

**GOODWILL INDUSTRIES OF THE HEARTLAND
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018



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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated 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, 2018, 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 Consolidated 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, 2018, 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.

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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
April 15, 2019

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

ASSETS	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,903,651	\$ 4,821,584
Certificates of Deposit, Current Maturities	373,898	432,569
Accounts Receivable, Less Allowance for Doubtful Accounts of \$118,795 in 2018 and \$557,346 in 2017	1,166,085	1,443,944
Unconditional Promises to Give:		
Grants Receivable	118,390	255,845
Pledges Receivable, Less Allowance for Doubtful Accounts of \$4,470 in 2018 and \$-0- in 2017	84,926	-
Interest Receivable	1,161	1,205
Donated Goods Inventory	386,143	295,819
Prepaid Expenses	240,352	674,843
Total Current Assets	8,274,606	7,925,809
PROPERTY AND EQUIPMENT		
Land	3,623,347	3,623,997
Buildings	13,057,559	12,836,087
Improvements	2,143,714	2,143,787
Equipment	4,647,453	4,249,901
Total	23,472,073	22,853,772
Less: Accumulated Depreciation	(12,907,546)	(11,950,149)
Net Property and Equipment	10,564,527	10,903,623
OTHER ASSETS		
Investments	3,368,047	2,315,626
Beneficial Interest in Assets Held by Community Foundations	1,273,204	1,347,108
Certificates of Deposit, Long Term	162,563	98,622
Deferred Compensation Asset	108,796	107,096
Total Other Assets	4,912,610	3,868,452
Total Assets	\$ 23,751,743	\$ 22,697,884

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

LIABILITIES AND NET ASSETS	2018	2017
CURRENT LIABILITIES		
Accounts Payable	\$ 599,640	\$ 599,956
Accrued Payroll	604,732	729,995
Payroll Taxes and Withholdings	404,917	300,760
Accrued Compensated Absences	845,716	869,361
Other Accrued Expenses	78,085	73,618
Deferred Revenue	18,703	-
Current Maturity of Obligation Under Capital Lease	26,602	25,855
Notes Payable, Current Maturities	400,303	386,184
Total Current Liabilities	2,978,698	2,985,729
LONG-TERM LIABILITIES		
Deferred Compensation Liability	108,796	107,096
Obligation Under Capital Lease, Less Current Maturity Above	29,697	56,299
Notes Payable, Net, Less Current Maturities Above	4,205,213	4,603,498
Total Long-Term Liabilities	4,343,706	4,766,893
Total Liabilities	7,322,404	7,752,622
NET ASSETS		
Without Donor Restrictions:		
Board Designated	11,954,258	10,811,076
Undesignated	4,208,772	4,037,717
Total Net Assets Without Donor Restrictions	16,163,030	14,848,793
With Donor Restrictions:		
Time-Restricted for Future Periods	266,309	96,469
Total Net Assets	16,429,339	14,945,262
Total Liabilities and Net Assets	\$ 23,751,743	\$ 22,697,884

