

**GOODWILL INDUSTRIES OF THE HEARTLAND  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**



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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, 2019, 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, 2019, 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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, 2020

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
(WITH COMPARATIVE TOTALS FOR 2018)

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,526,916	\$ 5,903,651
Certificates of Deposit, Current Maturities	171,596	373,898
Accounts Receivable, Less Allowance for Doubtful Accounts of \$125,103 in 2019 and \$118,795 in 2018	976,986	1,166,085
Unconditional Promises to Give:		
Grants Receivable	140,698	118,390
Pledges Receivable, Less Allowance for Doubtful Accounts of \$1,796 in 2019 and \$4,470 in 2018	34,120	84,926
Interest Receivable	507	1,161
Donated Goods Inventory	522,781	386,143
Prepaid Expenses	256,625	240,352
Total Current Assets	7,630,229	8,274,606
<b>PROPERTY AND EQUIPMENT</b>		
Land	3,623,347	3,623,347
Buildings	13,977,045	13,057,559
Improvements	3,275,124	2,143,714
Equipment	4,813,331	4,647,453
Total	25,688,847	23,472,073
Less: Accumulated Depreciation	(13,887,776)	(12,907,546)
Net Property and Equipment	11,801,071	10,564,527
<b>OTHER ASSETS</b>		
Investments	3,649,692	3,368,047
Other Asset	23,549	-
Beneficial Interest in Assets Held by Community Foundations	1,485,183	1,273,204
Certificates of Deposit, Long Term	-	162,563
Deferred Compensation Asset	144,351	108,796
Total Other Assets	5,302,775	4,912,610
 Total Assets	 \$ 24,734,075	 \$ 23,751,743

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019**  
(WITH COMPARATIVE TOTALS FOR 2018)

<b>LIABILITIES AND NET ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 903,095	\$ 599,640
Accrued Payroll	644,778	604,732
Payroll Taxes and Withholdings	303,234	404,917
Accrued Compensated Absences	940,642	845,716
Other Accrued Expenses	155,116	78,085
Deferred Revenue	10,000	18,703
Current Maturity of Obligation Under Capital Lease	27,370	26,602
Notes Payable, Current Maturities	479,570	400,303
Total Current Liabilities	<u>3,463,805</u>	<u>2,978,698</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred Compensation Liability	144,351	108,796
Other Long-Term Liability	23,549	-
Obligation Under Capital Lease, Less Current Maturity Above	2,327	29,697
Notes Payable, Net, Less Current Maturities Above	3,794,043	4,205,213
Total Long-Term Liabilities	<u>3,964,270</u>	<u>4,343,706</u>
Total Liabilities	7,428,075	7,322,404
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Board Designated	13,495,148	11,954,258
Undesignated	3,708,852	4,208,772
Total Net Assets Without Donor Restrictions	<u>17,204,000</u>	<u>16,163,030</u>
With Donor Restrictions:		
Time-Restricted for Future Periods	102,000	266,309
Total Net Assets	<u>17,306,000</u>	<u>16,429,339</u>
Total Liabilities and Net Assets	<u>\$ 24,734,075</u>	<u>\$ 23,751,743</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>SUPPORT AND REVENUE</b>				
Public Support:				
Contributions	\$ 306,434	\$ 50,000	\$ 356,434	\$ 354,320
United Way	102,592	-	102,592	102,060
Change in Year-End Inventory Valuation	12,337	-	12,337	(1,659)
Total Public Support	<u>421,363</u>	<u>50,000</u>	<u>471,363</u>	<u>454,721</u>
Governmental Support:				
Grants	490,272	-	490,272	645,268
Supported Services Fees	7,022,049	-	7,022,049	7,280,131
Total Governmental Support	<u>7,512,321</u>	<u>-</u>	<u>7,512,321</u>	<u>7,925,399</u>
Sales of Donated Goods:				
Store Sales	23,436,117	-	23,436,117	22,282,816
Salvage Sales	1,627,371	-	1,627,371	1,824,861
Total Sales of Donated Goods	<u>25,063,488</u>	<u>-</u>	<u>25,063,488</u>	<u>24,107,677</u>
Other Revenue:				
Contracts with Businesses	2,586,960	-	2,586,960	2,317,831
Investment Income	349,012	-	349,012	3,329
Change in Beneficial Interest in Assets				
Held by Community Foundations	201,879	-	201,879	(74,004)
Miscellaneous	7,635	-	7,635	2,325
Gain on Disposal of Property and Equipment	16,468	-	16,468	7,933
Total Other Revenue	<u>3,161,954</u>	<u>-</u>	<u>3,161,954</u>	<u>2,257,414</u>
Net Assets Released from Restrictions:				
Satisfaction of Purpose and Time Restrictions	214,309	(214,309)	-	-
Total Support and Revenue	<u>36,373,435</u>	<u>(164,309)</u>	<u>36,209,126</u>	<u>34,745,211</u>
<b>EXPENSES</b>				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	19,793,393	-	19,793,393	18,716,007
Contracts with Businesses	1,800,512	-	1,800,512	1,830,388
Client Training and Development	8,719,798	-	8,719,798	8,391,646
Heartland Enterprises	936,011	-	936,011	530,371
Total Program Services	<u>31,249,714</u>	<u>-</u>	<u>31,249,714</u>	<u>29,468,412</u>
Supporting Activities:				
Fundraising	57,644	-	57,644	62,764
Management and General	4,025,107	-	4,025,107	3,729,958
Total Supporting Activities	<u>4,082,751</u>	<u>-</u>	<u>4,082,751</u>	<u>3,792,722</u>
Total Expenses	<u>35,332,465</u>	<u>-</u>	<u>35,332,465</u>	<u>33,261,134</u>
<b>CHANGE IN NET ASSETS</b>	1,040,970	(164,309)	876,661	1,484,077
Net Assets - Beginning of Year	<u>16,163,030</u>	<u>266,309</u>	<u>16,429,339</u>	<u>14,945,262</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,204,000</u>	<u>\$ 102,000</u>	<u>\$ 17,306,000</u>	<u>\$ 16,429,339</u>

