

**GOODWILL INDUSTRIES OF THE HEARTLAND
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Goodwill Industries of the Heartland and Subsidiary
Cedar Rapids, Iowa

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2023, 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.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Goodwill Industries of the Heartland and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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; and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of the Heartland and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Goodwill Industries of the Heartland and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Goodwill Industries of the Heartland and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 GAAS. 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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



CliftonLarsonAllen LLP

West Hartford, Connecticut
April 19, 2024

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,932,011	\$ 10,884,999
Certificates of Deposit	5,133,624	7,690
Accounts Receivable, Net	835,811	974,008
Grants Receivable	88,110	127,256
Donated Goods Inventory	1,372,965	1,412,591
Product Inventory	716,392	548,865
Prepaid Expenses	591,939	672,756
Total Current Assets	<u>10,670,852</u>	<u>14,628,165</u>
PROPERTY AND EQUIPMENT		
Land	5,599,188	3,181,321
Buildings	16,899,468	14,651,236
Improvements	3,900,556	3,384,730
Equipment	9,465,221	8,937,222
Total	<u>35,864,433</u>	<u>30,154,509</u>
Less: Accumulated Depreciation	<u>(16,539,090)</u>	<u>(14,537,022)</u>
Net Property and Equipment	19,325,343	15,617,487
OTHER ASSETS		
Investments	15,277,084	13,443,222
Beneficial Interest in Assets Held by Community Foundations	1,839,324	1,627,740
ROU Assets - Operating	6,736,564	8,525,981
ROU Assets - Financing	84,901	113,718
Deferred Compensation Asset	235,308	193,969
Total Other Assets	<u>24,173,181</u>	<u>23,904,630</u>
 Total Assets	 <u><u>\$ 54,169,376</u></u>	 <u><u>\$ 54,150,282</u></u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