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
SUPPORT AND REVENUE				
Public Support:				
Contributions	\$ 157,511	\$ 196,809	\$ 354,320	\$ 117,511
United Way	52,060	50,000	102,060	107,901
Change in Year-End Inventory Valuation	(1,659)	-	(1,659)	(16,044)
Total Public Support	<u>207,912</u>	<u>246,809</u>	<u>454,721</u>	<u>209,368</u>
Governmental Support:				
Grants	645,268	-	645,268	962,760
Supported Services Fees	<u>7,280,131</u>	<u>-</u>	<u>7,280,131</u>	<u>7,434,375</u>
Total Governmental Support	<u>7,925,399</u>	<u>-</u>	<u>7,925,399</u>	<u>8,397,135</u>
Sales of Donated Goods:				
Store Sales	22,282,816	-	22,282,816	22,167,198
Salvage Sales	<u>1,824,861</u>	<u>-</u>	<u>1,824,861</u>	<u>1,998,842</u>
Total Sales of Donated Goods	<u>24,107,677</u>	<u>-</u>	<u>24,107,677</u>	<u>24,166,040</u>
Other Revenue:				
Contracts with Businesses	2,317,831	-	2,317,831	2,422,047
Investment Income	3,329	-	3,329	99,428
Change in Beneficial Interest in Assets				
Held by Community Foundations	(74,004)	-	(74,004)	110,317
Miscellaneous	2,325	-	2,325	11,236
Gain on Disposal of Property and Equipment	<u>7,933</u>	<u>-</u>	<u>7,933</u>	<u>8,694</u>
Total Other Revenue	<u>2,257,414</u>	<u>-</u>	<u>2,257,414</u>	<u>2,651,722</u>
Net Assets Released from Restrictions:				
Satisfaction of Purpose and Time Restrictions	<u>76,969</u>	<u>(76,969)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>34,575,371</u>	<u>169,840</u>	<u>34,745,211</u>	<u>35,424,265</u>
EXPENSES				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	18,716,007	-	18,716,007	18,712,574
Contracts with Businesses	1,830,388	-	1,830,388	1,924,619
Client Training and Development	8,391,646	-	8,391,646	8,797,409
Heartland Enterprises	<u>530,371</u>	<u>-</u>	<u>530,371</u>	<u>463,098</u>
Total Program Services	<u>29,468,412</u>	<u>-</u>	<u>29,468,412</u>	<u>29,897,700</u>
Supporting Activities:				
Fundraising	62,764	-	62,764	59,322
Management and General	<u>3,729,958</u>	<u>-</u>	<u>3,729,958</u>	<u>3,546,912</u>
Total Supporting Activities	<u>3,792,722</u>	<u>-</u>	<u>3,792,722</u>	<u>3,606,234</u>
Total Expenses	<u>33,261,134</u>	<u>-</u>	<u>33,261,134</u>	<u>33,503,934</u>
CHANGE IN NET ASSETS	<u>1,314,237</u>	<u>169,840</u>	<u>1,484,077</u>	<u>1,920,331</u>
Net Assets - Beginning of Year	<u>14,848,793</u>	<u>96,469</u>	<u>14,945,262</u>	<u>13,024,931</u>
NET ASSETS - END OF YEAR	<u>\$ 16,163,030</u>	<u>\$ 266,309</u>	<u>\$ 16,429,339</u>	<u>\$ 14,945,262</u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

EXPENSES	Supporting Activities				Total Expenses	
	Program Services	Management and General			2018	2017
		Fundraising	Total	Total		
Salaries	\$ 17,501,339	\$ 598	\$ 1,739,339	\$ 1,739,937	\$ 19,241,276	\$ 19,582,544
Employee Benefits	2,753,476	-	121,751	121,751	2,875,227	2,836,269
Payroll Taxes	1,509,819	-	134,953	134,953	1,644,772	1,649,495
Total Salaries and Related Expenses	21,764,634	598	1,996,043	1,996,641	23,761,275	24,068,308
Professional Services	226,880	-	127,885	127,885	354,765	358,753
Supplies	970,241	204	60,479	60,683	1,030,924	842,800
Telephone	269,366	-	37,420	37,420	306,786	306,597
Postage and Shipping	225,087	-	9,599	9,599	234,686	210,009
Occupancy	3,746,972	-	620,550	620,550	4,367,522	4,266,787
Printing and Publications	321,645	61,912	17,812	79,724	401,369	385,952
Travel, Trucking, and Related Expenses	951,180	-	32,630	32,630	983,810	1,005,516
Membership Dues	12,583	-	172,893	172,893	185,476	183,528
Provision for Bad Debts	4,470	-	252,980	252,980	257,450	418,500
Miscellaneous	349,653	50	49,490	49,540	399,193	465,895
Total Other Expenses	7,078,077	62,166	1,381,738	1,443,904	8,521,981	8,444,337
Total Expenses Before Depreciation	28,842,711	62,764	3,377,781	3,440,545	32,283,256	32,512,645
Depreciation	625,701	-	352,177	352,177	977,878	991,289
Total Expenses	<u>\$ 29,468,412</u>	<u>\$ 62,764</u>	<u>\$ 3,729,958</u>	<u>\$ 3,792,722</u>	<u>\$ 33,261,134</u>	<u>\$ 33,503,934</u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,484,077	\$ 1,920,331
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Year-End Inventory Valuation	(90,324)	9,530
Gain on Disposal of Property and Equipment	(7,933)	(8,694)
Depreciation	977,878	991,289
Amortization of Bond Issuance Costs	3,242	3,242
Provision for Bad Debts	257,449	418,500
Reinvested Investment Earnings	(73,518)	(33,031)
(Gain) Loss on investments	114,975	(43,090)
Change in Beneficial Interest in Assets Held by Community Foundations	74,004	(110,317)
Effects of Changes in Operating Assets and Liabilities:		
Receivables	72,983	(2,410)
Prepaid Expenses	434,491	(156,554)
Accounts Payable	(5,708)	(244,412)
Accrued Expenses	(40,284)	110,231
Deferred Revenue	18,703	(30,000)
Net Cash Provided by Operating Activities	3,220,035	2,824,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,429,786)	(2,448,984)
Sales of Investments	337,848	1,260,711
Proceeds from Matured Certificates of Deposit	425,790	399,000
Purchases of Certificates of Deposit	(433,000)	(304,000)
Transfers to Community Foundations	(100)	(430,550)
Purchases of Property and Equipment	(642,805)	(343,455)
Proceeds from Sales of Property and Equipment	17,348	8,694
Net Cash Used by Investing Activities	(1,724,705)	(1,858,584)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(387,408)	(377,143)
Principal Payments on Capital Lease	(25,855)	(29,239)
Net Cash Used by Financing Activities	(413,263)	(406,382)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,082,067	559,649
Cash and Cash Equivalents - Beginning of Year	4,821,584	4,261,935
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,903,651	\$ 4,821,584
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 145,050	\$ 155,809
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash Purchases of Property and Equipment	\$ 43,124	\$ 37,733