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services					Supporting Activities			Total Expenses	
	Retail Salvage, Solicitation, and Transportation	Contracts with Businesses	Client Training and Development	Heartland Enterprises	Total	Fundraising	Management and General	Total	2019	2018
	Salaries	\$ 10,395,424	\$ 1,439,713	\$ 6,195,560	\$ 500,611	\$ 18,531,308	\$ -	\$ 1,755,697	\$ 1,755,697	\$ 20,287,005
Employee Benefits	1,599,754	115,714	999,789	18,590	2,733,847	-	131,816	131,816	2,865,663	2,875,227
Payroll Taxes	904,411	78,428	567,792	38,174	1,588,805	-	133,333	133,333	1,722,138	1,644,772
Total Salaries and Related Expenses	12,899,589	1,633,855	7,763,141	557,375	22,853,960	-	2,020,846	2,020,846	24,874,806	23,761,275
Professional Services	142,000	5,685	36,607	59,874	244,166	-	189,738	189,738	433,904	354,765
Supplies	1,048,836	56,378	56,587	37,018	1,198,819	73	43,234	43,307	1,242,126	1,030,924
Telephone	216,473	3,995	89,828	2,708	313,004	-	99,465	99,465	412,469	306,786
Postage and Shipping	228,350	-	208	-	228,558	-	6,586	6,586	235,144	234,686
Occupancy	3,479,970	40,990	299,425	270,136	4,090,521	-	959,820	959,820	5,050,341	4,367,522
Printing and Publications	303,397	962	2,478	694	307,531	57,571	60,005	117,576	425,107	401,369
Travel, Trucking, and Related Expenses	645,280	50,333	227,548	9,400	932,561	-	32,283	32,283	964,844	983,810
Membership Dues	-	450	12,352	-	12,802	-	176,427	176,427	189,229	185,476
Provision for Bad Debts	-	-	-	(1,194)	(1,194)	-	37,940	37,940	36,746	257,450
Miscellaneous	368,451	678	32,442	-	401,571	-	34,749	34,749	436,320	399,193
Total Other Expenses	6,432,757	159,471	757,475	378,636	7,728,339	57,644	1,640,247	1,697,891	9,426,230	8,521,981
Total Expenses Before Depreciation	19,332,346	1,793,326	8,520,616	936,011	30,582,299	57,644	3,661,093	3,718,737	34,301,036	32,283,256
Depreciation	461,047	7,186	199,182	-	667,415	-	364,014	364,014	1,031,429	977,878
Total Expenses by Function	<u>\$ 19,793,393</u>	<u>\$ 1,800,512</u>	<u>\$ 8,719,798</u>	<u>\$ 936,011</u>	<u>\$ 31,249,714</u>	<u>\$ 57,644</u>	<u>\$ 4,025,107</u>	<u>\$ 4,082,751</u>	<u>\$ 35,332,465</u>	<u>\$ 33,261,134</u>

See accompanying Notes to Consolidated Financial Statements.