LIABILITIES AND NET ASSETS	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 455,150	\$ 633,258
Accrued Payroll	911,348	822,858
Payroll Taxes and Withholdings	292,812	264,712
Accrued Compensated Absences	949,764	861,165
Other Accrued Expenses	182,295	180,333
Deferred Revenue	183,945	214,031
Lease Liability - Operating	2,136,712	2,610,631
Lease Liability - Financing	35,133	34,690
Notes Payable	839,818	740,473
Total Current Liabilities	<u>5,986,977</u>	<u>6,362,151</u>
LONG-TERM LIABILITIES		
Deferred Compensation Liability	235,308	193,969
Lease Liability - Operating	4,607,322	5,931,440
Lease Liability - Financing	50,702	79,592
Notes Payable, Net	3,308,438	4,220,682
Total Long-Term Liabilities	<u>8,201,770</u>	<u>10,425,683</u>
 Total Liabilities	 14,188,747	 16,787,834
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	34,601,575	26,953,093
Undesignated	5,352,338	10,367,730
Total Net Assets Without Donor Restrictions	<u>39,953,913</u>	<u>37,320,823</u>
With Donor Restrictions:		
Time-Restricted for Future Periods	26,716	41,625
Total Net Assets	<u>39,980,629</u>	<u>37,362,448</u>
 Total Liabilities and Net Assets	 <u>\$ 54,169,376</u>	 <u>\$ 54,150,282</u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
SUPPORT AND REVENUE				
Product Revenue:				
Product Revenue	\$ 14,010,844	\$ -	\$ 14,010,844	\$ 24,238,843
Product Costs	(11,916,312)	-	(11,916,312)	(21,237,473)
Product Gross Margin	2,094,532	-	2,094,532	3,001,370
Public Support:				
Contributions	271,995	-	271,995	248,592
United Way	26,347	26,716	53,063	70,974
Change in Year-End Inventory Valuation	(63,971)	-	(63,971)	(185,909)
Total Public Support	234,371	26,716	261,087	133,657
Governmental Support:				
Grants	526,222	-	526,222	532,342
Supported Services Fees	4,558,125	-	4,558,125	4,500,303
Total Governmental Support	5,084,347	-	5,084,347	5,032,645
Sales of Donated Goods:				
Store Sales	28,248,645	-	28,248,645	25,658,022
Salvage Sales	3,185,732	-	3,185,732	5,166,237
Total Sales of Donated Goods	31,434,377	-	31,434,377	30,824,259
Other Revenue:				
Contracts with Businesses	2,225,888	-	2,225,888	1,364,836
Investment Income	2,027,907	-	2,027,907	(2,183,699)
Change in Beneficial Interest in Assets				
Held by Community Foundations	195,583	-	195,583	(202,528)
Miscellaneous	259,109	-	259,109	120,952
Gain on Disposal of Property and Equipment	61,333	-	61,333	2,497,468
Total Other Revenue	4,769,820	-	4,769,820	1,597,029
Net Assets Released from Restrictions:				
Satisfaction of Purpose and Time Restrictions	41,625	(41,625)	-	-
Total Support and Revenue	43,659,072	(14,909)	43,644,163	40,588,960
EXPENSES				
Program Services:				
Retail, Salvage, Solicitation, and Transportation	25,464,929	-	25,464,929	22,588,050
Contracts with Businesses	302,929	-	302,929	460,176
Client Training and Development	7,014,374	-	7,014,374	6,675,437
Heartland Enterprises	3,446,654	-	3,446,654	2,656,497
Total Program Services	36,228,886	-	36,228,886	32,380,160
Supporting Activities:				
Fundraising	34,076	-	34,076	27,043
Management and General	4,763,020	-	4,763,020	4,639,924
Total Supporting Activities	4,797,096	-	4,797,096	4,666,967
Total Expenses	41,025,982	-	41,025,982	37,047,127
CHANGE IN NET ASSETS	2,633,090	(14,909)	2,618,181	3,541,833
Net Assets - Beginning of Year	37,320,823	41,625	37,362,448	33,820,615
NET ASSETS - END OF YEAR	<u>\$ 39,953,913</u>	<u>\$ 26,716</u>	<u>\$ 39,980,629</u>	<u>\$ 37,362,448</u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program Services					Supporting Activities			Total Expenses	
	Retail Salvage, Solicitation, and Transportation	Contracts with Businesses	Client		Total	Fundraising	Management and General	Total	2023	2022
			Training and Development	Heartland Enterprises						
Salaries	\$ 13,420,306	\$ 258,290	\$ 4,987,733	\$ 1,659,621	\$ 20,325,950	\$ -	\$ 2,283,950	\$ 2,283,950	\$ 22,609,900	\$ 19,756,162