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 69%, 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 consolidated 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, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets presently available for use by the Organization at the discretion of management.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that will be satisfied either by the passage of time or by actions of the Organization. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restrictions contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 17 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 recognized when, cash, other assets, or unconditional promises to give are 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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

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

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 without donor restrictions.

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 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over 90 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 90 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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory (Continued)

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 to 40 Years
Improvements	5 to 20 Years
Equipment	3 to 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, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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.

Deferred Compensation Asset

Deferred compensation asset are pooled separate accounts in a Section 457 Deferred Compensation Plan (the Plan). All assets in the Plan, including investment earnings thereon, remain property of the Organization until paid in accordance with provisions of the Plan.

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 (IRC) 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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

Adoption of Accounting Principle

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Organization's financial position as of December 31, 2018 or changes in its net assets or cash flows for the year then ended.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash flow generated by operations for fiscal year 2018.

As of December 31, 2018, the following table shows the total financial assets held by the Organization, that is, without donor restrictions limiting their use, within one year of the consolidated statement of financial position to meet general expenditures and future needs of the Organization:

Cash and Cash Equivalents	\$ 5,903,651
Receivables	1,216,085
Certificates of Deposit	373,898
Investments	3,368,047
Beneficial Interest in Assets	
Held by Community Foundation	1,254,142
Total Financial Assets	<u>\$ 12,115,823</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 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 \$392,279. The budget periods for the grants run throughout 2018. Grant funds are not recognized as revenue until the reimbursements become due. The remaining balance of available grant funds at December 31, 2018 is \$250,831.

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31, 2018:

Mutual Funds	\$ 2,193,217
Money Market Funds	1,174,830
Total Investments	<u>\$ 3,368,047</u>

NOTE 5 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;

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.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

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: Valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type.

Mutual Funds: 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.

Deferred Compensation Asset: Pooled separate accounts valued at the net asset value (NAV) of units as determined by the insurance company. NAV is a readily determined fair value and is the basis for current transactions.

Beneficial Interest in Assets Held by Community Foundations: 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 528,941	\$ -	\$ 528,941
Mutual Funds:				
Equity	413,600	-	-	413,600
Fixed Income	1,779,617	-	-	1,779,617
Deferred Compensation Asset	-	108,796	-	108,796
Beneficial Interest in Assets Held by Community Foundations	-	-	1,273,204	1,273,204
Total	<u>\$ 2,193,217</u>	<u>\$ 637,737</u>	<u>\$ 1,273,204</u>	<u>\$ 4,104,158</u>

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, 2018	\$ 1,347,108
Additions	100
Change in Beneficial Interest in Assets held by Community Foundations	(74,004)
Balance - December 31, 2018	<u>\$ 1,273,204</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 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, 2018 was \$1,273,204. During the year ended December 31, 2018, the Organization received no distributions from these funds.