**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 876,661	\$ 1,484,077
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in Year-End Inventory Valuation	(136,638)	(90,324)
Gain on Disposal of Property and Equipment	(16,468)	(7,933)
Depreciation	1,031,429	977,878
Amortization of Bond Issuance Costs	3,242	3,242
Provision for Bad Debts	36,746	257,449
Reinvested Investment Earnings	(73,607)	(73,518)
(Gain) Loss on investments	(196,155)	114,975
Change in Beneficial Interest in Assets Held by Community Foundations	(201,879)	74,004
Effects of Changes in Operating Assets and Liabilities:		
Receivables	181,505	72,983
Prepaid Expenses	(16,273)	434,491
Accounts Payable	(34,970)	(5,708)
Accrued Expenses	110,319	(40,284)
Deferred Revenue	(8,703)	18,703
Net Cash Provided by Operating Activities	1,555,209	3,220,035
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(964,660)	(1,429,786)
Sales of Investments	948,179	337,848
Proceeds from Matured Certificates of Deposit	475,000	425,790
Purchases of Certificates of Deposit	(105,537)	(433,000)
Transfers to Community Foundations	(10,100)	(100)
Purchases of Property and Equipment	(1,960,886)	(642,805)
Proceeds from Sales of Property and Equipment	47,808	17,348
Net Cash Used by Investing Activities	(1,570,196)	(1,724,705)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Notes Payable	64,788	-
Principal Payments on Notes Payable	(399,934)	(387,408)
Principal Payments on Capital Lease	(26,602)	(25,855)
Net Cash Used by Financing Activities	(361,748)	(413,263)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(376,735)	1,082,067
Cash and Cash Equivalents - Beginning of Year	5,903,651	4,821,584
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,526,916	\$ 5,903,651
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 131,945	\$ 145,050
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Noncash Purchases of Property and Equipment	\$ 381,550	\$ 43,124

See accompanying Notes to Consolidated Financial Statements.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 19%.

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, 2019**

**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 consolidated 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, 2019**

**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. Sales of donated goods are recognized point in time as the customer takes the ownership of the goods.

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. Therefore all government service fees are recognized point in time.

**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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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.

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 consolidated 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

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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.

**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 on the basis of estimates of square footage and time and effort.

**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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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.

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**

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable consolidated financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Our consolidated financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue for the year then ended.

Additionally in June 2018, FASB ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

**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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization considers contributions and grants restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for 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 consolidated 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 2019.

As of December 31, 2019, 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	\$ 5,526,916
Receivables	1,026,986
Certificates of Deposit	171,596
Investments	3,649,692
Beneficial Interest in Assets	
Held by Community Foundation	<u>1,453,080</u>
Total Financial Assets	<u><u>\$ 11,828,270</u></u>

**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 \$511,448. The budget periods for the grants run throughout 2020. Grant funds are not recognized as revenue until the reimbursements become due. The remaining balance of available grant funds at December 31, 2019 is \$275,915.

**NOTE 4 INVESTMENTS**

Investments consist of the following as of December 31, 2019:

Mutual Funds	\$ 2,367,680
Money Market Funds	1,282,012
Total Investments	<u><u>\$ 3,649,692</u></u>



**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

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.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

*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, 2019:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 163,972	\$ -	\$ 163,972
Mutual Funds:				
Equity	510,277	-	-	510,277
Fixed Income	1,857,403	-	-	1,857,403
Deferred Compensation Asset	-	144,351	-	144,351
Beneficial Interest in Assets Held by Community Foundations	-	-	1,485,183	1,485,183
Total	<u>\$ 2,367,680</u>	<u>\$ 308,323</u>	<u>\$ 1,485,183</u>	<u>\$ 4,161,186</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, 2019	\$ 1,273,204
Additions	10,100
Change in Beneficial Interest in Assets held by Community Foundations	201,879
Balance - December 31, 2019	<u>\$ 1,485,183</u>

**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, 2019 was \$1,485,183. During the year ended December 31, 2019, the Organization received no distributions from these funds.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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.