Employee Benefits	1,788,030	19,192	766,621	119,908	2,693,751	-	221,777	221,777	2,915,528	2,954,806
Payroll Taxes	1,128,702	20,742	430,801	146,668	1,726,913	-	166,702	166,702	1,893,615	1,678,374
Total Salaries and Related Expenses	16,337,038	298,224	6,185,155	1,926,197	24,746,614	-	2,672,429	2,672,429	27,419,043	24,389,342
Professional Services	178,454	-	4,805	359,537	542,796	-	137,368	137,368	680,164	684,161
Direct Materials	-	-	-	11,540,610	11,540,610	-	-	-	11,540,610	20,876,212
Supplies	1,293,598	-	20,703	154,498	1,468,799	-	27,633	27,633	1,496,432	1,069,434
Telephone	94,533	-	61,577	11,817	167,927	-	77,972	77,972	245,899	272,639
Postage and Shipping	319,660	-	181	-	319,841	-	3,071	3,071	322,912	242,038
Occupancy	4,512,357	-	177,229	661,620	5,351,206	-	505,621	505,621	5,856,827	5,877,295
Equipment Repair and Leasing	217,464	-	82,346	35,264	335,074	-	860,313	860,313	1,195,387	979,765
Printing and Publications	220,425	-	46,908	-	267,333	33,409	72,046	105,455	372,788	360,745
Travel, Trucking, and Related Expenses	915,619	340	112,140	16,693	1,044,792	667	21,252	21,919	1,066,711	1,012,283
Membership Dues	500	-	16,430	-	16,930	-	220,580	220,580	237,510	218,172
Provision for Bad Debts	414	-	1,741	-	2,155	-	-	-	2,155	10,509
Miscellaneous	584,335	4,365	74,666	1,180	664,546	-	22,987	22,987	687,533	574,641
Total Other Expenses	8,337,359	4,705	598,726	12,781,219	21,722,009	34,076	1,948,843	1,982,919	23,704,928	32,177,894
Total Expenses Before Depreciation	24,674,397	302,929	6,783,881	14,707,416	46,468,623	34,076	4,621,272	4,655,348	51,123,971	56,567,236
Depreciation and Amortization	790,532	-	230,493	655,550	1,676,575	-	141,748	141,748	1,818,323	1,717,364
Total Expenses by Function	25,464,929	302,929	7,014,374	15,362,966	48,145,198	34,076	4,763,020	4,797,096	52,942,294	58,284,600
Less: Cost of Goods Sold	-	-	-	(11,916,312)	(11,916,312)	-	-	-	(11,916,312)	(21,237,473)
Total Expenses on Consolidated Statement of Activities	<u>\$ 25,464,929</u>	<u>\$ 302,929</u>	<u>\$ 7,014,374</u>	<u>\$ 3,446,654</u>	<u>\$ 36,228,886</u>	<u>\$ 34,076</u>	<u>\$ 4,763,020</u>	<u>\$ 4,797,096</u>	<u>\$ 41,025,982</u>	<u>\$ 37,047,127</u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,618,181	\$ 3,541,833
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Gain on Disposal of Property and Equipment	(61,333)	(2,497,468)
Depreciation	1,818,323	1,717,364
Reinvested Investment Earnings	(400,667)	(310,969)
Realized and Unrealized Loss on Investments	(1,376,094)	2,613,189
Change in Beneficial Interest in Assets Held by		
Community Foundations	(211,584)	206,329
Effects of Changes in Operating Assets and Liabilities:		
Receivables	177,343	(28,240)
Inventory	(127,901)	573,276
Prepaid Expenses	80,817	5,070
Accounts Payable	(178,108)	(658,821)
Accrued Expenses	207,151	(26,844)
Deferred Revenue	(30,086)	(708)
Lease Liability	(8,989)	(109,264)
Net Cash Provided by Operating Activities	<u>2,507,053</u>	<u>5,024,747</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(12,262,823)	(5,442,722)
Proceeds on Sale of Investments	7,079,788	5,331,097
Purchases of Property and Equipment	(5,548,647)	(1,060,753)
Proceeds from Sale of Property and Equipment	84,540	3,064,706
Net Cash Provided (Used) by Investing Activities	<u>(10,647,142)</u>	<u>1,892,328</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(812,899)	(1,794,136)
Principal Payments on Financing and Capital Leases	-	(156,820)
Net Cash Used by Financing Activities	<u>(812,899)</u>	<u>(1,950,956)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,952,988)	4,966,119
Cash and Cash Equivalents - Beginning of Year	<u>10,884,999</u>	<u>5,918,880</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,932,011</u></u>	<u><u>\$ 10,884,999</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 96,672</u>	<u>\$ 133,424</u>
Noncash Purchases of Property and Equipment and Leases	<u><u>\$ 1,232,554</u></u>	<u><u>\$ 12,791,060</u></u>