NOTE 7 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.

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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

Strategies Employed for Achieving Objectives (Continued)

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 1,326,889	\$ -	\$ 1,326,889
Additions	100	-	100
Change in Beneficial Interest in Assets held by Community Foundations	(72,847)	-	(72,847)
Net Assets - End of Year	<u>\$ 1,254,142</u>	<u>\$ -</u>	<u>\$ 1,254,142</u>

NOTE 8 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, 2018. The Organization also has a revolving line of credit with Morgan Stanley. 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, 2018.

Notes Payable

<u>Description</u>	<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 six 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.	\$ 4,637,940
Less: Unamortized Debt Issuance Costs	<u>(32,424)</u>
Total, Net of Unamortized Debt Issuance Costs	4,605,516
Less: Current Portion	<u>(400,303)</u>
Long-Term Portion	<u>\$ 4,205,213</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 DEBT (CONTINUED)

Future maturities of notes payable debt are as follows as of December 31, 2018:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 400,303
2020	410,940
2021	423,310
2022	435,705
2023	448,464
Thereafter	<u>2,519,218</u>
Total	<u>\$ 4,637,940</u>

The Subsidiary was awarded a \$462,456 loan from the Iowa DOT Railroad Revolving Loan and Grant Program (RRLG) in October 2018 for construction of a rail spur connecting to the Iowa Interstate Railroad for the packaging and transporting of vegetable oil for the USDA International and Domestic Food Aid Program. The loan terms include interest at 0% per year for 10 years. The loan also requires 20% to be provided by the Subsidiary. No amounts were outstanding on this loan at December 31, 2018.

The Subsidiary's board of directors approved a tax-exempt bond financing proposal in December 2018 for \$3,000,000 with an interest rate not to exceed 75% of the five-year U.S. Treasury Rate plus 1.00% at the time of the loan closing for a term up to 12 years from the date of the loan closing. Collateral for this loan will be the business assets and guaranty by the Organization. This loan was not closed as of December 31, 2018.

NOTE 9 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, 2018 is \$77,803. Amortization of the capital lease totaled \$25,943 for the year ended December 31, 2018 and is included in depreciation expense.

Future minimum payments under this lease are as follows as of December 31, 2018:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 27,861
2020	27,861
2021	<u>2,322</u>
Total Minimum Lease Payments	58,044
Less: Amount Representing Interest	<u>(1,775)</u>
Present Value of Minimum Lease Payments	<u>\$ 56,269</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 NATURE AND AMOUNTS OF NET ASSETS

Board-designated net assets are available for the following purposes as of December 31, 2018:

Capital Budget	\$ 550,000
Endowment	1,254,142
Principal Needs	426,904
Property and Equipment	5,837,865
Strategic Initiatives	517,300
Strategic Reserve	3,368,047
Total	<u><u>\$ 11,954,258</u></u>

Net assets with donor restrictions are available for the following periods and purposes as of December 31, 2018:

Future Periods	\$ 50,000
Vegetable Oil Project	196,809
Property Enhanced by Iowa City Funding for Subsequent Years Usage	19,500
Total	<u><u>\$ 266,309</u></u>

NOTE 11 ADVERTISING COSTS

Advertising costs for the year ended December 31, 2018 totaled \$343,977.

NOTE 12 OBLIGATIONS UNDER OPERATING LEASES

At December 31, 2018, 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>
2019	\$ 1,829,063
2020	1,564,082
2021	1,406,442
2022	956,239
2023	798,807
Thereafter	1,017,058
Total	<u><u>\$ 7,571,691</u></u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 OBLIGATIONS UNDER OPERATING LEASES (CONTINUED)

Minimum lease payments exclude rentals under renewal options which, as of December 31, 2018, 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, 2018 totaled \$2,598,474.

NOTE 13 RETIREMENT PLAN

The Organization has a defined contribution retirement plan as described in section 403(b) of the IRC. The Organization amended their plan in January 2017 reducing their contribution from 4% to 3% of eligible employee wages. In addition, the Organization will match employee contributions dollar for dollar up to 6% from 3% of an eligible employee's wages. Eligible employees have the potential to receive a maximum contribution from the Organization of 6% 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, 2018 was \$628,630.

