The Organization remits payments to Goodwill Industries International, Inc. for services and expertise that support the Organization. For the year ended December 31, 2016, payments totaled \$165,512.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 18 PRIOR YEAR SUMMARIZED INFORMATION**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a comparative 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, 2015, from which the summarized information is derived.

**NOTE 19 RECLASSIFICATIONS**

Certain reclassifications have been made to the 2015 consolidated financial statement presentation to correspond to the current year's format. Total net assets, support and revenue, expenses and change in net assets were unchanged due to these reclassifications.

**NOTE 20 SUBSEQUENT EVENTS**

Management evaluated subsequent events through April 13, 2017, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to April 13, 2017 that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the consolidated financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016, but arose before the consolidated financial statements were available to be issued, have not been recognized in the consolidated financial statements for the year ended December 31, 2016.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016  
(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 4,229,226	\$ 32,709	\$ -	\$ 4,261,935
Certificates of Deposit, Current Maturities	406,602	-	-	406,602
Receivables:				
Accounts Receivable, Net	1,772,556	49,436	-	1,821,992
Due from Goodwill Industries of the Heartland	-	98,503	(98,503)	-
Unconditional Promises to Give:				
Grants Receivable	293,456	-	-	293,456
Interest Receivable	1,636	-	-	1,636
Donated Goods Inventory	305,349	-	-	305,349
Prepaid Expenses	518,289	-	-	518,289
Total Current Assets	<u>7,527,114</u>	<u>180,648</u>	<u>(98,503)</u>	<u>7,609,259</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	3,623,997	-	-	3,623,997
Buildings	12,716,748	-	-	12,716,748
Improvements	2,091,378	-	-	2,091,378
Equipment	4,100,600	-	-	4,100,600
Total	<u>22,532,723</u>	<u>-</u>	<u>-</u>	<u>22,532,723</u>
Less: Accumulated Depreciation	<u>(11,007,749)</u>	<u>-</u>	<u>-</u>	<u>(11,007,749)</u>
Net Property and Equipment	<u>11,524,974</u>	<u>-</u>	<u>-</u>	<u>11,524,974</u>
<b>OTHER ASSETS</b>				
Investments	1,049,479	-	-	1,049,479
Beneficial Interest in Assets Held by:				
Community Foundations	806,241	-	-	806,241
Certificates of Deposit, Long Term	221,342	-	-	221,342
Deferred Compensation Asset	84,331	-	-	84,331
Total Other Assets	<u>2,161,393</u>	<u>-</u>	<u>-</u>	<u>2,161,393</u>
 Total Assets	 <u>\$ 21,213,481</u>	 <u>\$ 180,648</u>	 <u>\$ (98,503)</u>	 <u>\$ 21,295,626</u>