See accompanying Notes to Consolidated Financial Statements.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 help people reach their full potential through education, training, and the power of work. 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, 72%, and Governmental Support, 12%.

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.

Adoption of New Accounting Standards

At the beginning of 2023, the Organization adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's consolidated financial statements.

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 Consolidated 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.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Board designated net assets represent reserves or special designations established by the board of directors. See Note 10 for additional details on board designated net assets.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time.

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 19 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 helps people reach their full potential through education, training, and the power of work. 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.

Heartland Enterprises – This program supports the mission by providing vocational training opportunities within and outside the Organization in the packaging of vegetable oil and in custodial work opportunities at government buildings. The oil packaging program's primary customer is the USAID. The packaged oil is shipped world-wide to assist nations with food insecurity. These programs offer vocational training, work skills development, and job placement for clients with disabilities and other barriers to employment.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The Organization recognizes revenue from their vegetable oil packaging program. Revenue is recognized as the product is shipped throughout the year. Therefore, all vegetable oil revenue is recognized over time when the performance obligation of shipping the product is met.

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.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

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. Management believes that the composition of accounts receivable at year end is consistent with historical conditions as credit terms and practices of the customer base have not changed significantly. Future conditions also do not show significant changes expected to impact the collectability of accounts receivable. An allowance of \$82,428 has been recorded as of December 31, 2023.

Inventory

The Organization holds its different types of inventory as follows:

Product Inventory – Inventories are stated at the lower of cost or net realized value and with cost determined on a first-in, first-out (FIFO) method of accounting.

Donated Goods 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 establishes a value for their donated goods inventory by allocating a price per pound of goods received by the Organization. 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.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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.

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. Investment income 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.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the consolidated statement of financial position.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Deferred Compensation Assets

Deferred compensation assets 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, 2023

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.

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.

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 the year ended December 31, 2023. As of December 31, 2023, the Organization has board designated reserves for capital budget, endowment, Scott Contribution and Strategic Reserve included in the assets below of \$17,997,974, which may be drawn upon with board approval.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

As of December 31, 2023, 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 date to meet general expenditures and future needs of the Organization:

Certificates of Deposit	5,133,624
Investments	15,277,084
Beneficial Interest in Assets Held by Community Foundations	<u>1,720,890</u>
Total Financial Assets	<u>22,131,598</u>
Less amounts unavailable without Board's approval:	
Board designated	<u>(17,997,974)</u>
Total Financial Assets Available to Management for General Expenditure within One Year	<u><u>4,133,624</u></u>

NOTE 3 CONDITIONAL PROMISES TO GIVE

The Organization has been awarded various cost reimbursement grants totaling \$546,441. The budget periods for the grants run throughout 2024. Grant funds are not recognized as revenue until the reimbursements become due. The remaining balance of available grant funds at December 31, 2023 is \$266,326.

NOTE 4 INVESTMENTS

Investments consist of the following as of December 31, 2023:

Mutual Funds	\$ 12,748,430
Government Securities	1,345,540
Money Market Funds	<u>1,183,114</u>
Total Investments	<u><u>\$ 15,277,084</u></u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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.

Government Securities: Government securities are valued at the closing price reported in the active market in which the individual securities are traded.

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, 2023

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.

There are no funding or redemption requirements as of December 31, 2023.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Equity	\$ 7,863,010	\$ -	\$ -	\$ 7,863,010
Fixed Income	4,885,420	-	-	4,885,420
Government Securities	1,345,540	-	-	1,345,540
Deferred Compensation Asset	-	235,308	-	235,308
Beneficial Interest in Assets Held by Community Foundations	-	-	1,839,324	1,839,324
Total	<u>\$ 14,093,970</u>	<u>\$ 235,308</u>	<u>\$ 1,839,324</u>	<u>\$ 16,168,602</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, 2023 was \$1,839,324. During the year ended December 31, 2023, the Organization received distributions of \$4,000 from these funds.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 LEASES

The Organization leases equipment as well as store facilities in several locations for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2046. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

The following table provides quantitative information concerning the Organization's leases as of December 31, 2023.

Lease Costs:	Amount
Finance Lease Costs:	\$ 36,857
Amortization of Right-of-Use Assets	35,522
Interest Expense on Lease Liabilities	1,336
Operating Lease Cost	2,937,642
Total Lease Cost	<u>\$ 2,974,500</u>
Other Lease Information:	
Cash Paid for Amounts in Lease Liabilities:	\$ 2,981,781
Operating Cash Flows from Finance Leases	1,350
Operating Cash Flows from Operating Leases	2,945,281
Financing Cash Flows from Finance Leases	35,150
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	7,207
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	3,181,636
Weighted-Average Remaining Lease Term - Finance Leases	2.49 Years
Weighted-Average Remaining Lease Term - Operating Leases	3.53 Years
Weighted-Average Discount Rate - Finance Leases	1.41%
Weighted-Average Discount Rate - Operating Leases	2.20%