NOTE 14 COMMITMENTS AND CONTINGENCIES

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 15 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

Cash Balances

The Organization participates in an Insured Cash Sweep (ICS) Deposit Placement Agreement with a local bank. The bank will transfer funds from the account at that bank to be placed in deposit accounts at other depository institutions that are insured by the Federal Deposit Insurance Corporation. As of December 31, 2018, the Organization has cash in the ICS account of \$4,633,256.

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, 2018. Accounts receivable includes \$819,664 of amounts owed from these funding sources as of December 31, 2018.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 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 people at the property enhanced with the funding. The liens expire at various times through June 30, 2026.

NOTE 17 SELF INSURED HEALTH PLAN AND UNEMPLOYMENT PLAN

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 IRC 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 State of Illinois and 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, 2018, 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, 2018 were \$484 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 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, 2017, from which the summarized information is derived.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 19 SUBSEQUENT EVENTS

Subsequent to year-end the Organization entered into an agreement for engineering services totaling \$610,000.

Management evaluated subsequent events through April 15, 2019, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2018, but prior to April 15, 2019 that provided additional evidence about conditions that existed at December 31, 2018, have been recognized in the consolidated financial statements for the year ended December 31, 2018. Events or transactions that provided evidence about conditions that did not exist at December 31, 2018, 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, 2018.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,540,176	\$ 363,475	\$ -	\$ 5,903,651
Certificates of Deposit, Current Maturities	373,898	-	-	373,898
Receivables:				
Accounts Receivable, Net	1,050,677	115,408	-	1,166,085
Due from Goodwill Industries of the Heartland	-	5,251	(5,251)	-
Unconditional Promises to Give:				
Grants Receivable	118,390	-	-	118,390
Pledges Receivable, Net	-	84,926	-	84,926
Interest Receivable	1,161	-	-	1,161
Donated Goods Inventory	386,143	-	-	386,143
Prepaid Expenses	240,352	-	-	240,352
Total Current Assets	<u>7,710,797</u>	<u>569,060</u>	<u>(5,251)</u>	<u>8,274,606</u>
PROPERTY AND EQUIPMENT				
Land	3,623,347	-	-	3,623,347
Buildings	13,057,559	-	-	13,057,559
Improvements	2,143,714	-	-	2,143,714
Equipment	4,647,453	-	-	4,647,453
Total	<u>23,472,073</u>	<u>-</u>	<u>-</u>	<u>23,472,073</u>
Less: Accumulated Depreciation	<u>(12,907,546)</u>	<u>-</u>	<u>-</u>	<u>(12,907,546)</u>
Net Property and Equipment	<u>10,564,527</u>	<u>-</u>	<u>-</u>	<u>10,564,527</u>
OTHER ASSETS				
Investments	3,368,047	-	-	3,368,047
Beneficial Interest in Assets Held by:				
Community Foundations	1,273,204	-	-	1,273,204
Certificates of Deposit, Long Term	162,563	-	-	162,563
Deferred Compensation Asset	108,796	-	-	108,796
Total Other Assets	<u>4,912,610</u>	<u>-</u>	<u>-</u>	<u>4,912,610</u>
 Total Assets	 <u>\$ 23,187,934</u>	 <u>\$ 569,060</u>	 <u>\$ (5,251)</u>	 <u>\$ 23,751,743</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