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets - Beginning of Year	\$ 1,254,142	\$ -	\$ 1,254,142
Additions	100	-	100
Change in Beneficial Interest in Assets held by Community Foundations	198,838	-	198,838
Net Assets - End of Year	<u>\$ 1,453,080</u>	<u>\$ -</u>	<u>\$ 1,453,080</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019. 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, 2019.

**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.	\$ 4,238,006
Revenue bond issued by City of North Liberty, Iowa, up to \$3,000,000 payable to Hills Bank and Trust, initial interest rate of 1.84% until September 30, 2020. Beginning October 2020, monthly installments of \$27,340 at an initial interest rate of 4.5% for 10 years, in the years 2024 and 2029, the taxable interest rate shall be determined based upon the Five Year Treasury Rate plus 1%.	<u>100,000</u>
Total	4,338,006
Less: Unamortized Debt Issuance Costs	<u>(64,393)</u>
Total, Net of Unamortized Debt Issuance Costs	4,273,613
Less: Current Portion	<u>(479,570)</u>
Long-Term Portion	<u><u>\$ 3,794,043</u></u>

Future maturities of notes payable debt are as follows as of December 31, 2019:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 479,570
2021	454,658
2022	435,694
2023	448,452
2024	461,385
Thereafter	<u>2,058,247</u>
Total	<u><u>\$ 4,338,006</u></u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 DEBT (CONTINUED)**

**Notes Payable (Continued)**

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, 2019.

**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, 2019. Accumulated depreciation at December 31, 2019 is \$77,803. Amortization of the capital lease totaled \$25,943 for the year ended December 31, 2019 and is included in depreciation expense.

Future minimum payments under this lease are as follows as of December 31, 2019:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 27,861
2021	2,327
Total Minimum Lease Payments	30,188
Less: Amount Representing Interest	(491)
Present Value of Minimum Lease Payments	<u>\$ 29,697</u>

**NOTE 10 NATURE AND AMOUNTS OF NET ASSETS**

Board-designated net assets are available for the following purposes as of December 31, 2019:

Capital Budget	\$ 550,000
Endowment	1,453,080
Community Solutions Fund	32,103
Principal Needs	438,299
Property and Equipment	5,369,663
Strategic Initiatives	2,002,311
Strategic Reserve	3,649,692
Total	<u>\$ 13,495,148</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 10 NATURE AND AMOUNTS OF NET ASSETS (CONTINUED)**

Net assets with donor restrictions are available for the following periods and purposes as of December 31, 2019:

Future Periods	\$ 50,000
Vegetable Oil Project	38,500
Property Enhanced by Iowa City Funding for Subsequent Years Usage	<u>13,500</u>
Total	<u><u>\$ 102,000</u></u>

**NOTE 11 ADVERTISING COSTS**

Advertising costs for the year ended December 31, 2019 totaled \$369,983.

**NOTE 12 OBLIGATIONS UNDER OPERATING LEASES**

At December 31, 2019, 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>
2020	\$ 2,076,422
2021	1,703,443
2022	1,242,916
2023	1,081,954
2024	688,863
Thereafter	<u>2,174,099</u>
Total	<u><u>\$ 8,967,697</u></u>

Minimum lease payments exclude rentals under renewal options which, as of December 31, 2019, 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, 2019 totaled \$2,800,167.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2019 was \$643,591.

**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.

The Organization entered in agreements with a business to perform design, procurement, and general services for the renovation and purchase of equipment to package vegetable oil. Total amounts outstanding on these agreements is \$65,443, \$5,183,406, and \$416,821 as of December 31, 2019. Amounts recorded in accounts payable are \$65,443, \$277,190, and \$-0- as of December 31, 2019.

The Organization entered into a software agreement to provide human resources, workforce management, and payroll administration in 2018 for a period of thirty six months. Minimum annual costs are \$224,052.

**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, 2019, the Organization has cash in the ICS account of \$3,827,336.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 15 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS (CONTINUED)**

**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 17% of total revenue for the year ended December 31, 2019. Accounts receivable includes \$581,507 of amounts owed from these funding sources as of December 31, 2019.

**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, 2019, 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, 2019 were \$69,091 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.



