



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

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND JANUARY 1, 2022

AND

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2022

CPAs / ADVISORS



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

TABLE OF CONTENTS
DECEMBER 31, 2022 AND JANUARY 1, 2022

	Page
Report of Independent Auditors	1
Financial Statements	
Combined Statements of Financial Position	4
Combined Statements of Activities and Changes in Net Assets.....	5
Combined Statement of Functional Expenses Year Ended December 31, 2022.....	6
Combined Statement of Functional Expenses Year Ended January 1, 2022.....	7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9
Supplemental Information	
Combining Statement of Financial Position – December 31, 2022.....	38
Combining Statement of Activities and Changes in Net Assets – Year Ended December 31, 2022.....	39



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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

Report on the Audit of Combined Financial Statements

Opinion

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"), nonprofit organizations, which comprise the combined statements of financial position as of December 31, 2022 and January 1, 2022, 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.

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 December 31, 2022 and January 1, 2022, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principles

As discussed in Note 3 to the combined financial statements, the Organizations adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and FASB ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

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

Responsibilities of Management 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 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 the Organizations' 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 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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' 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.

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 audits 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 16, 2023

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

COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND JANUARY 1, 2022

	ASSETS	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 30,337,484	\$ 19,335,213
Restricted cash equivalents	-0-	337,005
Trade accounts receivable, net	4,494,564	4,075,552
Contributions and pledges receivable, net	1,554,752	4,843,240
Other receivables	1,099,901	827,355
Prepaid expenses	1,510,653	1,216,492
Inventory - purchased goods	1,290,685	1,160,497
Inventory - donated goods	6,130,888	6,523,199
Total current assets	46,418,927	38,318,553
Property and equipment, net	154,203,039	98,635,840
Other assets		
Investments	66,686,105	79,728,176
Investment in affiliate	1,353,499	1,396,945
Deposits	80,000	80,000
Interest rate swaps	3,067,116	391,447
Total other assets	71,186,720	81,596,568
Total assets	\$ 271,808,686	\$ 218,550,961
	LIABILITIES AND NET ASSETS	
Current liabilities		
Line of credit	\$ -0-	\$ 871,200
Current portion of long-term debt	4,723,217	5,676,304
Current portion of capital leases	-0-	105,016
Current portion of finance lease liabilities	78,636	-0-
Current portion of operating lease liabilities	9,510,112	-0-
Accounts payable	2,923,117	2,537,096
Refundable advances	1,100,000	-0-
Accrued salaries, wages and other liabilities	6,602,662	7,449,544
Other accrued liabilities	4,418,899	5,316,041
Total current liabilities	29,356,643	21,955,201
Long-term debt less current portion	24,850,010	28,096,650
Capital leases	-0-	57,360
Long-term finance lease liabilities less current portion	70,376	-0-
Long-term operating lease liabilities less current portion	46,022,203	-0-
Refundable advances	2,000,000	-0-
Other	253,374	227,602
Total other liabilities	73,195,963	28,381,612
Total liabilities	102,552,606	50,336,813
Net assets		
Without restrictions	149,421,946	144,490,495
With restrictions	19,834,134	23,723,653
Total net assets	169,256,080	168,214,148
Total liabilities and net assets	\$ 271,808,686	\$ 218,550,961

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 DECEMBER 31, 2022 AND JANUARY 1, 2022

	2022	2021
Revenues, gains and support		
Sales - donated goods	\$ 139,530,693	\$ 124,845,752
Commercial services	17,419,548	19,487,279
Mission advancement	8,093,832	7,936,457
Education services	30,253,557	36,940,962
United Way support	769,163	980,657
Grants and contributions	4,390,779	1,376,820
Other revenue and support	3,962,485	3,764,424
Net assets released from restrictions for specified purpose	4,750,055	2,160,533
Total revenues, gains, and support	209,170,112	197,492,884
Expenses		
Retail services	110,804,462	102,119,404
Commercial services	22,460,986	22,211,706
Mission advancement	14,376,706	11,437,458
Education services	33,174,664	35,077,131
General and administrative	13,990,123	12,475,757
Fundraising	1,237,770	823,264
Total expenses	196,044,711	184,144,720
Excess revenues, gains, and support over expenses	13,125,401	13,348,164
Other changes in net assets without restrictions		
Investment return, net	(10,922,938)	8,224,082
Gain on Paycheck Protection Program debt forgiveness	-0-	5,000,000
Gain on interest rate swaps	2,675,670	765,794
Loss on disposition of property and equipment	(3,236)	(56,794)
Gain (loss) on investment in affiliate	56,554	(33,201)
Total other changes in net assets without restrictions	(8,193,950)	13,899,881
Total changes in net assets without restrictions	4,931,451	27,248,045
Changes in net assets with restrictions		
Contributions	1,637,972	20,765,785
Investment return, net	(777,436)	582,940
Net assets released from restrictions for specified purpose	(4,750,055)	(2,160,533)
Total changes in net assets with restrictions	(3,889,519)	19,188,192
Changes in net assets	1,041,932	46,436,237
Net assets		
Beginning of year	168,214,148	121,777,911
End of year	\$ 169,256,080	\$ 168,214,148