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 810,825	\$ 7,060	\$ -	\$ 817,885
Due to Heartland Enterprises	98,503	-	(98,503)	-
Accrued Payroll	572,050	10,706	-	582,756
Payroll Taxes and Withholdings	306,238	4,748	-	310,986
Accrued Compensated Absences	881,133	6,913	-	888,046
Other Accrued Expenses	81,442	273	-	81,715
Deferred Revenue	30,000	-	-	30,000
Current Maturity of Obligation Under Capital Lease	25,130	-	-	25,130
Notes Payable, Current Maturities	376,736	-	-	376,736
Total Current Liabilities	<u>3,182,057</u>	<u>29,700</u>	<u>(98,503)</u>	<u>3,113,254</u>
<b>LONG-TERM LIABILITIES</b>				
Deferred Compensation Liability	84,331	-	-	84,331
Obligation under Capital Lease, Less Current Maturity Above	86,263	-	-	86,263
Notes Payable, Net, Less Current Maturities Above	4,986,847	-	-	4,986,847
Total Long-Term Liabilities	<u>5,157,441</u>	<u>-</u>	<u>-</u>	<u>5,157,441</u>
Total Liabilities	8,339,498	29,700	(98,503)	8,270,695
<b>NET ASSETS</b>				
Unrestricted, Board Designated	8,849,060	-	-	8,849,060
Unrestricted, Undesignated	3,927,298	150,948	-	4,078,246
Total Unrestricted Net Assets	<u>12,776,358</u>	<u>150,948</u>	<u>-</u>	<u>12,927,306</u>
Temporarily Restricted	97,625	-	-	97,625
Total Net Assets	<u>12,873,983</u>	<u>150,948</u>	<u>-</u>	<u>13,024,931</u>
Total Liabilities and Net Assets	<u>\$ 21,213,481</u>	<u>\$ 180,648</u>	<u>\$ (98,503)</u>	<u>\$ 21,295,626</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
<b>SUPPORT AND REVENUE</b>				
Public Support:				
Contributions	\$ 105,621	\$ -	\$ -	\$ 105,621
United Way	147,776	-	-	147,776
Change in Year-End Inventory Valuation	35,906	-	-	35,906
Total Public Support	<u>289,303</u>	-	-	<u>289,303</u>
Governmental Support:				
Grants	1,014,434	-	-	1,014,434
Supported Services Fees	7,313,592	-	-	7,313,592
Total Governmental Support	<u>8,328,026</u>	-	-	<u>8,328,026</u>
Sales of Donated Goods:				
Store Sales	21,414,403	-	-	21,414,403
Salvage Sales	1,865,861	-	-	1,865,861
Total Sales of Donated Goods	<u>23,280,264</u>	-	-	<u>23,280,264</u>
Other Revenue:				
Contracts with Businesses	1,757,332	461,787	-	2,219,119
Investment Income	41,017	44	-	41,061
Change in Beneficial Interest in Assets				
Held by Community Foundations	49,749	-	-	49,749
Easement Income	86,690	-	-	86,690
Miscellaneous	58,554	-	(39,048)	19,506
Total Other Revenue	<u>1,993,342</u>	<u>461,831</u>	<u>(39,048)</u>	<u>2,416,125</u>
Total Support and Revenue	<u>33,890,935</u>	<u>461,831</u>	<u>(39,048)</u>	<u>34,313,718</u>
<b>EXPENSES</b>				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	18,426,321	-	-	18,426,321
Contracts with Businesses	1,866,574	-	-	1,866,574
Client Training and Development	9,526,402	-	-	9,526,402
Heartland Enterprises	-	405,521	(39,048)	366,473
Total Program Services	<u>29,819,297</u>	<u>405,521</u>	<u>(39,048)</u>	<u>30,185,770</u>
Supporting Activities:				
Fundraising	64,971	-	-	64,971
Management and General	3,406,846	-	-	3,406,846
Total Supporting Activities	<u>3,471,817</u>	-	-	<u>3,471,817</u>
Total Expenses	<u>33,291,114</u>	<u>405,521</u>	<u>(39,048)</u>	<u>33,657,587</u>
<b>CHANGE IN NET ASSETS</b>	599,821	56,310	-	656,131
Net Assets - Beginning of Year	<u>12,274,162</u>	<u>94,638</u>	-	<u>12,368,800</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,873,983</u>	<u>\$ 150,948</u>	<u>\$ -</u>	<u>\$ 13,024,931</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**SCHEDULE OF ACTIVITIES BY FUNCTIONAL AREA**  
**YEAR ENDED DECEMBER 31, 2016**  
(WITH COMPARATIVE TOTALS FOR 2015)  
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services				Total
	Retail, Salvage, Solicitation, and Transportation	Contracts with Businesses	Client Training and Development	Heartland Enterprises	
<b>SUPPORT AND REVENUE</b>					
Public Support	\$ 35,906	\$ -	\$ 147,776	\$ -	\$ 183,682
Governmental Support	-	-	8,328,026	-	8,328,026
Sales of Donated Goods	23,280,264	-	-	-	23,280,264
Other Revenue	-	1,757,332	-	461,831	2,219,163
Total Support and Revenue	<u>23,316,170</u>	<u>1,757,332</u>	<u>8,475,802</u>	<u>461,831</u>	<u>34,011,135</u>
<b>EXPENSES</b>					
Salaries	9,523,393	1,470,018	6,619,150	267,250	17,879,811
Employee Benefits	1,573,840	113,310	1,105,170	8,973	2,801,293
Payroll Taxes	899,091	86,819	660,533	20,695	1,667,138
Total Salaries and Related Expenses	<u>11,996,324</u>	<u>1,670,147</u>	<u>8,384,853</u>	<u>296,918</u>	<u>22,348,242</u>
Professional Services	105,498	5,858	60,047	20,129	191,532
Supplies	763,791	81,716	76,180	26,788	948,475
Telephone	188,685	3,920	76,240	1,819	270,664
Postage and Shipping	192,674	-	243	-	192,917
Occupancy	3,361,214	38,321	237,306	14,536	3,651,377
Printing and Publications	290,330	401	11,090	-	301,821
Travel, Trucking, and Related Expenses	782,189	50,370	276,450	6,283	1,115,292
Membership Dues	605	450	8,248	-	9,303
Provision for (Recovery of)					
Bad Debts	-	1,471	103,534	-	105,005
Miscellaneous	299,087	504	100,740	-	400,331
Total Other Expenses	<u>5,984,073</u>	<u>183,011</u>	<u>950,078</u>	<u>69,555</u>	<u>7,186,717</u>
Total Expenses before Depreciation	<u>17,980,397</u>	<u>1,853,158</u>	<u>9,334,931</u>	<u>366,473</u>	<u>29,534,959</u>
Depreciation	<u>445,924</u>	<u>13,416</u>	<u>191,471</u>	<u>-</u>	<u>650,811</u>
Total Expenses	<u>18,426,321</u>	<u>1,866,574</u>	<u>9,526,402</u>	<u>366,473</u>	<u>30,185,770</u>
<b>2016 CHANGE IN NET ASSETS</b>	<u>\$ 4,889,849</u>	<u>\$ (109,242)</u>	<u>\$ (1,050,600)</u>	<u>\$ 95,358</u>	<u>\$ 3,825,365</u>
<b>2015 CHANGE IN NET ASSETS</b>	<u>\$ 5,010,885</u>	<u>\$ (119,210)</u>	<u>\$ (1,600,328)</u>	<u>\$ 84,086</u>	<u>\$ 3,375,433</u>