LIABILITIES AND NET ASSETS	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
CURRENT LIABILITIES				
Accounts Payable	\$ 593,653	\$ 5,987	\$ -	\$ 599,640
Due to Heartland Enterprises	5,251	-	(5,251)	-
Accrued Payroll	590,955	13,777	-	604,732
Payroll Taxes and Withholdings	397,815	7,102	-	404,917
Accrued Compensated Absences	837,066	8,650	-	845,716
Other Accrued Expenses	77,571	514	-	78,085
Deferred Revenue	18,703	-	-	18,703
Current Maturity of Obligation Under Capital Lease	26,602	-	-	26,602
Notes Payable, Current Maturities	400,303	-	-	400,303
Total Current Liabilities	<u>2,947,919</u>	<u>36,030</u>	<u>(5,251)</u>	<u>2,978,698</u>
LONG-TERM LIABILITIES				
Deferred Compensation Liability	108,796	-	-	108,796
Obligation under Capital Lease, Less Current Maturity Above	29,697	-	-	29,697
Notes Payable, Net, Less Current Maturities Above	4,205,213	-	-	4,205,213
Total Long-Term Liabilities	<u>4,343,706</u>	<u>-</u>	<u>-</u>	<u>4,343,706</u>
Total Liabilities	7,291,625	36,030	(5,251)	7,322,404
NET ASSETS				
Without Donor Restrictions:				
Board Designated	11,954,258	-	-	11,954,258
Undesignated	3,872,551	336,221	-	4,208,772
Total Without Donor Restrictions	<u>15,826,809</u>	<u>336,221</u>	<u>-</u>	<u>16,163,030</u>
With Donor Restrictions:				
Time-Restricted for Future Periods	69,500	196,809	-	266,309
Total Net Assets	<u>15,896,309</u>	<u>533,030</u>	<u>-</u>	<u>16,429,339</u>
Total Liabilities and Net Assets	<u>\$ 23,187,934</u>	<u>\$ 569,060</u>	<u>\$ (5,251)</u>	<u>\$ 23,751,743</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
SUPPORT AND REVENUE				
Public Support:				
Contributions	\$ 104,634	\$ 249,686	\$ -	\$ 354,320
United Way	102,060	-	-	102,060
Change in Year-End Inventory Valuation	(1,659)	-	-	(1,659)
Total Public Support	<u>205,035</u>	<u>249,686</u>	<u>-</u>	<u>454,721</u>
Governmental Support:				
Grants	645,268	-	-	645,268
Supported Services Fees	7,280,131	-	-	7,280,131
Total Governmental Support	<u>7,925,399</u>	<u>-</u>	<u>-</u>	<u>7,925,399</u>
Sales of Donated Goods:				
Store Sales	22,282,816	-	-	22,282,816
Salvage Sales	1,824,861	-	-	1,824,861
Total Sales of Donated Goods	<u>24,107,677</u>	<u>-</u>	<u>-</u>	<u>24,107,677</u>
Other Revenue:				
Contracts with Businesses	1,646,367	671,464	-	2,317,831
Investment Income	2,515	814	-	3,329
Change in Beneficial Interest in Assets Held by Community Foundations	(74,004)	-	-	(74,004)
Miscellaneous	51,525	-	(49,200)	2,325
Gain on Disposal of Property and Equipment	7,933	-	-	7,933
Total Other Revenue	<u>1,634,336</u>	<u>672,278</u>	<u>(49,200)</u>	<u>2,257,414</u>
Total Support and Revenue	<u>33,872,447</u>	<u>921,964</u>	<u>(49,200)</u>	<u>34,745,211</u>
EXPENSES				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	18,716,007	-	-	18,716,007
Contracts with Businesses	1,830,388	-	-	1,830,388
Client Training and Development	8,391,646	-	-	8,391,646
Heartland Enterprises	-	579,571	(49,200)	530,371
Total Program Services	<u>28,938,041</u>	<u>579,571</u>	<u>(49,200)</u>	<u>29,468,412</u>
Supporting Activities:				
Fundraising	62,764	-	-	62,764
Management and General	3,729,958	-	-	3,729,958
Total Supporting Activities	<u>3,792,722</u>	<u>-</u>	<u>-</u>	<u>3,792,722</u>
Total Expenses	<u>32,730,763</u>	<u>579,571</u>	<u>(49,200)</u>	<u>33,261,134</u>
CHANGE IN NET ASSETS	1,141,684	342,393	-	1,484,077
Net Assets - Beginning of Year	<u>14,754,625</u>	<u>190,637</u>	<u>-</u>	<u>14,945,262</u>
NET ASSETS - END OF YEAR	<u>\$ 15,896,309</u>	<u>\$ 533,030</u>	<u>\$ -</u>	<u>\$ 16,429,339</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
SCHEDULE OF ACTIVITIES BY FUNCTIONAL AREA
YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services				Total
	Retail, Salvage, Solicitation, and Transportation	Contracts with Businesses	Client Training and Development	Heartland Enterprises	
SUPPORT AND REVENUE					
Public Support	\$ (1,659)	\$ 100	\$ 131,407	\$ 249,686	\$ 379,534
Governmental Support	-	22,693	7,902,705	-	7,925,398
Sales of Donated Goods	24,107,677	-	-	-	24,107,677
Other Revenue	-	1,678,166	1,800	672,278	2,352,244
Total Support and Revenue	<u>24,106,018</u>	<u>1,700,959</u>	<u>8,035,912</u>	<u>921,964</u>	<u>34,764,853</u>
EXPENSES					
Salaries	9,716,795	1,451,966	5,963,368	369,210	17,501,339
Employee Benefits	1,592,331	134,062	1,008,486	18,597	2,753,476
Payroll Taxes	851,336	84,574	545,439	28,470	1,509,819
Total Salaries and Related Expenses	<u>12,160,462</u>	<u>1,670,602</u>	<u>7,517,293</u>	<u>416,277</u>	<u>21,764,634</u>
Professional Services	165,393	6,212	9,545	45,730	226,880
Supplies	822,618	55,348	63,658	28,617	970,241
Telephone	185,642	2,776	78,876	2,072	269,366
Postage and Shipping	224,896	-	191	-	225,087
Occupancy	3,407,003	40,246	276,650	23,073	3,746,972
Printing and Publications	318,143	109	3,393	-	321,645
Travel, Trucking, and Related Expenses	662,821	44,374	233,853	10,132	951,180
Membership Dues	-	450	12,133	-	12,583
Provision for (Recovery of) Bad Debts	-	-	-	4,470	4,470
Miscellaneous	322,166	-	27,487	-	349,653
Total Other Expenses	<u>6,108,682</u>	<u>149,515</u>	<u>705,786</u>	<u>114,094</u>	<u>7,078,077</u>
Total Expenses Before Depreciation	<u>18,269,144</u>	<u>1,820,117</u>	<u>8,223,079</u>	<u>530,371</u>	<u>28,842,711</u>
Depreciation	446,863	10,271	168,567	-	625,701
Total Expenses	<u>18,716,007</u>	<u>1,830,388</u>	<u>8,391,646</u>	<u>530,371</u>	<u>29,468,412</u>
2018 CHANGE IN NET ASSETS	<u>\$ 5,390,011</u>	<u>\$ (129,429)</u>	<u>\$ (355,734)</u>	<u>\$ 391,593</u>	<u>\$ 5,296,441</u>
2017 CHANGE IN NET ASSETS	<u>\$ 5,437,422</u>	<u>\$ (9,447)</u>	<u>\$ (281,056)</u>	<u>\$ 92,490</u>	<u>\$ 5,239,409</u>