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 31, 2022

	Retail Services	Commercial Services	Mission Advancement	Education Services	General and Administrative	Fundraising	2022 Totals
Salaries and wages	\$ 59,208,789	\$ 10,074,359	\$ 9,623,597	\$ 17,465,065	\$ 6,688,881	\$ 570,828	\$ 103,631,519
Benefits	10,396,987	2,359,559	2,241,330	4,729,164	1,464,506	182,825	21,374,371
Cost of sales	763,840	4,602,693	-0-	-0-	-0-	-0-	5,366,533
Professional fees	4,266,589	418,109	414,082	2,527,692	1,538,088	1,092,932	10,257,492
Supplies	6,857,801	845,603	601,067	1,318,484	846,371	50,290	10,519,616
Occupancy	21,351,711	3,119,986	255,649	3,671,248	1,565,693	40,899	30,005,186
Depreciation	4,534,677	768,043	201,013	2,018,027	463,983	1,766	7,987,509
Travel and transportation	1,081,942	117,694	163,245	124,845	136,946	2,883	1,627,555
Advertising	1,237,582	32,030	50,569	562,836	611,074	17,888	2,511,979
Interest	906,212	-0-	-0-	-0-	-0-	-0-	906,212
Staff development	13,594	10,939	332,490	158,979	119,361	542	635,905
Memberships and dues	2,406	12,618	6,117	13,098	246,423	2,081	282,743
Student services	-0-	-0-	-0-	492,900	-0-	-0-	492,900
Client services	3,929	5,950	460,152	3,109	18	1,158	474,316
Grants and contributions	-0-	-0-	-0-	-0-	-0-	6,183,909	6,183,909
Other	178,403	93,403	27,395	89,217	308,779	28,711	725,908
	<u>110,804,462</u>	<u>22,460,986</u>	<u>14,376,706</u>	<u>33,174,664</u>	<u>13,990,123</u>	<u>8,176,712</u>	<u>202,983,653</u>
Less: eliminations	-0-	-0-	-0-	-0-	-0-	(6,938,942)	(6,938,942)
	<u>\$ 110,804,462</u>	<u>\$ 22,460,986</u>	<u>\$ 14,376,706</u>	<u>\$ 33,174,664</u>	<u>\$ 13,990,123</u>	<u>\$ 1,237,770</u>	<u>\$ 196,044,711</u>

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 1, 2022

	Retail Services	Commercial Services	Mission Advancement	Education Services	General and Administrative	Fundraising	2021 Totals
Salaries and wages	\$ 49,129,411	\$ 9,436,450	\$ 8,002,698	\$ 17,362,773	\$ 5,865,149	\$ 476,952	\$ 90,273,433
Benefits	10,011,912	2,405,812	1,802,088	4,913,216	1,528,433	143,449	20,804,910
Cost of sales	293,756	6,359,535	-0-	-0-	-0-	-0-	6,653,291
Professional fees	5,305,256	428,493	326,501	4,145,841	1,394,676	1,061,097	12,661,864
Supplies	6,151,886	797,547	421,704	1,558,607	795,563	57,005	9,782,312
Occupancy	21,798,721	2,093,095	244,323	4,053,931	1,544,735	35,612	29,770,417
Depreciation	4,656,792	472,776	197,528	1,997,050	520,728	2,399	7,847,273
Travel and transportation	2,993,443	59,941	74,560	63,561	135,498	979	3,327,982
Advertising	753,817	32,765	23,929	396,387	308,040	13,944	1,528,882
Interest	828,473	-0-	-0-	-0-	-0-	-0-	828,473
Staff development	4,390	22,172	140,622	145,948	51,336	5,964	370,432
Memberships and dues	1,839	4,979	7,677	16,095	229,734	2,242	262,566
Student services	-0-	-0-	-0-	406,277	-0-	-0-	406,277
Client services	13,472	6,571	188,683	-0-	-0-	-0-	208,726
Grants and contributions	-0-	-0-	-0-	-0-	-0-	2,513,626	2,513,626
Other	176,236	91,570	7,145	17,445	101,865	25,047	419,308
	<u>102,119,404</u>	<u>22,211,706</u>	<u>11,437,458</u>	<u>35,077,131</u>	<u>12,475,757</u>	<u>4,338,316</u>	<u>187,659,772</u>
Less: eliminations	-0-	-0-	-0-	-0-	-0-	(3,515,052)	(3,515,052)
	<u>\$ 102,119,404</u>	<u>\$ 22,211,706</u>	<u>\$ 11,437,458</u>	<u>\$ 35,077,131</u>	<u>\$ 12,475,757</u>	<u>\$ 823,264</u>	<u>\$ 184,144,720</u>

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 DECEMBER 31, 2022 AND JANUARY 1, 2022**