**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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, 2018, from which the summarized information is derived.

**NOTE 19 SUBSEQUENT EVENTS**

During the period from January 1, 2020 through April 15, 2020, equity markets have experienced large declines. These losses are not included in the consolidated financial statements as of and for the year ended December 31, 2019.

In early March 2020, the COVID-19 virus was declared a global pandemic. In order to contain the spread of the virus, a government mandate suspended most of the Organization's business operations. The Organization cannot predict the length or severity of this pandemic, or the extent to which the disruption may interrupt operations. Economic uncertainties have arisen which are likely to negatively impact the Organization's financial position. Management is closely monitoring the situation and has taken swift action to mitigate known vulnerabilities. No adjustments have been made to these consolidated financial statements as a result of this uncertainty.

Management evaluated subsequent events through April 15, 2020, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2019, but prior to April 15, 2020 that provided additional evidence about conditions that existed at December 31, 2019, have been recognized in the consolidated financial statements for the year ended December 31, 2019. Events or transactions that provided evidence about conditions that did not exist at December 31, 2019, 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, 2019.

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
(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	\$ 5,152,887	\$ 374,029	\$ -	\$ 5,526,916
Certificates of Deposit, Current Maturities	171,596	-	-	171,596
Receivables:				
Accounts Receivable, Net	900,161	76,825	-	976,986
Due from Heartland Enterprises	1,338,211		(1,338,211)	-
Unconditional Promises to Give:				
Grants Receivable	140,698	-	-	140,698
Pledges Receivable, Net	-	34,120	-	34,120
Interest Receivable	507	-	-	507
Donated Goods Inventory	522,781	-	-	522,781
Prepaid Expenses	256,625	-	-	256,625
Total Current Assets	<u>8,483,466</u>	<u>484,974</u>	<u>(1,338,211)</u>	<u>7,630,229</u>
<b>PROPERTY AND EQUIPMENT</b>				
Land	3,623,347	-	-	3,623,347
Buildings	13,090,818	886,227	-	13,977,045
Improvements	2,159,040	1,116,084	-	3,275,124
Equipment	4,813,331	-	-	4,813,331
Total	<u>23,686,536</u>	<u>2,002,311</u>	<u>-</u>	<u>25,688,847</u>
Less: Accumulated Depreciation	<u>(13,887,776)</u>	<u>-</u>	<u>-</u>	<u>(13,887,776)</u>
Net Property and Equipment	<u>9,798,760</u>	<u>2,002,311</u>	<u>-</u>	<u>11,801,071</u>
<b>OTHER ASSETS</b>				
Investments	3,649,692	-	-	3,649,692
Other Asset	23,549	-	-	23,549
Beneficial Interest in Assets Held by:				
Community Foundations	1,485,183	-	-	1,485,183
Certificates of Deposit, Long Term	-	-	-	-
Deferred Compensation Asset	144,351	-	-	144,351
Total Other Assets	<u>5,302,775</u>	<u>-</u>	<u>-</u>	<u>5,302,775</u>
 Total Assets	 <u>\$ 23,585,001</u>	 <u>\$ 2,487,285</u>	 <u>\$ (1,338,211)</u>	 <u>\$ 24,734,075</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>LIABILITIES AND NET ASSETS</b>	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 549,395	\$ 353,700	\$ -	\$ 903,095
Due to Goodwill Industries of the Heartland	-	1,338,211	(1,338,211)	-
Accrued Payroll	624,886	19,892	-	644,778
Payroll Taxes and Withholdings	295,259	7,975	-	303,234
Accrued Compensated Absences	928,120	12,522	-	940,642
Other Accrued Expenses	154,557	559	-	155,116
Deferred Revenue	10,000	-	-	10,000
Current Maturity of Obligation Under Capital Lease	27,370	-	-	27,370
Notes Payable, Current Maturities	410,929	68,641	-	479,570
Total Current Liabilities	<u>3,000,516</u>	<u>1,801,500</u>	<u>(1,338,211)</u>	<u>3,463,805</u>
<b>LONG-TERM LIABILITIES</b>				
Deferred Compensation Liability	144,351	-	-	144,351
Other Long-Term Liability	23,549	-	-	23,549
Obligation under Capital Lease, Less Current Maturity Above	2,327	-	-	2,327
Notes Payable, Net, Less Current Maturities Above	3,797,896	(3,853)	-	3,794,043
Total Long-Term Liabilities	<u>3,968,123</u>	<u>(3,853)</u>	<u>-</u>	<u>3,964,270</u>
Total Liabilities	6,968,639	1,797,647	(1,338,211)	7,428,075
<b>NET ASSETS</b>				
Without Donor Restrictions:				
Board Designated	13,495,148	-	-	13,495,148
Undesignated	3,057,714	651,138	-	3,708,852
Total Without Donor Restrictions	<u>16,552,862</u>	<u>651,138</u>	<u>-</u>	<u>17,204,000</u>
With Donor Restrictions:				
Time-Restricted for Future Periods	63,500	38,500	-	102,000
Total Net Assets	<u>16,616,362</u>	<u>689,638</u>	<u>-</u>	<u>17,306,000</u>
Total Liabilities and Net Assets	<u>\$ 23,585,001</u>	<u>\$ 2,487,285</u>	<u>\$ (1,338,211)</u>	<u>\$ 24,734,075</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019  
(SEE INDEPENDENT AUDITORS' REPORT)**