The future minimum lease payments expected for these leases as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Finance Leases</u>	<u>Operating Leases</u>
2024	36,121	2,261,460
2025	36,121	2,199,496
2026	13,049	1,424,805
2027	1,512	669,599
2028	756	341,161
Thereafter	-	150,401
Total	87,559	7,046,922
Less: Interest	(1,724)	(302,888)
Total	<u>\$ 85,835</u>	<u>\$ 6,744,034</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	\$ 1,538,354	\$ -	\$ 1,538,354
Distributions	(4,000)	-	(4,000)
Change in Beneficial Interest in Assets Held by Community Foundations	186,536	-	186,536
Net Assets - End of Year	<u>\$ 1,720,890</u>	<u>\$ -</u>	<u>\$ 1,720,890</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 DEBT

Lines of Credit

The Organization has a \$2,000,000 revolving line of credit with Hills Bank and Trust. The line carries a variable interest rate of 3.50% with a maturity date of August 2024. This line of credit is collateralized by a building. There were no amounts outstanding on the line at December 31, 2023.

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.	\$ 1,461,136
Revenue bond issued by City of North Liberty, Iowa, up to \$3,000,000 payable to Hills Bank and Trust. 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%.	2,114,795
Forgivable note issued by City of Coralville, Iowa, in the amount of \$500,000 with an interest rate of 4% and repayment due May 15, 2030. Repayment is eliminated in part or entirely if the business satisfies the terms and provisions of the agreement.	500,000
Loan issued by SourceAmerica, in the amount of \$250,000 with an interest rate of 0%. Beginning April 2021, quarterly installments of \$12,500 are required. Final payment is due July 2025.	112,500
Total	4,188,431
Less: Unamortized Debt Issuance Costs	(40,175)
Total, Net of Unamortized Debt Issuance Costs	4,148,256
Less: Current Portion	(839,818)
Long-Term Portion	\$ 3,308,438

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 DEBT (CONTINUED)

Future maturities of notes payable are as follows as of December 31, 2023:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 839,818
2025	859,669
2026	782,431
2027	313,864
2028	319,568
Thereafter	1,073,081
Total	<u>\$ 4,188,431</u>

NOTE 10 NATURE AND AMOUNTS OF NET ASSETS

Board-designated net assets are available for the following purposes as of December 31, 2023:

Capital Budget	\$ 1,000,000
Endowment	1,720,890
Scott Contribution	10,033,225
Community Solutions Fund	118,434
Principal Needs	775,930
Property and Equipment	15,709,237
Strategic Reserve	5,243,859
Total	<u>\$ 34,601,575</u>

All net assets with donor restrictions are available for future periods as of December 31, 2023:

Future Periods	<u>\$ 26,716</u>
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NOTE 11 ADVERTISING COSTS

Advertising costs for the year ended December 31, 2023 totaled \$331,306.

NOTE 12 RETIREMENT PLAN

The Organization has a defined contribution retirement plan as described in Section 403(b) of the IRC. The Organization contributes 3% of eligible employee wages. In addition, the Organization will match employee contributions dollar-for-dollar up to 6% of an eligible employee's 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, 2023 was \$659,104.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 RETIREMENT PLAN (CONTINUED)

The Organization maintains a Section 457 Deferred Compensation Plan for eligible employees. Benefit payments to a participant or beneficiary are made according to the manner and method of payment as elected in a participation agreement provided within the plan. The asset and liability under the plan as of December 31, 2023 was \$235,308.

NOTE 13 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 14 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, 2023, the Organization has cash in the ICS account of \$587,397. Additionally, the Subsidiary has \$448,321 deposited in the same local bank as of December 31, 2023.

NOTE 15 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, 2023, 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, 2023 were \$60,730 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, 2023

NOTE 16 IN-KIND CONTRIBUTIONS

The Organization received approximately 36,000,000 pounds of donated goods and materials in the year ended December 31, 2023. The Organization processes these in-kind contributions to determine if they can be accepted, considered salvage eligible, or to be merchandise available for sale in its retail thrift stores. The Organization recognizes the value of donated merchandise available for sale in its retail thrift stores using an estimate of \$1.73 per pound, which is based on historical trends and management's best estimate.

The donated goods and materials are utilized by the Organization's programs. There were no donor-imposed restrictions related to these in-kind contributions.