Supporting Activities

Fundraising	Management and General	Total	Consolidated Total	
			2018	2017
\$ 59,286	\$ 15,901	\$ 75,187	\$ 454,721	\$ 209,368
-	1	1	7,925,399	8,397,135
-	-	-	24,107,677	24,166,040
-	(94,830)	(94,830)	2,257,414	2,651,722
<u>59,286</u>	<u>(78,928)</u>	<u>(19,642)</u>	<u>34,745,211</u>	<u>35,424,265</u>
598	1,739,339	1,739,937	19,241,276	19,582,544
-	121,751	121,751	2,875,227	2,836,269
-	134,953	134,953	1,644,772	1,649,495
<u>598</u>	<u>1,996,043</u>	<u>1,996,641</u>	<u>23,761,275</u>	<u>24,068,308</u>
-	127,885	127,885	354,765	358,753
204	60,479	60,683	1,030,924	842,800
-	37,420	37,420	306,786	306,597
-	9,599	9,599	234,686	210,009
-	620,550	620,550	4,367,522	4,266,787
61,912	17,812	79,724	401,369	385,952
-	32,630	32,630	983,810	1,005,516
-	172,893	172,893	185,476	183,528
-	252,980	252,980	257,450	418,500
50	49,490	49,540	399,193	465,895
<u>62,166</u>	<u>1,381,738</u>	<u>1,443,904</u>	<u>8,521,981</u>	<u>8,444,337</u>
62,764	3,377,781	3,440,545	32,283,256	32,512,645
-	352,177	352,177	977,878	991,289
<u>62,764</u>	<u>3,729,958</u>	<u>3,792,722</u>	<u>33,261,134</u>	<u>33,503,934</u>
<u>\$ (3,478)</u>	<u>\$ (3,808,886)</u>	<u>\$ (3,812,364)</u>	<u>\$ 1,484,077</u>	
<u>\$ 20,325</u>	<u>\$ (3,339,403)</u>	<u>\$ (3,319,078)</u>		<u>\$ 1,920,331</u>

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