	2022	2021
Operating activities		
Change in net assets	\$ 1,041,932	\$ 46,436,237
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	7,987,509	7,847,273
Amortization	5,958	(9,654)
Bad debt expense	202,833	27,964
Loss on disposal of property and equipment	3,236	56,794
Gain on Paycheck Protection Program debt forgiveness	-0-	(5,000,000)
Gain on interest rate swaps	(2,675,670)	(765,794)
(Gain) loss on investment in affiliate	(56,554)	33,201
Unrealized and realized (gain) loss on investments	13,246,030	(4,838,407)
Changes in operating assets and liabilities		
Trade accounts receivable, net	(419,012)	(1,031,662)
Contributions and pledges receivable, net	3,288,488	(3,785,520)
Other receivables	(475,379)	80,278
Prepaid expenses and other	(250,715)	(236,177)
Inventory	262,123	(798,139)
Accounts payable and accrued liabilities	(1,916,079)	2,790,263
Refundable advances	3,100,000	-0-
Other long-term liabilities	25,772	(281,691)
Net cash flows from operating activities	23,370,472	40,524,966
Investing activities		
Purchase of property and equipment	(7,327,302)	(19,508,920)
Business acquisition	-0-	(3,500,000)
(Gain) loss on investment in affiliate	56,554	(33,201)
Proceeds from sale of investments	7,635,162	9,026,782
Purchase of investments	(7,839,121)	(33,415,848)
Net cash flows from investing activities	(7,474,707)	(47,431,187)
Financing activities		
Borrowings and repayments on line of credit, net	(871,200)	687,698
Proceeds from long-term debt	-0-	16,188,427
Principal payments on long-term debt	(4,205,685)	(2,615,677)
Payments on finance lease obligations	(153,614)	-0-
Payments on capital lease obligations	-0-	(43,714)
Net cash flows from financing activities	(5,230,499)	14,216,734
Net change in cash, cash equivalents, and restricted cash equivalents	10,665,266	7,310,513
Cash, cash equivalents, and restricted cash equivalents		
Beginning of year	19,672,218	12,361,705
End of year	\$ 30,337,484	\$ 19,672,218
Reconciliation of cash, cash equivalents, and restricted cash equivalents		
Cash and cash equivalents in current assets	\$ 30,337,484	\$ 19,335,213
Restricted cash equivalents in current assets	-0-	337,005
Total cash, cash equivalents, and restricted cash equivalents	\$ 30,337,484	\$ 19,672,218
Supplemental disclosures of cash flows information		
Cash paid for interest	\$ 900,254	\$ 806,913
Non cash investing activities		
Property and equipment included in accounts payable	\$ 558,076	\$ 86,358
Property and equipment acquired through finance lease	\$ 140,250	\$ -0-
Non cash financing activities		
Gain on Paycheck Protection Program debt forgiveness	\$ -0-	\$ 5,000,000

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.**

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 18).

GCSI's retail operation collects donations of used clothing (Textile) and household items (Wares) and sells them through a network of 69 thrift stores and four warehouse outlet centers. Excess and unsalable donated items are sold through salvage and recycling channels (Salvage). Unique items, jewelry and books (E-commerce) 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 nearly 3,200 individuals, over 64% 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 110 people with significant disabilities. GWCS's operation provides a variety of outsource packaging, assembly and fulfillment services to external customers, employing over 270 people with disabilities and other barriers.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 December 31, 2022
Indianapolis Metropolitan High School	Indianapolis, IN (at GCSI headquarters facility)	Mayor of Indianapolis	19	212
The Excel Center for Adult Learners	Four locations in Indianapolis, IN, including one at GCSI headquarters facility	Mayor of Indianapolis	12	1,230
The Excel Center - Anderson	Anderson, IN	Indiana Charter School Board	11	295
The Excel Center - Kokomo	Kokomo, IN	Indiana Charter School Board	10	345
The Excel Center - Lafayette	Lafayette, IN	Indiana Charter School Board	10	332
The Excel Center - Richmond	Richmond, IN	Indiana Charter School Board	10	205
The Excel Center - West	Indianapolis, IN	Mayor of Indianapolis	10	339
The Excel Center - University Heights	Indianapolis, IN	Mayor of Indianapolis	8	392
The Excel Center - Noblesville	Noblesville, IN	Indiana Charter School Board	8	188
The Excel Center - Shelbyville	Shelbyville, IN	Indiana Charter School Board	7	148
The Excel Center - Clarksville	Clarksville, IN	Indiana Charter School Board	6	304
The Excel Center - Muncie	Muncie, IN	Indiana Charter School Board	5	278
The Excel Center - Bloomington	Bloomington, IN	Indiana Charter School Board	4	129
Total				4,397

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 2022 and 2021, Goodwill paid dues of approximately \$187,000 and \$179,000, 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 2022 and 2021, Goodwill received United Way grants of approximately \$769,000 and \$981,000, 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 December 31, 2022 and January 1, 2022, Goodwill maintained cash and cash equivalents in excess of the FDIC coverage limits by approximately \$30,000,000 and \$19,000,000, respectively.

Restricted cash equivalents related to externally imposed restrictions are included in restricted cash equivalents on the combined statements of cash flows.

Trade Accounts Receivable (Contract 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 OF CENTRAL AND SOUTHERN INDIANA, INC.
AND SUBSIDIARIES AND GOODWILL
FOUNDATION OF CENTRAL AND SOUTHERN INDIANA, INC.**

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 and Right-of Use Assets

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 finance or operating lease. Material property additions and improvements over \$5,000 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. Right-of use assets are recognized on the lease commencement date in an amount that represents the present value of the future lease payments over the lease term.

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 \$1,353,000 and \$1,397,000 as of December 31, 2022 and January 1, 2022, 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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, GWCS, and GEI are generally exempt from income taxes. The Foundation, GCSI, GWCS, 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 an 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 December 31, 2022 and January 1, 2022, 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 January 1, 2022. 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

Sales - Donated Goods and Commercial Services Revenue

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.

