GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES
AND
GOODWILL FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC.

COMBINED FINANCIAL STATEMENTS

JANUARY 2, 2021 AND DECEMBER 28, 2019

AND

SUPPLEMENTAL INFORMATION

JANUARY 2, 2021

CPAs / ADVISORS

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GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC.

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries
and Goodwill Foundation of Central and Southern Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying combined financial statements of Goodwill of Central and Southern Indiana, Inc. and Subsidiaries and Goodwill Foundation of Central and Southern Indiana, Inc. (hereby referred to as "the Organizations"), which comprise the combined statements of financial position as of January 2, 2021 and December 28, 2019, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organizations' preparation and fair presentation of the combined 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 Organizations' 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 combined financial statements.

Board of Directors
Goodwill of Central and Southern Indiana, Inc. and Subsidiaries
and Goodwill Foundation of Central and Southern Indiana, Inc.
Indianapolis, Indiana

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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of January 2, 2021 and December 28, 2019, and the changes in its net assets and its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information identified in the accompanying table of contents is presented for purposes of additional analysis rather than to present the financial position, results of activities and cash flows of the individual entities, and is not a required part of the combined 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 combined financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
March 17, 2021

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC

COMBINED STATEMENTS OF FINANCIAL POSITION
JANUARY 2, 2021 AND DECEMBER 28, 2019

ASSETS

	2020	2019
Current assets		
Cash and cash equivalents	$ 11,054,879	$ 3,852,750
Restricted cash equivalents	1,306,826	3,930,265
Trade accounts receivable, net	3,043,890	3,407,664
Contributions and pledges receivable, net	1,057,720	985,277
Other receivables	935,597	741,016
Prepaid expenses	947,114	1,034,594
Inventory	6,885,557	5,610,659
Total current assets	25,231,583	19,562,225
Property and equipment, net	83,444,629	68,879,692
Other assets		
Investments	50,500,703	47,922,817
Investment in affiliate	1,430,146	1,732,138
Deposits	80,000	80,000
Total other assets	52,010,849	49,734,955
Total assets	$ 160,687,061	$ 138,176,872

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities		
Line of credit	$ 183,502	$ 1,750,000
Current portion of long-term debt	1,982,256	1,296,420
Current portion of capital leases	103,583	42,964
Accounts payable	1,348,736	1,563,638
Accrued salaries, wages and other liabilities	6,706,725	4,214,367
Other accrued liabilities	4,370,599	3,815,900
Total current liabilities	14,695,401	12,683,289
Long-term debt less current portion	23,227,602	10,605,900
Capital leases	102,507	50,123
Interest rate swap liability	374,347	-0-
Other	509,293	893,664
Total other liabilities	24,213,749	11,549,687
Total liabilities	38,909,150	24,232,976
Net assets		
Without restrictions	117,242,450	106,860,866
With restrictions	4,535,461	7,083,030
Total net assets	121,777,911	113,943,896
Total liabilities and net assets	$ 160,687,061	$ 138,176,872

See accompanying notes to combined financial statements.

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JANUARY 2, 2021 AND DECEMBER 28, 2019

	2020	2019
Revenues, gains (losses) and support		
Sales - donated goods	$ 93,550,429	$ 101,880,516
Commercial services	16,476,504	13,559,044
Mission advancement	8,007,981	8,319,358
Education services	36,705,350	32,868,785
United Way support	1,128,258	591,354
Grants and contributions	1,060,513	1,140,052
Other revenue and support	1,541,863	1,346,416
Net assets released from restrictions for specified purpose	4,076,034	3,682,906
Total revenues, gains (losses) and support	162,546,932	163,388,431
Expenses		
Retail services	87,583,160	87,536,805
Commercial services	15,254,942	15,260,119
Mission advancement	10,607,872	12,689,529
Education services	30,376,719	24,763,504
General and administrative	12,229,526	18,733,435
Fundraising	746,290	647,700
Total expenses	156,798,509	159,631,092
Excess revenue over expenses	5,748,423	3,757,339
Other changes in net assets without restrictions		
Contribution of property and equipment	-0-	1,046,632
Investment return, net	5,362,657	6,573,785
Loss on interest rate swap	(374,347)	-0-
Gain (loss) on disposition of property and equipment	(53,157)	711,007
Loss on investment in affiliate	(301,992)	-0-
Total other changes in net assets without restrictions	4,633,161	8,331,424
Total changes in net assets without restrictions	10,381,584	12,088,763
Changes in net assets with restrictions		
Contributions	1,256,138	780,059
Investment return, net	272,327	343,342
Net assets released from restrictions for specified purpose	(4,076,034)	(3,682,906)
Total changes in net assets with restrictions	(2,547,569)	(2,559,505)
Changes in net assets	7,834,015	9,529,258
Net assets		
Beginning of year	113,943,896	104,414,638
End of year	$ 121,777,911	$ 113,943,896

See accompanying notes to combined financial statements.

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JANUARY 2, 2021

	Retail Services	Commercial Services	Mission Advancement	Education Services	General and Administrative	Fundraising	2020 Totals
Salaries and wages	$ 39,672,167	$ 7,680,940	$ 7,695,784	$ 13,617,006	$ 5,876,719	$ 1,225,841	$ 75,768,457
Benefits	8,121,307	2,146,173	1,555,982	3,929,081	1,296,493	137,847	17,186,883
Cost of sales	538,205	2,769,976	-0-	-0-	-0-	-0-	3,308,181
Professional fees	3,461,150	344,711	223,871	4,313,045	1,228,308	22,701	9,593,786
Supplies	5,687,983	538,548	213,220	647,993	597,679	49,857	7,735,280
Occupancy	19,816,796	1,059,347	244,973	5,119,994	1,293,177	30,273	27,564,560
Depreciation	5,098,587	513,694	243,681	620,778	441,286	3,033	6,921,059
Travel and transportation	3,897,111	57,545	94,956	19,340	91,800	350	4,161,102
Advertising	559,010	8,438	7,944	171,625	311,847	11,653	1,070,517
Interest	643,595	-0-	-0-	-0-	48,758	-0-	692,353
Staff development	10,672	23,643	120,450	116,876	46,975	-0-	318,616
Memberships & dues	1,962	10,290	4,739	12,170	247,390	1,522	278,073
Student services	-0-	-0-	-0-	1,328,608	-0-	-0-	1,328,608
Client services	5,584	22,402	202,965	1,706	53	-0-	232,710
Grants and contributions	-0-	157,776	718,512	301,752	2,060,790	-0-	3,238,830
Other	69,031	65,711	(693)	469,043	510,589	-0-	1,113,681
	87,583,160	15,399,194	11,326,384	30,669,017	14,051,864	1,483,077	160,512,696
Less: eliminations	-0-	(144,252)	(718,512)	(292,298)	(1,822,338)	(736,787)	(3,714,187)
	$ 87,583,160	$ 15,254,942	$ 10,607,872	$ 30,376,719	$ 12,229,526	$ 746,290	$ 156,798,509

See accompanying notes to combined financial statements.