NOTE 17 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, 2022, from which the summarized information is derived.

NOTE 18 RISKS AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the change in the value of investment securities will occur in the near term and that such changes could materially affect the consolidated financial statements.

NOTE 19 SUBSEQUENT EVENTS

Management evaluated subsequent events through April 19, 2024, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2023, but prior to April 19, 2024 that provided additional evidence about conditions that existed at December 31, 2023, have been recognized in the consolidated financial statements for the year ended December 31, 2023. Events or transactions that provided evidence about conditions that did not exist at December 31, 2023, 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, 2023.

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,208,527	\$ 723,484	\$ -	\$ 1,932,011
Certificates of Deposit	5,133,624	-	-	5,133,624
Receivables:				
Accounts Receivable, Net	544,953	290,858	-	835,811
Due from Heartland Enterprises	6,547,165	-	(6,547,165)	-
Grants Receivable	88,110	-	-	88,110
Donated Goods Inventory	1,372,965	-	-	1,372,965
Product Inventory	-	716,392	-	716,392
Prepaid Expenses	587,770	4,169	-	591,939
Total Current Assets	<u>15,483,114</u>	<u>1,734,903</u>	<u>(6,547,165)</u>	<u>10,670,852</u>
PROPERTY AND EQUIPMENT				
Land	3,181,321	2,417,867.00	-	5,599,188
Buildings	10,156,989	6,742,479	-	16,899,468
Improvements	3,900,556	-	-	3,900,556
Equipment	6,959,112	2,506,109	-	9,465,221
Total	<u>24,197,978</u>	<u>11,666,455</u>	<u>-</u>	<u>35,864,433</u>
Less: Accumulated Depreciation	<u>(14,442,874)</u>	<u>(2,096,216)</u>	<u>-</u>	<u>(16,539,090)</u>
Net Property and Equipment	<u>9,755,104</u>	<u>9,570,239</u>	<u>-</u>	<u>19,325,343</u>
OTHER ASSETS				
Investments	15,277,084	-	-	15,277,084
Beneficial Interest in Assets Held by:				
Community Foundations	1,839,324	-	-	1,839,324
ROU Assets - Operating	6,736,564	-	-	6,736,564
ROU Assets - Financing	84,901	-	-	84,901
Deferred Compensation Asset	235,308	-	-	235,308
Total Other Assets	<u>24,173,181</u>	<u>-</u>	<u>-</u>	<u>24,173,181</u>
 Total Assets	 <u>\$ 49,411,399</u>	 <u>\$ 11,305,142</u>	 <u>\$ (6,547,165)</u>	 <u>\$ 54,169,376</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 423,385	\$ 31,765	\$ -	\$ 455,150
Due to Goodwill Industries of the Heartland	-	6,547,165	(6,547,165)	-
Accrued Payroll	839,715	71,633	-	911,348
Payroll Taxes and Withholdings	269,675	23,137	-	292,812
Accrued Compensated Absences	896,572	53,192	-	949,764
Other Accrued Expenses	176,962	5,333	-	182,295
Deferred Revenue	183,945	-	-	183,945
Lease Liability - Operating	2,136,712	-	-	2,136,712
Lease Liability - Financing	35,133	-	-	35,133
Notes Payable	492,466	347,352	-	839,818
Total Current Liabilities	<u>5,454,565</u>	<u>7,079,577</u>	<u>(6,547,165)</u>	<u>5,986,977</u>
LONG-TERM LIABILITIES				
Deferred Compensation Liability	235,308	-	-	235,308
Lease Liability - Operating	4,607,322	-	-	4,607,322
Lease Liability - Financing	50,702	-	-	50,702
Notes Payable, Net	952,458	2,355,980	-	3,308,438
Total Long-Term Liabilities	<u>5,845,790</u>	<u>2,355,980</u>	<u>-</u>	<u>8,201,770</u>
Total Liabilities	11,300,355	9,435,557	(6,547,165)	14,188,747
NET ASSETS				
Without Donor Restrictions:				
Board Designated	34,601,575	-	-	34,601,575
Undesignated	3,482,753	1,869,585	-	5,352,338
Total Without Donor Restrictions	38,084,328	1,869,585	-	39,953,913
With Donor Restrictions:				
Time-Restricted for Future Periods	26,716	-	-	26,716
Total Net Assets	<u>38,111,044</u>	<u>1,869,585</u>	<u>-</u>	<u>39,980,629</u>
Total Liabilities and Net Assets	<u>\$ 49,411,399</u>	<u>\$ 11,305,142</u>	<u>\$ (6,547,165)</u>	<u>\$ 54,169,376</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Goodwill Industries of the Heartland	Heartland Enterprises	Intercompany Eliminations	Consolidated Total