AbilityOne 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 support within the combined statements of activities and changes in net assets. Amounts received in non-exchange transactions prior to incurring compliance are reported as refundable advances in the combined statements of financial position. The organizations recognized refundable advances of approximately \$3,100,000 and \$-0- as of December 31, 2022 and January 1, 2022, respectively.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 December 31, 2022 and January 1, 2022:

	2022	2021
Contributions and pledges receivable	\$ 1,566,553	\$ 4,859,800
Less: allowance for uncollectible	(11,801)	(16,560)
Net contributions and pledges receivable	\$ 1,554,752	\$ 4,843,240
	2021	2020
Less than one year	\$ 1,566,553	\$ 4,859,800

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 \$2,512,000 and \$1,529,000 during 2022 and 2021, 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 current year presentation. The reclassifications had no effect on the previously reported net assets or changes in net assets.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 were 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 were available to be issued, which is March 16, 2023.

3. CHANGE IN ACCOUNTING PRINCIPLES

ASU 2016-02

On January 2, 2022, the Organizations adopted the new lease accounting standard issued by the Financial Accounting Standards Board (FASB) and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the statements 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 ASC 842) of twelve months or less are not required to be reflected on an entity's statements of financial position.

The Organizations applied the modified retrospective approach to all lease agreements when adopting ASC 842. ASC 842 was applied retrospectively to the beginning of the period of adoption through a cumulative-effect adjustment recognized as of January 2, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance in ASC 840. The adoption of ASC 842 had a material impact on the combined statements of financial position but did not have a significant impact on the combined statements of activities and changes in net assets and the combined statements of cash flows. As of January 2, 2022, the Organization's total assets and total liabilities increased by \$52,912,000 as a result of ASC 842. The most significant impact was the recognition of right-of-use (ROU) assets under operating leases and operating lease liabilities for operating leases.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

The Organizations elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, the Organizations elected the hindsight practical expedient to determine the lease term for existing leases.

ASU 2020-07

Effective January 2, 2022, the Organizations adopted the FASB Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind” (GIK)) received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. The adoption of this new standard resulted in the Organizations presenting contributed nonfinancial assets recorded in inventory as a separate line item in the statements of financial position, apart from purchased inventory. In addition, the ASU expanded disclosure requirements for GIK.

GIK included in inventory – donated goods in the combined statements of financial position as of December 31, 2022 and January 1, 2022 is comprised of the following:

	2022	2021
Textiles	\$ 2,072,207	\$ 1,886,976
Wares	937,137	620,612
E-commerce	877,937	2,200,028
Salvage	2,243,607	1,815,583
	\$ 6,130,888	\$ 6,523,199

The Organizations receive a significant amount of its inventory as contributed nonfinancial assets, which it monetizes through sales in retail stores, e-commerce platforms, and salvage programs. These contributed nonfinancial assets are valued at their fair market value identified at their sale price through either retail stores, e-commerce platform, or salvage market price. Items not sold during the fiscal year are recorded to inventory and a description of their valuation process can be found in the inventories policy in Footnote 1. There were no donor-imposed restrictions associated with contributed non-financial assets as of December 31, 2022 and January 1, 2022.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 45 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 December 31, 2022 and January 1, 2022 are as follows (excluding a line of credit restricted for capital expenditures):

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 30,337,484	\$ 19,335,213
Trade accounts receivable, net	4,494,564	4,075,552
Other receivables, including grants, contributions and pledges (excluding restricted pledges, net)	1,444,793	1,205,759
Financial assets available in one year	36,276,841	24,616,524
Liquidity resources		
Line of credit (\$-0- in use as of December 31, 2022 and January 1, 2022, respectively)	5,000,000	5,000,000
Total financial assets and liquidity resources	\$ 41,276,841	\$ 29,616,524

In addition, the Organizations have approximately \$66,700,000 and \$79,700,000 of investments as of December 31, 2022 and January 1, 2022. While the Organizations do not intend to spend these funds within the next year, the amount could be made available, if necessary.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 December 31, 2022 and January 1, 2022 are summarized as follows:

	2022	2021
Trade accounts receivable	\$ 4,816,431	\$ 4,231,939
Less: allowance for uncollectible accounts	(321,867)	(156,387)
	\$ 4,494,564	\$ 4,075,552

Trade accounts receivable (contracts receivable) as of January 2, 2021 approximated \$3,044,000.

6. INVENTORIES

Inventories as of December 31, 2022 and January 1, 2022 are summarized as follows:

	2022	2021
Donated goods	\$ 6,130,888	\$ 6,523,199
Purchased goods	1,290,685	1,160,497
	\$ 7,421,573	\$ 7,683,696

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

7. INVESTMENTS

Investments, at fair value, consist of the following as of December 31, 2022 and January 1, 2022:

	2022	2021
Mutual funds - fixed income	\$ 4,264,269	\$ 4,706,751
Mutual funds - short-term	5,305,268	8,401,053
Mutual funds - domestic equities	23,529,735	29,738,755
Mutual funds - international	8,027,049	17,144,462
Exchange traded funds	16,701,063	11,909,913
Alternative investments	8,858,721	7,827,242
	\$ 66,686,105	\$ 79,728,176

Investment return, net of related expenses, for the years ended December 31, 2022 and January 1, 2022 included in the combined statements of activities and changes in net assets is set forth in the following table:

	2022	2021
Interest and dividends	\$ 1,545,656	\$ 3,968,615
Realized gain (loss) on investments	(774,434)	1,728,704
Unrealized gain (loss) on investments	(12,471,596)	3,109,703
	\$ (11,700,374)	\$ 8,807,022

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

8. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a 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 December 31, 2022 and January 1, 2022.