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 28, 2019

	Retail Services	Commercial Services	Mission Advancement	Education Services	General and Administrative	Fundraising	2019 Totals
Salaries and wages	$ 39,992,234	$ 5,576,487	$ 8,042,868	$ 12,288,239	$ 10,152,560	$ 926,111	$ 76,978,499
Benefits	8,361,130	2,148,936	1,841,100	3,972,907	2,576,183	144,026	19,044,282
Cost of sales	1,002,002	5,124,875	-0-	-0-	-0-	-0-	6,126,877
Professional fees	5,554,715	101,218	449,614	1,054,370	1,765,415	10,563	8,935,895
Supplies	4,802,832	721,269	323,303	528,863	894,203	73,240	7,343,710
Occupancy	20,466,198	1,254,548	371,809	4,210,175	1,586,041	28,148	27,916,919
Depreciation	3,909,553	402,450	190,494	553,794	347,168	2,369	5,405,828
Travel and transportation	2,216,941	93,212	417,218	210,489	369,978	15,423	3,323,261
Advertising	560,619	19,095	33,840	272,818	611,165	5,764	1,503,301
Interest	360,135	-0-	-0-	106,929	16,116	-0-	483,180
Staff development	2,038	3,015	153,449	61,073	241,260	973	461,808
Memberships & dues	2,822	6,135	4,833	5,056	260,498	883	280,227
Student services	-0-	-0-	-0-	1,117,929	23,457	-0-	1,141,386
Client services	21,355	40,303	279,736	4,433	-0-	-0-	345,827
Grants and contributions	95,259	-0-	1,295,091	366,688	198,286	-0-	1,955,324
Other	345,783	78,503	450,086	1,309,271	171,519	139,821	2,494,983
	87,693,616	15,570,046	13,853,441	26,063,034	19,213,849	1,347,321	163,741,307
Less: eliminations	(156,811)	(309,927)	(1,163,912)	(1,299,530)	(480,414)	(699,621)	(4,110,215)
	$ 87,536,805	$ 15,260,119	$ 12,689,529	$ 24,763,504	$ 18,733,435	$ 647,700	$ 159,631,092

See accompanying notes to combined financial statements.

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JANUARY 2, 2021 AND DECEMBER 28, 2019

	2020	Restated 2019
Operating activities		
Change in net assets	$ 7,834,015	$ 9,529,258
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	6,921,059	5,405,828
Amortization	22,895	9,874
Contribution of property and equipment	-0-	(1,046,632)
Bad debt expense	27,964	104,766
(Gain) loss on disposal of property and equipment	53,157	(711,007)
Loss on interest rate swaps	374,347	-0-
Loss on investment in affiliate	301,992	-0-
Unrealized and realized gain on investments	(4,159,658)	(5,123,636)
Changes in operating assets and liabilities		
Trade accounts receivable, net	363,774	1,184,383
Contributions and pledges receivable, net	(72,443)	(102,699)
Other receivables	(222,545)	(207,442)
Prepaid expenses and other	389,472	544,872
Inventory	(1,274,898)	116,211
Accounts payable and accrued liabilities	2,781,118	(3,448,280)
Other long-term liabilities	(384,371)	260,228
Net cash flows from operating activities	12,955,878	6,515,724
Investing activities		
Purchase of property and equipment	(21,333,155)	(9,209,899)
Proceeds from disposal of property and equipment	26,897	966,108
Loss on investment in affiliate	(301,992)	-0-
Proceeds from sale of investments	9,213,534	1,163,494
Purchase of investments	(7,631,762)	(3,500,844)
Net cash flows from investing activities	(20,026,478)	(10,581,141)
Financing activities		
Borrowings and repayments on line of credit, net	(1,566,498)	(825,000)
Proceeds from long-term debt	22,293,270	-0-
Principal payments on long-term debt	(9,008,627)	(1,296,420)
Payments on capital lease obligations	(68,855)	(35,895)
Net cash flows from financing activities	11,649,290	(2,157,315)
Net change in cash, cash equivalents and restricted cash equivalents	4,578,690	(6,222,732)
Cash, cash equivalents, and restricted cash equivalents		
Beginning of year	7,783,015	14,005,747
End of year	$ 12,361,705	$ 7,783,015
Reconciliation of cash, cash equivalents, and restricted cash equivalents		
Cash and cash equivalents in current assets	$ 11,054,879	$ 3,852,750
Restricted cash equivalents in current assets	1,306,826	3,930,265
Total cash, cash equivalents, and restricted cash equivalents	$ 12,361,705	$ 7,783,015
Supplemental disclosures of cash flows information		
Cash paid for interest	$ 601,943	$ 496,527
Non cash investing activities		
Property and equipment included in accounts payable	$ 51,037	$ 279,132
Property and equipment acquired through capital lease	$ 181,858	$ 128,982
Contribution of property and equipment	$ -0-	$ 1,046,632

See accompanying notes to combined financial statements.

1. NATURE OF BUSINESS

Principles of Combination

These combined financial statements include the consolidated accounts of Goodwill of Central and Southern Indiana, Inc. and its subsidiary companies (collectively referred to as "Goodwill") and Goodwill Foundation of Central and Southern Indiana, Inc. ("Foundation"). Goodwill and the Foundation (collectively referred to as the "Organizations") are considered related companies. All material inter-company accounts and transactions have been eliminated.

Description of Organizations

Goodwill of Central and Southern Indiana, Inc. ("GCSI") and its subsidiaries, GW Commercial Services, Inc. ("GWCS") and Goodwill Education Initiatives, Inc. ("GEI") are Indiana non-profit organizations that offer employment, education, health, and related services to disadvantaged adults and young people throughout central and southern Indiana. Goodwill defines disadvantaged individuals as those with a barrier to employment such as a disability, a criminal history, and/or a low education level (less than a high school diploma).

Goodwill created a wholly-owned, single-purpose limited liability company, Goodwill Riverview Partners, LLC (GRP), in 2017 to participate in a workforce housing joint venture project. (See Note 19).

GCSI's retail operation collects donations of used clothing and household items and sells them through a network of 68 thrift stores, four warehouse outlet centers and three vintage stores. Excess and unsalable donated items are sold through salvage and recycling channels. Unique items, jewelry and books are often sold through e-commerce channels. The retail operation also accepts and sells donated automobiles, using a third party for marketing, vehicle towing and auction services. The retail operation employs more than 2,900 individuals, more than 60% of whom have barriers to employment. These operations generate revenue and cash flow that fund a large portion of GCSI's other mission-related operations and general and administrative expenses.

GWCS is operated under common management with GCSI and provides rehabilitative training and jobs for people who have significant disabilities, primarily through service contracts with various federal governmental entities pursuant to AbilityOne (formerly known as the Javits-Wagner-O'Day Act of 1971). AbilityOne requires certain federal governmental entities to purchase selected products and services, via such contracts, from non-profit agencies employing blind or significantly disabled individuals. GCSI operates nine AbilityOne contracts at government sites in Indiana and employs approximately 135 people with significant disabilities. GWCS's operation provides a variety of outsource packaging, assembly and fulfillment services to external customers, employing over 260 people with disabilities and other barriers.

GCSI's Mission Advancement ("MA") operation provides case management, counseling, training, education, job coaching, job placement and related supportive services, for disabled, disadvantaged, unemployed and under-employed individuals who wish to find and retain employment, and increase their economic self-sufficiency. MA also manages programs that provide holistic whole-family services to Goodwill's low-wage workers, program participants, and students and their families. The GWCS and MA segments of GCSI are funded by a combination of contracts with external customers, service contracts with federal and state governmental entities, United Way grants, private grants, gifts from individuals and foundations, and subsidies from GCSI's retail operation.

GEI provides educational opportunities designed to enable young people and adults to prepare for more productive lives. GEI operates 16 public charter high schools in Indiana under the provisions of the Indiana Charter School laws and the chartering authorities of the Mayor of Indianapolis and the Indiana Charter School Board. The following table provides more information regarding GEI's charter schools.