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
<b>SUPPORT AND REVENUE</b>				
Public Support:				
Contributions	\$ 107,520	\$ 248,914	\$ -	\$ 356,434
United Way	102,592	-	-	102,592
Change in Year-End Inventory Valuation	12,337	-	-	12,337
Total Public Support	<u>222,449</u>	<u>248,914</u>	<u>-</u>	<u>471,363</u>
Governmental Support:				
Grants	490,272	-	-	490,272
Supported Services Fees	7,022,049	-	-	7,022,049
Total Governmental Support	<u>7,512,321</u>	<u>-</u>	<u>-</u>	<u>7,512,321</u>
Sales of Donated Goods:				
Store Sales	23,436,117	-	-	23,436,117
Salvage Sales	1,627,371	-	-	1,627,371
Total Sales of Donated Goods	<u>25,063,488</u>	<u>-</u>	<u>-</u>	<u>25,063,488</u>
Other Revenue:				
Contracts with Businesses	1,668,911	918,049	-	2,586,960
Investment Income	346,556	2,456	-	349,012
Change in Beneficial Interest in Assets				
Held by Community Foundations	201,879	-	-	201,879
Miscellaneous	84,435	-	(76,800)	7,635
Gain on Disposal of Property and Equipment	16,468	-	-	16,468
Total Other Revenue	<u>2,318,249</u>	<u>920,505</u>	<u>(76,800)</u>	<u>3,161,954</u>
Total Support and Revenue	<u>35,116,507</u>	<u>1,169,419</u>	<u>(76,800)</u>	<u>36,209,126</u>
<b>EXPENSES</b>				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	19,793,393	-	-	19,793,393
Contracts with Businesses	1,800,512	-	-	1,800,512
Client Training and Development	8,719,798	-	-	8,719,798
Heartland Enterprises	-	1,012,811	(76,800)	936,011
Total Program Services	<u>30,313,703</u>	<u>1,012,811</u>	<u>(76,800)</u>	<u>31,249,714</u>
Supporting Activities:				
Fundraising	57,644	-	-	57,644
Management and General	4,025,107	-	-	4,025,107
Total Supporting Activities	<u>4,082,751</u>	<u>-</u>	<u>-</u>	<u>4,082,751</u>
Total Expenses	<u>34,396,454</u>	<u>1,012,811</u>	<u>(76,800)</u>	<u>35,332,465</u>
<b>CHANGE IN NET ASSETS</b>	720,053	156,608	-	876,661
Net Assets - Beginning of Year	<u>15,896,309</u>	<u>533,030</u>	<u>-</u>	<u>16,429,339</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 16,616,362</u>	<u>\$ 689,638</u>	<u>\$ -</u>	<u>\$ 17,306,000</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY**  
**SCHEDULE OF ACTIVITIES BY FUNCTIONAL AREA**  
**YEAR ENDED DECEMBER 31, 2019**  
(WITH COMPARATIVE TOTALS FOR 2018)  
(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	\$ 12,337	\$ -	\$ 132,843	\$ 248,914	\$ 394,094
Governmental Support	-	52,672	7,459,649	-	7,512,321
Sales of Donated Goods	25,063,488	-	-	-	25,063,488
Other Revenue	-	1,739,711	-	920,505	2,660,216
Total Support and Revenue	<u>25,075,825</u>	<u>1,792,383</u>	<u>7,592,492</u>	<u>1,169,419</u>	<u>35,630,119</u>
<b>EXPENSES</b>					
Salaries	10,395,424	1,439,713	6,195,560	500,611	18,531,308
Employee Benefits	1,599,754	115,714	999,789	18,590	2,733,847
Payroll Taxes	904,411	78,428	567,792	38,174	1,588,805
Total Salaries and Related Expenses	<u>12,899,589</u>	<u>1,633,855</u>	<u>7,763,141</u>	<u>557,375</u>	<u>22,853,960</u>
Professional Services	142,000	5,685	36,607	59,874	244,166
Supplies	1,048,836	56,378	56,587	37,018	1,198,819
Telephone	216,473	3,995	89,828	2,708	313,004
Postage and Shipping	228,350	-	208	-	228,558
Occupancy	3,479,970	40,990	299,425	270,136	4,090,521
Printing and Publications	303,397	962	2,478	694	307,531
Travel, Trucking, and Related Expenses	645,280	50,333	227,548	9,400	932,561
Membership Dues	-	450	12,352	-	12,802
Provision for (Recovery of) Bad Debts	-	-	-	(1,194)	(1,194)
Miscellaneous	368,451	678	32,442	-	401,571
Total Other Expenses	<u>6,432,757</u>	<u>159,471</u>	<u>757,475</u>	<u>378,636</u>	<u>7,728,339</u>
Total Expenses Before Depreciation	<u>19,332,346</u>	<u>1,793,326</u>	<u>8,520,616</u>	<u>936,011</u>	<u>30,582,299</u>
Depreciation	461,047	7,186	199,182	-	667,415
Total Expenses	<u>19,793,393</u>	<u>1,800,512</u>	<u>8,719,798</u>	<u>936,011</u>	<u>31,249,714</u>
<b>2019 CHANGE IN NET ASSETS</b>	<u>\$ 5,282,432</u>	<u>\$ (8,129)</u>	<u>\$ (1,127,306)</u>	<u>\$ 233,408</u>	<u>\$ 4,380,405</u>
<b>2018 CHANGE IN NET ASSETS</b>	<u>\$ 5,390,011</u>	<u>\$ (129,429)</u>	<u>\$ (355,734)</u>	<u>\$ 391,593</u>	<u>\$ 5,296,441</u>

**GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY  
SCHEDULE OF ACTIVITIES BY FUNCTIONAL AREA (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)  
(SEE INDEPENDENT AUDITORS' REPORT)**

Supporting Activities				
Fundraising	Management and General	Total	Consolidated Total	
			2019	2018
\$ 63,375	\$ 13,894	\$ 77,269	\$ 471,363	\$ 454,721
-	-	-	7,512,321	7,925,399
-	-	-	25,063,488	24,107,677
-	501,738	501,738	3,161,954	2,257,414
63,375	515,632	579,007	36,209,126	34,745,211
-	1,755,697	1,755,697	20,287,005	19,241,276
-	131,816	131,816	2,865,663	2,875,227
-	133,333	133,333	1,722,138	1,644,772
-	2,020,846	2,020,846	24,874,806	23,761,275
-	189,738	189,738	433,904	354,765
73	43,234	43,307	1,242,126	1,030,924
-	99,465	99,465	412,469	306,786
-	6,586	6,586	235,144	234,686
-	959,820	959,820	5,050,341	4,367,522
57,571	60,005	117,576	425,107	401,369
-	32,283	32,283	964,844	983,810
-	176,427	176,427	189,229	185,476
-	37,940	37,940	36,746	257,450
-	34,749	34,749	436,320	399,193
57,644	1,640,247	1,697,891	9,426,230	8,521,981
57,644	3,661,093	3,718,737	34,301,036	32,283,256
-	364,014	364,014	1,031,429	977,878
57,644	4,025,107	4,082,751	35,332,465	33,261,134
<u>\$ 5,731</u>	<u>\$ (3,509,475)</u>	<u>\$ (3,503,744)</u>	<u>\$ 876,661</u>	
<u>\$ (3,478)</u>	<u>\$ (3,808,886)</u>	<u>\$ (3,812,364)</u>		<u>\$ 1,484,077</u>

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