- *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 swaps.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

- *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 December 31, 2022 and January 1, 2022:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Fixed income	\$ 4,264,269	\$ 4,264,269	\$ -0-	\$ -0-
Short-term	5,305,268	5,305,268	-0-	-0-
Domestic equities	23,529,735	23,529,735	-0-	-0-
International	8,027,049	8,027,049	-0-	-0-
Exchange traded funds				
Fixed income	11,975,439	11,975,439	-0-	-0-
Basic materials	4,725,624	4,725,624	-0-	-0-
	<u>57,827,384</u>	<u>\$ 57,827,384</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Limited partnership funds (a)	8,858,721			
	<u>\$ 66,686,105</u>			
Other assets				
Interest rate swap agreements	<u>\$ 3,067,116</u>	<u>\$ -0-</u>	<u>\$ 3,067,116</u>	<u>\$ -0-</u>
	January 1, 2022			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual funds				
Fixed income	\$ 4,706,751	\$ 4,706,751	\$ -0-	\$ -0-
Short-term	8,401,053	8,401,053	-0-	-0-
Domestic equities	29,738,755	29,738,755	-0-	-0-
International	17,144,462	17,144,462	-0-	-0-
Exchange traded funds				
Basic materials	11,909,913	11,909,913	-0-	-0-
	<u>71,900,934</u>	<u>\$ 71,900,934</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Limited partnership funds (a)	7,827,242			
Restricted cash equivalents				
Money market deposit account	285,928			
	<u>\$ 80,014,104</u>			
Other assets				
Interest rate swap agreement	<u>\$ 391,447</u>	<u>\$ -0-</u>	<u>\$ 391,447</u>	<u>\$ -0-</u>

(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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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

		December 31, 2022				
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup
Investment						
Limited partnerships - private equities	(c)	\$ 3,982,598	\$ (662,598)	N/A	None	None
Limited partnerships - natural resources	(b)	\$ 1,759,473	\$ 3,240,527	N/A	None	None
Limited partnerships - renewable energy	(b)	\$ 3,116,650	\$ -0-	Quarterly	90 days	None
		January 1, 2022				
		Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup
Investment						
Limited partnerships - private equities	(c)	\$ 4,609,986	\$ (1,289,986)	N/A	None	None
Limited partnerships - natural resources	(b)	\$ 2,103,864	\$ 2,896,136	N/A	None	None
Limited partnerships - renewable energy	(b)	\$ 1,113,392	\$ -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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

(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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

9. PROPERTY AND EQUIPMENT

At December 31, 2022 and January 1, 2022, property and equipment consisted of the following:

	2022	2021
Land and improvements	\$ 20,839,100	\$ 20,839,100
Leasehold improvements	10,366,248	8,502,836
Buildings and improvements	95,978,679	91,049,156
Equipment and vehicles	48,038,116	45,444,019
Computers and software	5,945,555	5,961,727
Right-of use assets under finance leases	149,000	-0-
Right-of use assets under operating leases	54,435,447	-0-
Construction in progress	1,794,430	2,811,377
	<u>237,546,575</u>	<u>174,608,215</u>
Less accumulated depreciation	83,343,536	75,972,375
	<u>\$ 154,203,039</u>	<u>\$ 98,635,840</u>

Depreciation expense for the years ended December 31, 2022 and January 1, 2022 was approximately \$7,988,000 and \$7,847,000, respectively. There were no significant outstanding commitments on property and equipment as of December 31, 2022.

10. LINES OF CREDIT

On November 12, 2020, the Organizations entered into a 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 with a floor of 0.25%, plus one hundred fifty basis points, or 1.50%, (5.83% as of December 31, 2022) and matures in November 2023. As of December 31, 2022 and January 1, 2022, 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 with a floor of 0.25%, plus one hundred fifty basis points, or 1.50% (5.83% as of January 1, 2022) and matures in November 2023. As of December 31, 2022 and January 1, 2022, approximately \$-0- and \$871,000 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

11. LONG-TERM DEBT

A summary of long-term debt as of December 31, 2022 and January 1, 2022 is as follows:

	2022	2021
Term loan, due in monthly installments including interest at a fixed rate of 2.86%, paid in full during December 2022.	\$ -0-	\$ 2,376,878
Term loan, at a variable rate of one month LIBOR with a floor of 0.25% plus 2.00% (6.33% as of December 31, 2022), monthly principal and interest payments due through November 2027, secured by assets with a net book value of approximately \$19,827,000 as of December 31, 2022.	19,735,891	21,347,019
Term loan, at variable rate of one month LIBOR plus 2.25% (6.58% as of December 31, 2022), monthly principal and interest payments due through July 2028, secured by assets with a net book value of approximately \$2,948,000 as of December 31, 2022.	1,998,000	1,998,000
Term loan, at variable rate of one month LIBOR plus 2.25% (6.58% as of December 31, 2022), monthly principal and interest payments due through July 2028, secured by assets with a net book value of value of approximately \$3,200,000 as of December 31, 2022.	1,998,000	1,998,000
Term loan, at variable rate of Secured Overnight Financing Rate plus 2.35% (6.16% as of December 31, 2022), monthly principal and interest payments due through December 2028, secured by assets with a net value of approximately \$2,865,000 as of December 31, 2022.	1,140,000	1,140,000
Term loan, at variable rate of Secured Overnight Financing Rate plus 2.35% (6.16% as of December 31, 2022), monthly principal and interest payments due through December 2028, secured by assets with a net book value of approximately \$3,430,000 as of December 31, 2022.	1,695,750	1,695,750
Note payable, monthly principal due through January 2023 secured by secured by assets with a net book value of of approximately \$3,234,000 as of December 31, 2022.	3,076,047	3,293,726
	29,643,688	33,849,373
Less unamortized debt issuance costs	70,461	76,419
Less current portion	4,723,217	5,676,304
	\$ 24,850,010	\$ 28,096,650

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 Organization's 2006 tax-exempt bonds, including all principal and accrued interest. The loan was paid in full during December 2022.