School Name	School Location	Chartering Authority	Number of Years in Operation	Student Enrollment at January 2, 2021
Indianapolis Metropolitan High School	Indianapolis, IN (at GCSI headquarters facility)	Mayor of Indianapolis	17	287
The Excel Center for Adult Learners	Four locations in Indianapolis, IN, including one at GCSI headquarters facility	Mayor of Indianapolis	10	1289
The Excel Center - Anderson	Anderson, IN	Indiana Charter School Board	9	305
The Excel Center - Kokomo	Kokomo, IN	Indiana Charter School Board	8	366
The Excel Center - Lafayette	Lafayette, IN	Indiana Charter School Board	8	335
The Excel Center - Richmond	Richmond, IN	Indiana Charter School Board	8	219
The Excel Center - West	Indianapolis, IN	Mayor of Indianapolis	8	345
The Excel Center - University Heights	Indianapolis, IN	Mayor of Indianapolis	6	353
The Excel Center - Noblesville	Noblesville, IN	Indiana Charter School Board	6	177
The Excel Center - Shelbyville	Shelbyville, IN	Indiana Charter School Board	5	163
The Excel Center - Clarksville	Clarksville, IN	Indiana Charter School Board	4	306
The Excel Center - Muncie	Muncie, IN	Indiana Charter School Board	3	274
The Excel Center - Bloomington	Bloomington, IN	Indiana Charter School Board	2	156
Total				4,575

The schools contract with GCSI for certain business support services, including marketing, human resources, finance, technology and facilities management. The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, gifts and support from GCSI. Indianapolis Metropolitan High School (the Met) primarily serves at-risk students in grades 9-12. The Excel Centers primarily serve adults who previously dropped out of high school and are seeking their high school diplomas rather than a General Education Diploma.

Goodwill is a member of Goodwill Industries International, Inc. (GII). Goodwill pays GII annual dues in exchange for the Goodwill brand name, national advocacy, and other support. During 2020 and 2019, Goodwill paid dues of approximately $177,000 and $200,000, respectively, to GII. Goodwill operates autonomously and reports its financial results independent of GII or any other GII-affiliated entity. Goodwill operates in a geographic territory assigned to it by GII encompassing 39 counties in central and southern Indiana.

Goodwill is a member agency of United Way of Central Indiana, Inc. and Metro United Way (Louisville, KY). During 2020 and 2019, Goodwill received United Way grants of approximately $1,128,000 and $591,000, respectively, included within United Way support in the combined statements of activities and changes in net assets.

Goodwill Foundation of Central and Southern Indiana, Inc. (Foundation) was organized in 1971 as an Indiana not-for-profit corporation. The purpose of the Foundation is to solicit financial support from the general public and to disburse such funds to support Goodwill and GEI, to help establish new programs or services for disabled and disadvantaged individuals in central and southern Indiana, further Goodwill's educational efforts, provide college scholarships to qualifying graduates of GEI's charter schools and attract promising college students to careers in human services by providing scholarships and internships. The Foundation has common management with Goodwill, reimburses Goodwill for certain fundraising expenses and pays Goodwill a management fee. The accompanying combined financial statements of Goodwill have not been consolidated with those of the Foundation due to less than a majority voting interest and lack of controlling financial interest between the two organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Use of Estimates

The accompanying combined financial statements were prepared on the accrual basis of accounting. The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 combined financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates. For annual financial reporting purposes, Goodwill utilizes a 52-week period ending on the Saturday closest to December 31.

Cash, Cash Equivalents, and Restricted Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Goodwill maintains cash balances at commercial banks. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At January 2, 2021 and December 28, 2019, Goodwill maintained cash and cash equivalents in excess of the FDIC coverage limits by approximately $12,000,000 and $8,000,000, respectively.

In applying Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows – Restricted Cash (Topic 230)*, restricted cash equivalents related to externally imposed restrictions are included in restricted cash equivalents on the combined statements of cash flows. The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported with the combined statements of financial position that sum to the total of the same amounts shown in the combined statements of cash flows.

	2020	2019
Cash and cash equivalents	$ 11,054,879	$ 3,852,750
Restricted cash equivalents	1,306,826	3,930,265
Total cash, cash equivalents, and restricted cash shown in the combined statements of cash flows	$ 12,361,705	$ 7,783,015

Trade Accounts Receivable

Trade accounts receivable are unsecured customer obligations generally requiring payment within 30 days of the invoice date. Accounts receivable are stated at the amount billed to the customer or at amounts determined by public statute. Generally, customer account balances with invoices dated over 30 days are considered delinquent. Management individually reviews all accounts receivable balances that are past due, and based on an assessment of current creditworthiness and other factors, estimates the portion, if any, of the balance that will not be collected.

Inventories

The retail store and e-commerce operations of Goodwill sell donated inventories. These items have little or no economic value to Goodwill when first received and therefore are not recorded at the time of donation. Donated goods are sold through retail store, e-commerce, salvage and recycling sales channels. Costs included in donated goods inventory include those incurred to collect, transport and process donated items to place them for sale in Goodwill's retail stores, e-commerce operations, or to salvage and recycling dealers. Retail store, e-commerce, recycling and salvage sales are reflected in the combined statements of activities and changes in net assets as Sales - donated goods.

Goodwill's commercial services operation has purchased inventories generally classified as raw material, work in process and finished goods. These inventories are valued in the combined financial statements at standard cost. Cost of sales is included in retail and commercial services expenses in the combined statements of functional expenses.

Property and Equipment

Property and equipment are recorded at historical cost, or, if donated, at fair value. Depreciation is computed on the straight-line method over estimated useful lives ranging from 10 to 30 years for buildings and building improvements, and from 3 to 10 years for technology assets, equipment and other capital assets. Leasehold improvements are depreciated over a period of time not exceeding the life of the corresponding property lease. Material property additions and improvements over $3,000 are capitalized and expenditures for normal maintenance and repairs are expensed as incurred. Goodwill accumulates certain costs for capital projects until the projects are placed in service, at which time they become depreciable fixed assets.

Investments and Investment Income

Accounting standards require that investments in equity securities with readily determinable fair values and all investment in debt securities be measured at fair value in the combined statements of financial position. Interest, dividends, and realized and unrealized gains and losses, net of related expenses, are reflected in the combined statements of activities and changes in net assets, as a component of investment return, net.

Investment in Affiliate

Investments in affiliate are recorded on the equity method of accounting. The investment approximated $1,430,000 and $1,732,000 as of January 2, 2021 and December 28, 2019, respectively.

Net Assets

The Organizations' combined financial statements are prepared in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations. Accordingly, the Organizations' accounts are stated on the accrual basis of accounting, whereby revenues are recorded as earned and expenses are recorded as incurred. The accompanying combined financial statements have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organizations are classified and reported as follows:

- Without Donor Restriction - These include revenues and expenses from the regular operations of Goodwill, which are at the discretion of management and the Board of Directors.

- With Donor Restriction - These include contributions and grants with restrictions specified by the donors or grantors.

Income Taxes

The Foundation is a not-for-profit corporation, as described under Code Section 501(c)(3) of the Internal Revenue Code (IRC). GCSI, GWCS and GEI are not-for-profit corporations, as described under Code Section 501(c)(3) of the Internal Revenue Code (IRC). As such, The Foundation, GCSI and GEI are generally exempt from income taxes. The Foundation, GCSI and GEI are required to file Federal Form 990-Return of Organization Exempt from Income Tax, which is an informational return only.