Supporting Activities

Fundraising	Management and General	Total	Consolidated Total	
			2016	2015
\$ 105,621	\$ -	\$ 105,621	\$ 289,303	\$ 280,760
-	-	-	8,328,026	7,828,000
-	-	-	23,280,264	22,938,394
-	196,962	196,962	2,416,125	1,886,060
<u>105,621</u>	<u>196,962</u>	<u>302,583</u>	<u>34,313,718</u>	<u>32,933,214</u>
-	1,620,261	1,620,261	19,500,072	18,833,295
-	136,356	136,356	2,937,649	2,685,861
-	129,400	129,400	1,796,538	1,687,414
-	1,886,017	1,886,017	24,234,259	23,206,570
12,430	112,189	124,619	316,151	319,057
351	84,701	85,052	1,033,527	1,232,673
-	43,724	43,724	314,388	291,959
-	10,299	10,299	203,216	211,854
-	599,324	599,324	4,250,701	4,181,834
51,970	21,204	73,174	374,995	346,142
-	20,923	20,923	1,136,215	1,315,409
-	171,714	171,714	181,017	178,378
-	-	-	105,005	5,497
220	40,572	40,792	441,123	411,352
<u>64,971</u>	<u>1,104,650</u>	<u>1,169,621</u>	<u>8,356,338</u>	<u>8,494,155</u>
64,971	2,990,667	3,055,638	32,590,597	31,700,725
-	416,179	416,179	1,066,990	956,937
<u>64,971</u>	<u>3,406,846</u>	<u>3,471,817</u>	<u>33,657,587</u>	<u>32,657,662</u>
<u>\$ 40,650</u>	<u>\$ (3,209,884)</u>	<u>\$ (3,169,234)</u>	<u>\$ 656,131</u>	
<u>\$ 65,294</u>	<u>\$ (3,165,175)</u>	<u>\$ (3,099,881)</u>		<u>\$ 275,552</u>



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