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 with a floor of 0.25%, plus two hundred basis points, or 2.00%, (6.33% as of December 31, 2022), monthly principal of \$103,576 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 buildings owned by the Organizations. The net book value of the buildings was approximately \$19,827,000 as of December 31, 2022. The term loan requires the Organizations to comply with certain covenants which include certain financial requirements. As of December 31, 2022, the Organization's management believes it is in compliance with these covenants.

In 2021, the Organizations converted a capital expenditure line of credit borrowing for retail stores into four term loans totaling \$7,305,000, each of which has a seven-year term and is secured by a mortgage on the underlying retail store. The loans bear interest at floating variable rates that ranged from 6.16% to 6.58% at December 31, 2022 with monthly principal payments ranging from \$5,000 to \$9,000. The Organizations entered into interest rate swap agreements that fix the interest rates on the loans for a term of seven years to match the duration of the loan agreements. The fixed swap rates range from 3.47% to 3.82%. The term loans require the Organizations to comply with certain covenants. As of December 31, 2022, the Organization's management believes it is in compliance with these covenants.

In November 2021, the Organizations entered into an installment purchase contract (note payable) to acquire a retail store it had previously leased from the owner for \$3,330,000. See Note 19 for additional detail. Under the contract, the Organizations will pay \$18,137 per month as principal on the note, through January 2023, at which time the unamortized balance of the note will become due and payable. The lease between the Organizations and the owner was terminated in exchange for the note payable. The Organizations paid off the unamortized note payable balance in January 2023. The note payable is collateralized by real estate with a net book value of approximately \$3,234,000 as of December 31, 2022. The Organizations pay no interest under terms of the note.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

Maturities of long-term debt for the years succeeding December 31, 2022 are as follows:

<u>Year Ending</u>	
2023	\$ 4,723,217
2024	1,767,767
2025	1,807,280
2026	1,846,505
2027	14,832,243
2028 and thereafter	<u>4,666,676</u>
	<u>\$ 29,643,688</u>

Interest expense was approximately \$906,000 and \$828,000 during 2022 and 2021, respectively.

12. DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

Objectives and Strategies for Using Derivatives

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 December 31, 2022 and January 1, 2022, the interest rate swap agreements had a notional amount of \$26,568,000 and \$28,179,000, respectively.

The interest rate swap agreement effectively changes the Organizations' interest rate exposure on the term loan due November 2027 to a fixed rate of 2.78%. The financial institution pays the variable rate, 6.33% and 2.25% as of December 31, 2022 and January 1, 2022, respectively. The interest rate swap for the term loan matures November 2027.

The interest rate swap agreements also effectively change the Organizations' interest rate exposure on the four term loans due in 2028 to fixed rates ranging from 3.47% to 3.82%. The financial institution pays the variable rates, ranging from 6.16% to 6.50% as of December 31, 2022. The interest rate swaps for the term loans mature in July and December 2028. The Organizations are exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the Organizations do not anticipate nonperformance by counterparties.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

The derivatives are not designated as a hedging instrument and are 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 swaps. During 2022 and 2021, the Organizations recognized an unrealized gain on interest rate swaps of approximately \$2,676,000 and \$766,000, respectively. Cash flows from the interest rate swaps are classified as an operating activity within the combined statements of cash flows.

As of December 31, 2022 and January 1, 2022, the fair value of the interest rate swaps recorded in the combined statements of financial position was an asset of approximately \$3,067,000 and \$392,000, respectively.

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

13. 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. In March 2021, the Organizations received a restricted \$6,950,000 grant from a third-party funder. In November 2021, the Organizations received a restricted \$12,000,000 grant from a third-party funder. The restricted grants received during 2021 were for the Organization's Ex-Offender Re-Entry programs and Nurse Family Partnership programs. During 2022 and 2021, the Organizations incurred approximately \$4,750,000 and \$2,161,000, 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.

Net assets with donor restrictions are available for the following purposes as of December 31, 2022 and January 1, 2022:

	2022	2021
Subject to expenditure for specific purposes		
Youth and adult education	\$ 2,305,275	\$ 2,990,866
Nurse-Family Partnership	10,739,313	12,711,358
Targeted adult skills training	5,724,506	6,946,204
Workforce development	1,065,040	1,075,225
Total net assets with donor restrictions	<u>\$ 19,834,134</u>	<u>\$ 23,723,653</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

14. 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 2022 and 2021 was approximately \$2,368,000 and \$2,771,000, respectively.

15. 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 December 31, 2022 and January 1, 2022, the liabilities for worker's compensation claims were approximately \$278,000 and \$324,000, respectively, which are included in accrued salaries, wages and other liabilities on the combined statements of financial position. The Organizations incurred approximately \$827,000 and \$533,000 in 2022 and 2021, 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 2022 and 2021. The Organizations pay 1.25% annually for the letter of credit.