GRP is organized as a LLC, whereby net taxable income is taxed directly to Goodwill and not GRP. Since Goodwill is the sole member of GRP, GRP is treated as a disregarded entity under the appropriate code of the IRC. As such, the financial activity of GRP is included in Goodwill's Federal Form 990 Return of Organization Exempt from Income Tax.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Goodwill and recognize a tax liability if Goodwill has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Goodwill and has concluded that as of January 2, 2021 and December 28, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying combined financial statements. Goodwill is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Goodwill has filed its federal and state income tax returns (Federal Forms 990 and State Forms NP-20) for periods through December 28, 2019. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions). As of the date the combined financial statements were available to be issued, there were no audits for any tax periods in progress.

Revenue – Sales of Donated Goods and Commercial Services

Sales of donated goods and commercial services are considered revenues from contracts with customers in which revenue is recorded when performance obligations are satisfied. Sales of donated goods revenue is recognized at the point of sale. Commercial services revenue is recognized over time on a monthly basis for services performed under contracts, and on a daily basis for shipment of goods to customers of Goodwill's packaging and assembly operations.

The transaction price in the contract is based upon the stand-alone selling prices of the promised goods or services. The Organizations do not enter into contracts in which the period between transfer of goods or services to the customer and payment by the customer is greater than one year. Therefore, the consideration amounts are not adjusted for the time value of money. The Organizations recognize any incremental costs to obtain a contract as an expense when incurred as these costs are not material and would be amortized over a period less than one year if recognized.

AbililtyOne contracts are typical recurring service contracts based on input methods such as labor hours expended and time cleaning square footage of government centers. Packaging/assembly contracts transfer based on output methods of units produced.

All other revenue reported within the combined statements of activities and changes in net assets are considered non-exchange transactions, thus, revenue is recorded based on any restrictions on the usage of such revenue. There are no such conditions on this revenue recorded within revenue, gains (losses) and other support within the combined statements of activities and changes in net assets.

Contributions and Pledges

The Organizations recognize contributions when cash or unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organizations use the allowance method to estimate uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of specific promises made.

The following unconditional promises to give are include in contributions and pledges receivable, net, within the combined statements of financial position as of January 2, 2021 and December 28, 2019:

	2020	2019
Contributions and pledges receivable	$ 1,074,280	$ 1,001,837
Less: allowance for uncollectible	(16,560)	(16,560)
Net contributions and pledges receivable	$ 1,057,720	$ 985,277

	2020	2019
Less than one year	$ 1,074,280	$ 1,001,837

Expense Allocation

Expenses have been classified as retail and commercial services, mission advancement, education services, general and administrative, and fundraising. The Organizations use actual direct expenditures and cost allocations, based on estimates of time and usage by Goodwill personnel and programs, which primarily include salaries, wages, and employee benefits, to classify its expenses. The expenses that are allocated include depreciation and interest, which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results.

Advertising

Advertising and printing expenses totaled approximately $1,071,000 and $1,503,000 during 2020 and 2019, respectively. Goodwill's policy is to record advertising expenditures in the period in which they are incurred.

Reclassifications

Certain amounts in the prior year combined financial statements have been reclassified to conform with the current year presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the combined financial statements are available to be issued.

Subsequent Events

Goodwill has evaluated events or transactions occurring subsequent to the financial statement date for recognition and disclosure in the accompanying combined financial statements through the date the combined financial statements are available to be issued, which is March 17, 2021.

3. RESTATEMENT OF 2019 COMBINED STATEMENT OF CASH FLOWS

The accompanying combined financial statements as of and for the year ended December 28, 2019, have been restated to reflect the Organizations' retrospective adoption of FASB ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the combined statements of cash flows. The adoption of this ASU resulted in the reclassification of restricted cash equivalents with externally imposed restrictions of approximately $3,930,000 in cash for the combined statements of cash flows as of December 28, 2019. There was no impact to the combined statements of activities and changes in net assets as a result of the retrospective adoption of this ASU.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organizations regularly monitor liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organizations have various sources of liquidity at their disposal, including cash and cash equivalents, investments, and operating lines of credit.

For purposes of analyzing resources available to meet general expenditures over the next 12 months, the Organizations consider all expenditures related to its ongoing activities, capital expenditures, and other commitments to be general expenditures. The Organizations operate with a balanced budget, and anticipate generating sufficient revenue to cover general expenditures.

Goodwill's retail operations provide daily cash flow, which partially offsets the variability of cash flows from other sources, such as accounts receivable, grants receivable, and fundraising efforts. Goodwill assesses the risk that certain events, like severe weather, could have a temporary adverse impact on cash flows. As a result, Goodwill maintains a fixed-income investment portfolio, and a bank line of credit, that together will generally provide 25-30 days of operating expenses.

GEI receives more than 90% of its revenue from state and Federal government sources. Cash distributions from government sources are generally received monthly throughout the year. GEI's cash receipts are highly predictable and its expenditures closely align with receipts. Additionally, GEI's charter authorizers require GEI to maintain a cash balance equal to at least 50 days of operating expenses.

The Organizations' financial assets and liquidity resources available within one year of the combined statements of financial position date for general expenditure as of January 2, 2021 and December 28, 2019 are as follows (excluding a line of credit restricted for capital expenditures):

	2020	2019
Financial assets		
Cash and cash equivalents	$ 11,054,879	$ 3,852,750
Trade accounts receivable, net	3,043,890	3,407,664
Other receivables, including grants, contributions and pledges (excluding restricted pledges, net)	1,299,731	1,296,965
Financial assets available in one year	15,398,500	8,557,379
Liquidity resources		
Line of credit ($-0- and $1,750,000 in use as of January 2, 2021 and December 28, 2019, respectively)	5,000,000	3,250,000
Total financial assets and liquidity resources	$ 20,398,500	$ 11,807,379

In addition, the Organizations have approximately $50,500,000 and $47,900,000 of investments as of January 2, 2021 and December 28, 2019. While the Organizations do not intend to spend these funds within the next year, the amount could be made available, if necessary.

The Foundation solicits contributions from the general public and invests funds received from donors in accordance with its investment policy, as established, and amended from time to time, by its board of directors. The Foundation disburses such funds to support Goodwill to help establish new programs or services for disabled and disadvantaged individuals in central and southern Indiana, further Goodwill's educational efforts, provide college scholarships to qualifying graduates of GEI's charter schools, and attract promising college students to careers in human services by providing paid internships. The Foundation's support to Goodwill is generally in the form of grants.

The Foundation makes available for its annual operating expenditures and support an amount equal to five percent of the rolling three-year average of its total endowment (5% distribution limit).

The Foundation operates with a balanced budget, and anticipates that its annual expenditures for operating expenses and support to Goodwill and GEI will be covered by the 5% distribution limit described above. Operating expenses include administrative and general expenses and fundraising costs. The Foundation manages its cash available for its annual expenditures by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets, and ensuring it can meet long-term grant commitments and obligations imposed by donor restrictions through its investment policies and practices.

5. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable (contracts receivable) as of January 2, 2021 and December 28, 2019 are summarized as follows:

	2020	2019
Trade accounts receivable	$ 3,178,014	$ 3,693,329
Less: allowance for uncollectible accounts	(134,124)	(285,665)
	$ 3,043,890	$ 3,407,664

Trade accounts receivable (contracts receivable) as of December 29, 2018 approximated $4,592,047.