SUPPORT AND REVENUE				
Product Revenue:				
Product Revenue	\$ -	\$ 14,010,844	\$ -	\$ 14,010,844
Product Costs	-	(11,916,312)	-	(11,916,312)
Product Gross Margin	-	2,094,532	-	2,094,532
Public Support:				
Contributions	264,043	7,952	-	271,995
United Way	53,063	-	-	53,063
Change in Year-End Inventory Valuation	(63,971)	-	-	(63,971)
Total Public Support	253,135	7,952	-	261,087
Governmental Support:				
Grants	526,222	-	-	526,222
Supported Services Fees	4,558,125	-	-	4,558,125
Total Governmental Support	5,084,347	-	-	5,084,347
Sales of Donated Goods:				
Store Sales	28,248,645	-	-	28,248,645
Salvage Sales	3,185,732	-	-	3,185,732
Total Sales of Donated Goods	31,434,377	-	-	31,434,377
Other Revenue:				
Contracts with Businesses	180,380	2,045,508	-	2,225,888
Investment Income	2,027,907	-	-	2,027,907
Change in Beneficial Interest in Assets				
Held by Community Foundations	195,583	-	-	195,583
Miscellaneous	337,109	-	(78,000)	259,109
Gain on Disposal of Property and Equipment	61,333	-	-	61,333
Total Other Revenue	2,802,312	2,045,508	(78,000)	4,769,820
Total Support and Revenue	39,574,171	4,147,992	(78,000)	43,644,163
EXPENSES				
Program Services:				
Retail, Salvage, Solicitation, and				
Transportation	25,464,929	-	-	25,464,929
Contracts with Businesses	302,929	-	-	302,929
Client Training and Development	7,014,374	-	-	7,014,374
Heartland Enterprises	-	3,446,654	-	3,446,654
Total Program Services	32,782,232	3,446,654	-	36,228,886
Supporting Activities:				
Fundraising	34,076	-	-	34,076
Management and General	4,841,020	-	(78,000)	4,763,020
Total Supporting Activities	4,875,096	-	(78,000)	4,797,096
Total Expenses	37,657,328	3,446,654	(78,000)	41,025,982
CHANGE IN NET ASSETS	1,916,843	701,338	-	2,618,181
Net Assets - Beginning of Year	36,194,201	1,168,247	-	37,362,448
NET ASSETS - END OF YEAR	<u>\$ 38,111,044</u>	<u>\$ 1,869,585</u>	<u>\$ -</u>	<u>\$ 39,980,629</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
SCHEDULE OF ACTIVITIES BY FUNCTIONAL AREA
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services				
	Retail, Salvage, Solicitation, and Transportation	Contracts with Businesses	Client Training and Development	Heartland Enterprises	Total
SUPPORT AND REVENUE					
Product Revenue	\$ -	\$ -	\$ -	\$ 14,010,844	\$ 14,010,844
Product Costs	-	-	-	(11,916,312)	(11,916,312)
Product Gross Margin	-	-	-	2,094,532	2,094,532
Public Support	(63,971)	-	259,656	7,952	203,637
Governmental Support	2,000	-	5,076,971	-	5,078,971
Sales of Donated Goods	31,434,377	-	-	-	31,434,377
Other Revenue	243,556	252,380	1,000	2,045,508	2,542,444
Total Support and Revenue	31,615,962	252,380	5,337,627	4,147,992	41,353,961
EXPENSES					
Salaries	13,420,306	258,290	4,987,733	1,356,902	20,023,231
Employee Benefits	1,788,030	19,192	766,621	67,124	2,640,967
Payroll Taxes	1,128,702	20,742	430,801	126,469	1,706,714
Total Salaries and Related Expenses	16,337,038	298,224	6,185,155	1,550,495	24,370,912
Professional Services	178,454	-	4,805	359,537	542,796
Supplies	1,293,598	-	20,703	154,498	1,468,799
Telephone	94,533	-	61,577	11,817	167,927
Postage and Shipping	319,660	-	181	-	319,841
Occupancy	4,512,357	-	177,229	661,620	5,351,206
Equipment Repair and Leasing Expenses	217,464	-	82,346	35,264	335,074
	915,619	340	112,140	16,693	1,044,792
Membership Dues	500	-	16,430	-	16,930
Provision for (Recovery of) Bad Debts	414	-	1,741	-	2,155
Miscellaneous	584,335	4,365	74,666	1,180	664,546
Total Other Expenses	8,116,934	4,705	551,818	1,240,609	9,914,066
Total Expenses Before Depreciation	24,453,972	302,929	6,736,973	2,791,104	34,284,978
Depreciation and Amortization	790,532	-	230,493	655,550	1,676,575
Total Expenses	25,244,504	302,929	6,967,466	3,446,654	35,961,553
2023 CHANGE IN NET ASSETS	<u>\$ 6,371,458</u>	<u>\$ (50,549)</u>	<u>\$ (1,629,839)</u>	<u>\$ 701,338</u>	<u>\$ 5,392,408</u>
2022 CHANGE IN NET ASSETS	<u>\$ 8,136,286</u>	<u>\$ (57,810)</u>	<u>\$ (1,362,272)</u>	<u>\$ 1,418,746</u>	<u>\$ 8,134,950</u>