16. 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 \$500,000 per individual per policy year for 2022 and 2021. There is no aggregate limit. Total health insurance expense was approximately \$6,988,000 and \$6,897,000 for 2022 and 2021, respectively. At December 31, 2022 and January 1, 2022, the estimated liability for accrued claims was approximately \$1,058,000 and \$1,306,000, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

17. LEASES

The Organizations recognize right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organizations have operating leases for retail stores, buildings used in operations, and equipment. The Organizations have finance leases for various equipment. Leasing arrangements required fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. The Organization's lease agreements do not contain any material restrictive covenants. The leases have remaining terms of 1 to 14 years.

The Organization's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The Organizations utilize its collateralized incremental borrowing rate commensurate to the lease term as the discount rate for its leases unless the Organizations can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. The Organizations have made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. There were no significant short-term leases during 2022 and 2021.

In evaluating contracts to determine if they qualify as a lease, the Organizations consider factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organizations can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Organizations assess whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

The components of the Organization's lease cost for the year ended December 31, 2022 is as follows:

	2022
Finance lease cost	
Amortization expense	\$ 153,614
Interest on lease liabilities	6,145
Total finance lease cost	\$ 159,759
Operating lease cost	\$ 11,858,621

The Organization's right-of-use assets and lease liabilities as of and for the year ended December 31, 2022 is as follows:

	2022
Right-of-use assets	
Finance lease assets	\$ 149,000
Operating lease assets	54,435,447
Total right-of-use assets	\$ 54,584,447
	2022
Lease liabilities	
Finance lease liabilities, current	\$ 78,636
Finance lease liabilities, noncurrent	70,376
Total finance lease liabilities	\$ 149,012
Operating lease liabilities, current	\$ 9,510,112
Operating lease liabilities, noncurrent	46,022,203
Total operating lease liabilities	\$ 55,532,315

	2022
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 11,858,621
Operating cash flows from finance leases	\$ 153,614
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 11,843,160
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 140,250
Weighted-average remaining lease term - operating leases	6.89
Weighted average remaining lease term - finance leases	2.73
Weighted average discount rate - operating leases	4%
Weighted average discount rate - finance leases	4%

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

Future payments of lease liabilities are as follows:

Year Ending	Finance Leases	Operating Leases
2023	\$ 81,781	\$ 9,519,549
2024	42,074	8,474,535
2025	16,973	7,970,703
2026	14,144	7,461,910
2027	-0-	6,076,460
Thereafter	-0-	18,311,785
Total lease payments	154,972	57,814,942
Less: Imputed interest	(5,960)	(2,282,627)
	<u>\$ 149,012</u>	<u>\$ 55,532,315</u>

18. 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 started during 2021. The board member recused himself from all board of directors' discussions and voting related to joint venture beginning in 2017.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 had a term of three years, bore interest at 10% annually, and was paid in full during 2021. Principal and interest accrued and were due on the loan maturity date. The source of loan repayment was from Goodwill's cash reserves.

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 was reflected as a related party payable on the combined statements of financial position. During 2022 and 2021, revenue from the Complex of approximately \$1,447,000 and \$999,000, respectively, was recognized. During 2022 and 2021, expense from the Complex of approximately \$1,391,000 and \$1,032,000, respectively, was recognized. There was no other activity in the joint venture during 2022 and 2021.

During 2021, Goodwill entered into a business acquisition. This acquisition is considered a related party transaction as one of the sellers of the entity Goodwill acquired serves on the Foundation's board of directors. See Footnote 19 for additional information.

19. BUSINESS ACQUISITION

In December 2021, Goodwill acquired all of the assets of Fishers GW Holdings, LLC (FGW) from a third-party. FGW is a single-purpose, disregarded entity that owns real estate at which Goodwill operates a retail store. The primary purpose of the business combination was to secure long-term control of the existing real estate. FGW had no liabilities at the acquisition date.

Goodwill acquired FGW for \$3,500,000, through a combination of cash of \$1,625,000 and a mortgage loan of \$1,875,000. The acquisition price was based on an independent appraisal. FGW is the sole borrower on the mortgage loan, and Goodwill fully guarantees the debt. Goodwill allocated \$1,470,000 to land and land improvements and \$2,030,000 to buildings and building improvements. The amounts are included in property and equipment, net on the combined statements of financial position.

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 \$48,000 as of December 31, 2022 and January 1, 2022, 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 \$14,000 and \$7,000 of expense in 2022 and 2021, respectively, related to this matter, which is reflected as part of occupancy expenses in the combined statements of functional expenses.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

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 December 31, 2022 and January 1, 2022, 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 December 31, 2022 and January 1, 2022, the Organizations expended the following state awards, which are included within mission advancement within the combined statements of activities and changes in net assets:

	2022	2021
State of Indiana		
Department of Health - Safety Pin - Nurse Family Partnership	\$ 428,317	\$ 278,805
Department of Health - State Expansion - Nurse Family Partnership	3,098,061	3,166,597
Department of Health - State Expansion - My Healthy Baby	22,822	-0-
Family and Social Services Administration - Disability Services - Vocational Rehabilitation	17,068	30,506
Total state awards	\$ 3,566,268	\$ 3,475,908

Approximately \$4,597,000 and \$5,975,000 of federal awards were expended during 2022 and 2021, 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 2022 and 2021.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022

22. PAYCHECK PROTECTION PROGRAM

During April 2021, the Organizations received a low interest loan in the amount of \$5,000,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP loan was unsecured with fixed interest at 1% and funds advanced under the program were subject to forgiveness if certain criteria was met with the remaining balance repayable within two years of disbursement. The PPP loan could be forgivable to the extent that the Organizations incurred and spent the funds on qualified expenditures, which included payroll, employee health insurance, rent, utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, the Organizations were required to maintain specific employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. During December 2021, the Organizations applied for and received notification from the SBA that the loan was forgiven in its entirety. The loan forgiveness of \$5,000,000 is recorded as other changes in net assets without restrictions in the combined statements of activities and changes in net assets.