6. INVENTORIES

Inventories as of January 2, 2021 and December 28, 2019 are summarized as follows:

	2020	2019
Donated goods	$ 6,322,209	$ 4,991,705
Purchased goods	563,348	618,954
	$ 6,885,557	$ 5,610,659

7. INVESTMENTS

Investments, at fair value, consist of the following as of January 2, 2021 and December 28, 2019:

	2020	2019
Mutual funds - fixed income	$ 2,010,462	$ 2,029,657
Mutual funds - short-term	3,373,350	4,175,808
Mutual funds - domestic equities	22,389,695	19,285,531
Mutual funds - international	13,622,931	13,962,912
Exchange traded funds	2,917,178	2,190,202
Alternative investments	6,187,087	6,278,707
	$ 50,500,703	$ 47,922,817

Investment return, net of related expenses, for the years ended January 2, 2021 and December 28, 2019 included in the combined statements of activities and changes in net assets is set for in the following table:

	2020	2019
Interest and dividends	$ 1,475,326	$ 1,793,491
Realized gain (loss) on investments	(125,792)	384,121
Unrealized gain on investments	4,285,450	4,739,515
	$ 5,634,984	$ 6,917,127

The Organizations' investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value in the combined statements of financial position (see Note 8). The Foundation’s alternative investments consist of private equity and natural resources fund of fund vehicles. These investments are not readily marketable, are less liquid than the Organizations' other investments and are carried at estimated fair values provided by the investment managers. The investment managers report the respective estimated fair values on a one or two quarter lag and management includes all current-quarter cash activity in the estimated fair values reported at the combined statements of financial position date. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of alternative investments. Those estimated fair values may differ materially from the values that would have been used had a ready market for these investments existed (see Note 8). Realized and unrealized investment gains and losses are reported in the combined statements of activities and changes in net assets as a component of investment return, net.

8. FAIR VALUE MEASUREMENTS

Effective December 29, 2019, the Organizations early adopted FASB ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments to this ASU removed and modified certain disclosure requirements in Topic (820). As such, the fair value measurement disclosures for 2019 have been restated for these changes.

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). 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 that the Organizations have the ability to access.

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at January 2, 2021 and December 28, 2019.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organizations are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Goodwill are deemed to be actively traded.

- *Exchange traded funds*: Valued at the NAV of shares of the underlying stocks held by the Organizations at year-end. These funds are required to publish their daily NAV and to transact at that price. The exchange traded funds held by the Organizations are deemed to be actively traded.

- *Interest rate swap agreements:* Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

- *Limited partnership funds*: Funds are valued at the percentage ownership of the NAV as reported to the Organizations by the individual managers.

The following table sets forth by level, within the hierarchy, the Organizations' assets measured at fair value on a recurring basis as of January 2, 2021 and December 28, 2019:

	January 2, 2021			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Fixed income	$ 2,010,462	$ 2,010,462	$ -0-	$ -0-
Short-term	3,373,350	3,373,350	-0-	-0-
Domestic equities	22,389,695	22,389,695	-0-	-0-
International	13,622,931	9,129,167	4,493,764	-0-
Exchange traded funds				
Basic materials	2,917,178	2,917,178	-0-	-0-
	44,313,616	$ 39,819,852	$ 4,493,764	$ -0-
Limited partnership funds (a)	6,187,087			
Cash and cash equivalents				
Money market deposit account	1,175,749			
	$ 51,676,452			
Other liabilities				
Interest rate swap agreement	$ 374,347	$ -0-	$ 374,347	$ -0-

	December 28, 2019			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Fixed income	$ 2,029,657	$ 2,029,657	$ -0-	$ -0-
Short-term	4,175,808	4,175,808	-0-	-0-
Domestic equities	19,285,531	19,285,531	-0-	-0-
International	13,962,912	10,422,124	3,540,788	-0-
Exchange traded funds				
Basic materials	1,290,589	1,290,589	-0-	-0-
Energy limited partnership	899,613	899,613	-0-	-0-
	41,644,110	$ 38,103,322	$ 3,540,788	$ -0-
Limited partnership funds (a)	6,278,707			
Cash and cash equivalents				
Certificates of deposit	3,809,043			
	$ 51,731,860			

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the combined statements of financial position.

The Organizations hold investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying combined financial statements.

Fair Value of Investments in Entities that Use Net Assets Value

	January 2, 2021				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup
Investment					
Limited partnerships - private equities (c)	$ 3,092,844	$ 227,156	N/A	None	None
Limited partnserships - natural resources (b)	$ 1,959,092	$ 3,040,908	N/A	None	None
Limited partnerships - renewable energy (b)	$ 1,135,151	$ -0-	Quarterly	90 days	None

	December 28, 2019				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup
Investment					
Limited partnerships - private equities (c)	$ 2,718,344	$ 601,656	N/A	None	None
Limited partnerships - natural resources (b)	$ 2,442,280	$ 2,557,720	N/A	None	None
Limited partnerships - renewable energy (b)	$ 1,118,083	$ -0-	Quarterly	90 days	None

(b) The Foundation has invested in three separate natural resources funds. Two funds invest primarily in energy – specifically, natural gas and oil production, distribution, transportation, storage, generation and transmission; and timber – specifically, agricultural land investments focused on active timber production and capital appreciation; and minerals and mining. The third fund seeks to acquire and manage income-generating commercial scale renewable energy projects and sells energy produced from the projects back to utilities and municipalities.

(c) The Foundation has invested in four separate private equity funds, one of which invests primarily in U.S. and foreign private equity and venture capital funds, in both developed and emerging markets. Developed market funds include investments in the United States and Europe, while emerging markets funds include investments primarily in Central and Eastern Europe and China. The second fund invests mainly in early-stage technology venture firms due to low valuations and the opportunity to build companies to large exit valuations. It also invests in healthcare companies both domestically and in India and China. The fund invests primarily in venture capital and other private equity sub-funds; however, it will also invest approximately 25% of its investable capital in direct investments. The third fund deploys the majority of its capital to established and emerging global venture capital funds while reserving a meaningful percentage for direct investments in information technology, communications and healthcare companies. The fourth fund makes investments in lower middle market consumer products, niche manufacturing and specialty business services companies located in the United States.

(b) & (c) Natural resources and private equity investments do not typically have observable, readily available market prices. They are closed-end investments and require a specified commitment of capital upon inception of the funds which is drawn down over a specified period of the fund’s life. The funds do not provide redemption options for investors and do not permit subscriptions by new or existing investors subsequent to closing. They generally hold interests for which there is no active market, although in some cases, limited transactions may occur in a secondary market where an investor purchases another investor’s existing interest and commitment. Accordingly, estimated fair values may differ materially from the values that would have been used had a ready, active market for these investments existed. Management intends to and has the ability to hold these investments to maturity. In the event the Foundation would have to exit these investments in a forced sale, it is very likely that the ultimate sales values would be significantly less than the estimated fair values. Management is unable to determine the prices it could obtain for these investments in a forced sale.

Liquidation values could differ materially from reported fair values and fair values could be materially impacted if the sub-fund managers misstate their fund valuations. Valuation of alternative investment assets relies on the managers of the underlying funds to provide accurate and timely information to assess their respective fund valuations. The Fund general partners evaluate all valuation policies used by managers of underlying funds and analyze the roles of all third parties involved in the valuation process prior to investing in an underlying fund. After an investment has been made, the Fund general partners assess the reasonableness of all valuations determined by underlying funds and determine fair values for all funds on a quarterly basis. On an annual basis, financial statements and capital account statements for each alternative investment fund are produced and reviewed for compliance with fair value accounting standards and adherence to U.S. GAAP.

The Foundation’s investment committee engages a third-party investment advisor to provide advice and counsel for the Foundation’s investment portfolio. The advisor meets quarterly with the investment committee and provides an investment performance report, an economic and market outlook and recommendations on existing and potential new investment strategies and managers.

The Foundation's investment objectives are to provide for long-term growth while maintaining a diversified portfolio that seeks to reduce significant risk of loss. The Foundation's management relies on its advisor to conduct reasonable due diligence on potential and existing investment managers.