GOODWILL INDUSTRIES OF THE HEARTLAND AND SUBSIDIARY
SCHEDULE OF ACTIVITIES BY FUNCTIONAL AREA (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)
(SEE INDEPENDENT AUDITORS' REPORT)

Supporting Activities				Consolidated Total	
Fundraising	Management and General	Total	Intercompany Eliminations	2023	2022
\$ -	\$ -	\$ -	\$ -	\$ 14,010,844	\$ 24,238,843
-	-	-	-	(11,916,312)	(21,237,473)
-	-	-	-	2,094,532	3,001,370
56,238	1,212	57,450	-	261,087	133,657
-	5,376	5,376	-	5,084,347	5,032,645
-	-	-	-	31,434,377	30,824,259
-	2,305,376	2,305,376	(78,000)	4,769,820	1,597,029
56,238	2,311,964	2,368,202	(78,000)	43,644,163	40,588,960
-	2,283,950	2,283,950	-	22,307,181	19,756,162
-	221,777	221,777	-	2,862,744	2,593,545
-	166,702	166,702	-	1,873,416	1,678,374
-	2,672,429	2,672,429	-	27,043,341	24,028,081
-	215,368	215,368	(78,000)	680,164	684,161
-	27,633	27,633	-	1,496,432	1,069,434
-	77,972	77,972	-	245,899	272,639
-	3,071	3,071	-	322,912	242,038
-	505,621	505,621	-	5,856,827	5,877,295
-	860,313	860,313	-	1,195,387	979,765
667	21,252	21,919	-	1,066,711	1,012,283
-	220,580	220,580	-	237,510	218,172
-	-	-	-	2,155	10,509
-	22,987	22,987	-	687,533	574,641
667	1,954,797	1,955,464	(78,000)	11,791,530	10,940,937
667	4,627,226	4,627,893	(78,000)	38,834,871	34,969,018
-	141,748	141,748	-	1,818,323	1,717,364
667	4,768,974	4,769,641	(78,000)	40,653,194	36,686,382
<u>\$ 55,571</u>	<u>\$ (2,457,010)</u>	<u>\$ (2,401,439)</u>	<u>\$ -</u>	<u>\$ 2,990,969</u>	
<u>\$ (27,043)</u>	<u>\$ (4,566,074)</u>	<u>\$ (4,593,117)</u>	<u>\$ -</u>		<u>\$ 3,541,833</u>