The advisor conducts face-to-face meetings with prospective and current fund managers, evaluates investment strategy, process and principles, reviews relevant investment offering materials, ensures fund managers are in compliance with reporting requirements, reviews backroom activities, performs reference checks, reviews the qualifications and backgrounds of key fund management personnel and reviews fund performance regularly. Investment performance is measured against relevant benchmarks on a quarterly, year to date, 1-year, 3-year, 5-year, 10-year and since-inception basis.

9. PROPERTY AND EQUIPMENT

At January 2, 2021 and December 28, 2019, property and equipment consisted of the following:

	2020	2019
Land and improvements	$ 15,488,203	$ 14,145,756
Leasehold improvements	9,746,908	9,237,572
Buildings and improvements	74,697,403	60,669,583
Equipment and vehicles	43,297,540	42,037,562
Computers and software	5,890,538	4,920,549
Construction in progress	2,607,950	1,424,365
	151,728,542	132,435,387
Less accumulated depreciation	68,283,913	63,555,695
	$ 83,444,629	$ 68,879,692

Depreciation expense for the years ended January 2, 2021 and December 28, 2019 was approximately $6,921,000 and $5,406,000, respectively.

10. LINES OF CREDIT

The Organizations had a committed unsecured line of credit with a commercial bank, which expired in 2020. This line of credit provided for maximum borrowings of $5,000,000 and bore interest at one-month London Inter-Bank Offered Rate (LIBOR) plus 1.50% (3.26% as of December 28, 2019). As of December 28, 2019, approximately $1,750,000 was outstanding.

On November 12, 2020, the Organizations entered into a new revolving line of credit note (line of credit) with a bank, in the amount of $5,000,000. The line of credit bears interest at a variable rate equal to the sum of the one-month LIBOR rate plus one hundred fifty basis points, or 1.50%, (1.64% as of January 2, 2021) and matures in November 2023. As of January 2, 2021, the Organizations had no borrowings against the line of credit.

Also on November 12, 2020, the Organizations entered into a capital expenditure line of credit note (capital line of credit) with a bank, in the amount of $10,000,000. The capital line of credit will be used to fund the construction, purchase or relocation of new and existing retail stores. The line of credit bears interest at a variable rate equal to the sum of the one-month LIBOR rate plus one hundred fifty basis points, or 1.50% (1.64% as of January 2, 2021) and matures in November 2023. As of January 2, 2021, approximately $184,000 was outstanding on the capital line of credit Capital line of credit borrowings for specific retail store projects are interest-only for 18 months, and then convert to term loans, secured by a mortgage on the underlying retail store.

11. LONG-TERM DEBT

A summary of long-term debt as of January 2, 2021 and December 28, 2019 is as follows:

	2020	2019
Indiana Finance Authority Tax-Exempt Bonds Series 2014, dated February 6, 2014, fixed interest rate of 2.57%, paid in full during 2020.	$ -0-	$ 8,006,250
Term loan, due in monthly installments including interest at a fixed rate of 2.86%, monthly principal and interest payments due through March 2025, unsecured.	3,084,013	3,985,730
Term loan, at a variable rate of one month LIBOR plus 2.00% (2.14% as of January 2, 2021), monthly principal and interest payments due through November 2027, secured by assets with a net book value of approximately $28,000,000 as of January 2, 2021.	22,192,610	-0-
	25,276,623	11,991,980
Less unamortized debt issuance costs	66,765	89,660
Less current portion	1,982,256	1,296,420
	$ 23,227,602	$ 10,605,900

In February 2014, the Organizations issued $10,500,000 of tax-exempt bonds through the Indiana Finance Authority. The bonds had a 20-year term and had a 2.57% fixed interest rate. The bonds were paid in full during 2020. Proceeds of the bonds were used to finance construction of four retail stores and significant remodeling at the Organizations' Indianapolis headquarters facility.

In March 2018, the Organizations obtained a $5,400,000 unsecured taxable loan with a seven-year term and fixed interest rate of 2.86%. The proceeds of the loan paid off the 2006 tax-exempt bonds, including all principal and accrued interest. The Organizations are required to make monthly principal payments of $64,285, plus interest through March 2025.

On November 12, 2020, the Organizations issued a term loan with a bank, in the amount of $22,293,270. The term loan bears interest at a variable rate equal to the sum of the one-month LIBOR rate plus two hundred basis points, or 2.00%, (2.14% as of January 2, 2021) and matures in November 2027. The Organizations also entered into an interest rate swap transaction for the term loan at a fixed rate of 2.78% during the seven year term. The term loan is collateralized by mortgages on four buildings owned by the Organizations. The net book value of the four buildings was approximately $28,000,000 as of January 2, 2021. The term loan requires the Organizations to comply with certain covenants which include certain financial requirements. As of January 2, 2021, the Organizations' management believes it is in compliance with these covenants.

Maturities of long-term debt for the years succeeding January 2, 2021 are as follows:

Year Ending		
2021	$	1,982,256
2022		2,017,333
2023		2,053,310
2024		2,087,564
2025		1,357,324
2025 and thereafter		15,778,836
	$	25,276,623

Interest expense was approximately $692,000 and $483,000 during 2020 and 2019, respectively.

12. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

The Organizations make limited use of derivative financial instruments for the purpose of managing interest rate risk. In particular, forward interest rate swaps (which are designated as cash flow hedges) are used to manage the risk associated with interest rates on variable-rate borrowings and to lower its overall borrowing costs. At January 2, 2021, the interest rate swap agreement had a notional amount of $22,293,270.

The interest rate swap agreement effectively changes the Organizations' interest rate exposure on its term loan due November 2027 to a fixed 2.78%. The financial institution pays the variable rate, 2.14% as of January 2, 2021. The interest rate swap matures November 2027. The Organizations are exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Organizations do not anticipate nonperformance by counterparties.

The derivative is not designated as a hedging instrument and is marked-to-market on the combined statements of financial position at fair value. Any related gain or loss is included in the combined statements of activities and changes in net assets in other changes in net assets without restrictions as a component of gain (loss) on interest rate swap. During 2020, the Organizations recognized an unrealized loss on interest rate swap of approximately $374,000. Cash flows from the interest rate swap are classified as an operating activity within the combined statements of cash flows.

As of January 2, 2021, the fair value of the interest rate swap recorded in the combined statements of financial position was a liability of $374,000.

Additional information regarding fair value measurements of the interest rate swap agreement is disclosed in Note 8.

13. CAPITAL LEASES

The Organizations maintain certain equipment under capital leases with monthly principal and interest payments of approximately $10,000 due through July 2023. The capital leases are secured by the financed equipment, which has a net book value of approximately $276,000 as of January 2, 2021. The following is a schedule by year of future minimum lease payments under capital leases as of January 2, 2021, that have initial or remaining lease terms in excess of one year.

Year Ending		
2021	$	108,230
2022		69,392
2023		36,169
Less interest element		(7,701)
Obligations under capital lease	$	206,090

14. NET ASSETS WITH DONOR RESTRICTIONS

In December 2016, the Organizations received a restricted $10,000,000 grant from a third party funder to support employment opportunities, Nurse Family Partnership, philanthropy, and data capacity related to its merger with Goodwill of Southern Indiana, Inc. During 2020 and 2019, the Organizations incurred approximately $1,700,000 and $1,200,000, respectively, of grant-eligible expenses. The grant activity is reflected as net assets released from restriction in the combined statement of activities and changes in net assets. Due to the Coronavirus (COVID-19) pandemic, the third party funder released approximately $1,000,000 of the restricted fund balance from restrictions. Goodwill used the funds released from restrictions to support necessary liquidity during 2020.

Net assets with donor restrictions are available for the following purposes as of January 2, 2021 and December 28, 2019:

	2020	2019
Subject to expenditure for specific purposes		
Youth and adult education	$ 2,230,919	$ 2,574,458
Employment opportunities	285,878	1,288,151
Nurse-Family Partnership	1,706,161	2,211,208
Philanthropy	-0-	201,699
Data capacity	77,537	349,110
Workforce development	234,966	458,404
Total net assets with donor restrictions	$ 4,535,461	$ 7,083,030

15. RETIREMENT PLAN

The Organizations maintain a discretionary thrift plan which allows eligible employees to contribute pre-tax gross income, subject to certain IRS limitations. The Organizations match 100% of eligible employees' pre-tax contributions up to 6% of eligible income. The Organizations may also make additional discretionary contributions to the plan. Employer matching contributions vest immediately, while employer discretionary contributions vest after three years or in the event of death or disability. The Organizations' expense relating to contributions to the thrift plan for 2020 and 2019 was approximately $523,000 and $1,461,000, respectively. Due to the COVID-19 pandemic, Goodwill suspended matching contributions to the plan in April 2020. The match was reinstated effective January 3, 2021.

16. WORKER'S COMPENSATION

The Organizations maintain a high-deductible worker's compensation insurance policy, under which the Organizations pay the first $100,000 of each claim. The Organizations' insurer pays the remainder of each claim that exceeds $100,000. The Organizations maintain an estimated liability for open claims based on the insurer's claims information. At January 2, 2021 and December 28, 2019, the liabilities for worker's compensation claims were approximately $353,000 and $298,000, respectively, which are included in accrued liabilities on the combined statements of financial position. The Organizations incurred approximately $711,000 and $1,056,000 in 2020 and 2019, respectively, for worker's compensation insurance expense and administration fees, included within benefits within the combined statements of functional expenses. The Organizations maintain a direct pay letter of credit with a commercial bank as credit security for the high deductible worker's compensation policy. The letter of credit amount was $500,000 in 2020 and 2019. The Organizations pay 1.55% annually for the letter of credit.

17. SELF-FUNDED HEALTH INSURANCE PLAN

The Organizations maintain a self-funded health insurance plan. A third-party administrator has been retained to process all benefit claims. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonable estimated. These losses include an estimate of claims that have been incurred but not reported. Under a stop loss agreement, The Organizations are generally responsible for the funding of all claims and related administrative costs up to $300,000 and $175,000 per individual per policy year for 2020 and 2019, respectively. There is no aggregate limit. Total health insurance expense was approximately $6,229,000 and $6,898,000 for 2020 and 2019, respectively. At January 2, 2021 and December 28, 2019, the estimated liability for accrued claims was approximately $1,204,000 and $793,000, respectively.

18. LEASE OBLIGATIONS

The Organizations, specifically GCSI, lease 56 retail stores and 5 other buildings used in operations. The lease agreements have terms of up to 15 years and certain leases have one or more renewal options for up to an additional five years per option. Aggregate rental expense for 2020 and 2019, including common area maintenance charges, totaled approximately $13,623,000 and $13,765,000, respectively. Rental expense is included within occupancy within the combined statements of functional expenses.

The future minimum rental commitments for the noncancelable leases at January 2, 2021 are as follows:

Year Ending	
2021	$ 8,896,539
2022	8,308,511
2023	7,564,287
2024	6,991,580
2025	5,874,054
Thereafter	16,353,284
	$ 53,988,255

19. RELATED PARTY TRANSACTIONS

In 2017, Goodwill entered into an arms-length joint venture agreement with a real estate development company (the Developer) owned by a member of Goodwill's board of directors. Goodwill and the Developer own equal shares of the joint venture, which operates a 208-unit workforce housing apartment complex (the Complex) on real estate adjacent to Goodwill's Indianapolis headquarters. Workforce housing is specifically targeted to residents earning between 61-120% of Area Median Income (as defined by the U.S. Department of Housing and Urban Development). Goodwill and the Developer previously acquired the real estate on which the Complex sits. The Complex broke ground in 2018 and was completed in 2020. Full lease-up is expected during 2021. The board member recused himself from all board of directors' discussions and voting related to joint venture.

Goodwill and the Developer each contributed $1,750,000 of real estate and cash as equity in the Complex. The total Complex cost was $28,000,000. The Developer secured the remainder of the financing required for the Complex, including a bank loan of $21,300,000, and tax-increment financing (TIF) bonds of $4,200,000 issued through the City of Indianapolis. The Developer serves as the sole guarantor of the bank loan and TIF bonds, and serves as the manager of the joint venture. The joint venture agreement has a term of 15 years, during which Goodwill and the Developer will retain equal ownership of the Complex and share equally in the net cash flows. In addition, the Complex will remain Workforce Housing for at least 15 years.

Goodwill created a wholly-owned, single-purpose limited liability company, Goodwill Riverview Partners, LLC (GRP), to participate in the joint venture. Goodwill transferred its real estate, with a fair value of $1,250,000, to GRP in 2018. Additionally, the Foundation loaned $501,000 to GRP. GRP transferred the real estate and cash as equity to the joint venture when the Complex financing closed in 2018. The loan from the Foundation has a term of three years, and bears interest at 10% annually. Principal and interest accrue and are due on the loan maturity date. The source of loan repayment is expected to be from recapitalization of the Complex upon lease-up and stabilization, in 2021. Goodwill has guaranteed the balance of funds owed to the Foundation if the cash proceeds from recapitalization are not sufficient to repay the loan principal and accrued interest. Goodwill's management expects the cash flow from recapitalizing the Complex will be sufficient to repay the loan.

Goodwill's investment in the joint venture is reflected in the combined statements of financial position as a component of investment in affiliate. The loan from the Foundation is eliminated for combining purposes. During 2020 and 2019, revenue from the Complex of approximately $432,000 and $-0-, respectively, was recognized. During 2020 and 2019, expense from the Complex of approximately $734,000 and $-0-, respectively, was recognized. There was no other activity in the joint venture during 2020 and 2019.

GEI leased an Excel Center facility owned by an entity controlled by a GSCI board member. The lease for the facility had a 10-year term and had a rent rate comparable to similar facilities in the same geographic area. The board member recused himself from all board of directors' discussion and voting related to the lease transaction. In 2019, the board member contributed the facility, including the building and land, to GEI. In exchange, GEI assumed the board member's existing mortgage loan. GEI paid approximately $292,000 to extinguish the mortgage, and recorded a net contribution of approximately $1,047,000, included within other changes in net assets without restrictions within the combined statements of activities and changes in net assets. The net contribution was based on an independent appraisal of the real estate. The Excel Center lease was terminated upon closing of the exchange transaction.

20. ENVIRONMENTAL LIABILITY

The Organizations are part of an Indiana Department of Environmental Management (IDEM) investigation related to certain environmental claims at and near the Organizations' Indianapolis headquarters building. The Organizations have accrued approximately $60,000 and $58,000 as of January 2, 2021 and December 28, 2019, respectively. The accrual is based on estimates, quotes and actual charges for mitigation efforts, ongoing monitoring and legal fees related to the IDEM investigation. The Organizations incurred approximately $72,000 and $35,000 of expense in 2020 and 2019, respectively, related to this matter, which is reflected as part of occupancy expenses in the combined statements of functional expenses.

The Organizations' insurance carriers were notified of the IDEM investigation in 2015. The Organizations believe their contracts with the insurance carriers are enforceable for claims related to the IDEM investigation. However, the Organizations would be responsible for any amounts that its insurance carriers do not cover. The Organizations are currently assessing any potential receivables to be recorded for recoveries from the insurance carriers. As of January 2, 2021 and December 28, 2019, no receivable has been recorded. Future revisions in the Organizations' estimates of these claims could materially impact its results of operations and financial position. The Organizations use the best information available to determine the level of accrued liabilities and the Organizations believe its accruals are adequate.

21. STATE, LOCAL AND FEDERAL GRANT AWARDS

Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Government Sources, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose federal, state, and local awards expended during the entities' annual reporting period. As of January 2, 2021 and December 28, 2019, the Organizations expended the following state awards, which are included within mission advancement within the combined statements of activities and changes in net assets:

	2020	2019
State of Indiana		
Department of Corrections - New Beginnings	$ -0-	$ 68,500
Department of Health - Safety Pin - Nurse Family Partnership	307,804	255,536
Department of Health - State Expansion - Nurse Family Partnership	3,007,994	3,275,436
Family and Social Services Administration - Disability Services -		
Vocational Rehabilitation	85,685	225,527
Total state awards	$ 3,401,483	$ 3,824,999

Approximately $6,060,000 and $5,840,000 of federal awards were expended during 2020 and 2019, respectively, by the Organizations. These amounts were reported in the schedule of expenditures of federal awards for each specific entity in its separately issued consolidated financial statements. There were no local awards expended during 2020.

22. COVID-19

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Organizations' operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, delays, loss of, or reduction to, revenue and associated labor costs, contributions and funding, and investment portfolio declines. Management believes the Organizations are taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the combined financial statements were available to be issued.

23. COMMITMENTS AND CONTINGENCIES

Litigation

At times, the Organizations may be involved in litigation and regulatory investigations arising in the normal course of business. Management is not aware of any matters that would have a material adverse effect on the Organizations' future financial position, results from operations, and cash flows.

24. RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organizations are not required to adopt until its year ending December 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organizations are presently evaluating the effects that this ASU will have on its combined financial statements, including related disclosures.

SUPPLEMENTAL INFORMATION

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES AND GOODWILL FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC.

COMBINING STATEMENT OF FINANCIAL POSITION
JANUARY 2, 2021

	Goodwill	Goodwill Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 10,473,389	$ 581,490	$ -0-	$ 11,054,879
Restricted cash equivalents	1,175,749	131,077	-0-	1,306,826
Trade accounts receivable, net	3,043,890	-0-	-0-	3,043,890
Related party receivables	506,843	632,528	(1,139,371)	-0-
Contributions and pledges receivable, net	-0-	1,057,720	-0-	1,057,720
Other receivables	935,597	-0-	-0-	935,597
Prepaid expenses	947,114	-0-	-0-	947,114
Inventory	6,885,557	-0-	-0-	6,885,557
Total current assets	23,968,139	2,402,815	(1,139,371)	25,231,583
Property and equipment, net	83,442,829	1,800	-0-	83,444,629
Other assets				
Investments	5,383,812	45,116,891	-0-	50,500,703
Investment in affiliate	1,430,146	-0-	-0-	1,430,146
Deposits	80,000	-0-	-0-	80,000
Total other assets	6,893,958	45,116,891	-0-	52,010,849
Total assets	$ 114,304,926	$ 47,521,506	$ (1,139,371)	$ 160,687,061

	Goodwill	Goodwill Foundation	Eliminations	Total
LIABILITIES AND NET ASSETS				
Current liabilities				
Line of credit	$ 183,502	$ -0-	$ -0-	$ 183,502
Current portion of long-term debt	1,982,256	-0-	-0-	1,982,256
Current portion of capital leases	103,583	-0-	-0-	103,583
Accounts payable	1,348,549	187	-0-	1,348,736
Accrued salaries, wages and other liabilities	6,706,725	-0-	-0-	6,706,725
Related party accounts payable	(74,379)	544,360	(469,981)	-0-
Other accrued liabilities	4,370,599	-0-	-0-	4,370,599
Total current liabilities	14,620,835	544,547	(469,981)	14,695,401
Long-term debt less current portion	23,227,602	-0-	-0-	23,227,602
Capital leases	102,507	-0-	-0-	102,507
Related party payables	632,528	-0-	(632,528)	-0-
Interest rate swap liability	374,347	-0-	-0-	374,347
Other	546,155	-0-	(36,862)	509,293
Total liabilities	39,503,974	544,547	(1,139,371)	38,909,150
Net assets				
Without restrictions	73,625,203	43,617,247	-0-	117,242,450
With restrictions	1,175,749	3,359,712	-0-	4,535,461
Total net assets	74,800,952	46,976,959	-0-	121,777,911
Total liabilities and net assets	$ 114,304,926	$ 47,521,506	$ (1,139,371)	$ 160,687,061

GOODWILL OF CENTRAL AND SOUTHERN INDIANA, INC. AND SUBSIDIARIES AND GOODWILL FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC.

COMBINING STATEMENT ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JANUARY 2, 2021

	Goodwill	Goodwill Foundation	Eliminations	Total
Revenues, gains (losses) and support				
Sales - donated goods	$ 93,550,429	$ -0-	$ -0-	$ 93,550,429
Commercial services	16,476,504	-0-	-0-	16,476,504
Mission advancement	8,007,981	-0-	-0-	8,007,981
Education services	36,705,350	-0-	-0-	36,705,350
United Way support	1,128,258	-0-	-0-	1,128,258
Grants and contributions	-0-	1,060,513	-0-	1,060,513
Foundation grants and contributions	2,842,262	-0-	(2,842,262)	-0-
Other revenue and support	1,541,863	-0-	-0-	1,541,863
Net assets released from restrictions for specified purpose	2,655,879	1,420,155	-0-	4,076,034
Total revenues, gains (losses) and support	162,908,526	2,480,668	(2,842,262)	162,546,932
Expenses				
Retail services	87,583,160	-0-	-0-	87,583,160
Commercial services	15,241,418	157,776	(144,252)	15,254,942
Mission advancement	10,607,872	718,512	(718,512)	10,607,872
Education services	30,367,265	301,752	(292,298)	30,376,719
General and administrative	11,991,074	2,060,790	(1,822,338)	12,229,526
Fundraising	736,787	746,290	(736,787)	746,290
Total expenses	156,527,576	3,985,120	(3,714,187)	156,798,509
Revenue, gains and other support over (under) expenses	6,380,950	(1,504,452)	871,925	5,748,423
Other changes in net assets without restrictions				
Foundation management fees	871,925	-0-	(871,925)	-0-
Investment return, net	318,578	5,044,079	-0-	5,362,657
Loss on disposition of property and equipment	(53,157)	-0-	-0-	(53,157)
Loss on interest rate swap	(374,347)	-0-	-0-	(374,347)
Loss on investment in affiliate	(301,992)	-0-	-0-	(301,992)
Total other changes in net assets without restrictions	461,007	5,044,079	(871,925)	4,633,161
Total change in net assets without restrictions	6,841,957	3,539,627	-0-	10,381,584
Changes in net assets with restrictions				
Contributions	22,585	1,233,553	-0-	1,256,138
Investment return, net	-0-	272,327	-0-	272,327
Net assets released from restrictions for specified purpose	(2,655,879)	(1,420,155)	-0-	(4,076,034)
Change in net assets with restrictions	(2,633,294)	85,725	-0-	(2,547,569)
Change in net assets	4,208,663	3,625,352	-0-	7,834,015
Beginning of year	70,592,289	43,351,607	-0-	113,943,896
End of year	$ 74,800,952	$ 46,976,959	$ -0-	$ 121,777,911