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 STANDARD

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. This new standard, which the Organizations are not required to adopt until its year ending December 31, 2023, is intended to improve financial reporting about credit losses on financial instruments and other commitments. This ASU requires consideration of a broader range of reasonable and supportable information to record credit loss estimates.

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
DECEMBER 31, 2022

ASSETS	Goodwill	Goodwill Foundation	Eliminations	Total
Current assets				
Cash and cash equivalents	\$ 22,600,594	\$ 7,736,890	\$ -0-	\$ 30,337,484
Trade accounts receivable, net	4,494,564	-0-	-0-	4,494,564
Related party receivables	1,113,730	-0-	(1,113,730)	-0-
Contributions and pledges receivable, net	-0-	1,554,752	-0-	1,554,752
Other receivables	1,071,251	28,650	-0-	1,099,901
Prepaid expenses	1,510,653	-0-	-0-	1,510,653
Inventory - purchased goods	1,290,685	-0-	-0-	1,290,685
Inventory - donated goods	6,130,888	-0-	-0-	6,130,888
Total current assets	<u>38,212,365</u>	<u>9,320,292</u>	<u>(1,113,730)</u>	<u>46,418,927</u>
Property and equipment, net	154,203,039	0	-0-	154,203,039
Other assets				
Investments	9,569,537	57,116,568	-0-	66,686,105
Investment in affiliate	1,353,499	-0-	-0-	1,353,499
Deposits	80,000	-0-	-0-	80,000
Interest rate swaps	3,067,116	-0-	-0-	3,067,116
Total other assets	<u>14,070,152</u>	<u>57,116,568</u>	<u>-0-</u>	<u>71,186,720</u>
Total assets	<u>\$ 206,485,556</u>	<u>\$ 66,436,860</u>	<u>\$ (1,113,730)</u>	<u>\$ 271,808,686</u>
		Goodwill		Total
		Foundation	Eliminations	
LIABILITIES AND NET ASSETS				
Current liabilities				
Current portion of long-term debt	\$ 4,723,217	\$ -0-	\$ -0-	\$ 4,723,217
Current portion of finance lease liabilities	78,636	-0-	-0-	78,636
Current portion of operating lease liabilities	9,510,112	-0-	-0-	9,510,112
Accounts payable	2,922,930	187	-0-	2,923,117
Accrued salaries, wages, and other liabilities	6,602,662	-0-	-0-	6,602,662
Related party accounts payable	-0-	1,113,730	(1,113,730)	-0-
Refundable advances	-0-	1,100,000	-0-	1,100,000
Other accrued liabilities	4,418,899	-0-	-0-	4,418,899
Total current liabilities	<u>28,256,456</u>	<u>2,213,917</u>	<u>(1,113,730)</u>	<u>29,356,643</u>
Long-term debt less current portion	24,850,010	-0-	-0-	24,850,010
Long-term finance lease liabilities less current portion	70,376	-0-	-0-	70,376
Long-term operating lease liabilities less current portion	46,022,203	-0-	-0-	46,022,203
Refundable advances	-0-	2,000,000	-0-	2,000,000
Other	253,374	-0-	-0-	253,374
Total liabilities	<u>99,452,419</u>	<u>4,213,917</u>	<u>(1,113,730)</u>	<u>102,552,606</u>
Net assets				
Without restrictions	107,033,137	42,388,809	-0-	149,421,946
With restrictions	-0-	19,834,134	-0-	19,834,134
Total net assets	<u>107,033,137</u>	<u>62,222,943</u>	<u>-0-</u>	<u>169,256,080</u>
Total liabilities and net assets	<u>\$ 206,485,556</u>	<u>\$ 66,436,860</u>	<u>\$ (1,113,730)</u>	<u>\$ 271,808,686</u>

See Report of Independent Auditors on pages 1 through 3.

**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 DECEMBER 31, 2022

	Goodwill	Goodwill Foundation	Eliminations	Total
Revenues, gains and support				
Sales - donated goods	\$ 139,530,693	\$ -0-	\$ -0-	\$ 139,530,693
Commercial services	17,419,548	-0-	-0-	17,419,548
Mission advancement	8,093,832	-0-	-0-	8,093,832
Education services	30,253,557	-0-	-0-	30,253,557
United Way support	769,163	-0-	-0-	769,163
Grants and contributions	-0-	4,390,779	-0-	4,390,779
Foundation grants and contributions	5,859,265	-0-	(5,859,265)	-0-
Other revenue and support	3,962,485	-0-	-0-	3,962,485
Net assets released from restrictions for specified purpose	285,928	4,464,127	-0-	4,750,055
Total revenues, gains and support	<u>206,174,471</u>	<u>8,854,906</u>	<u>(5,859,265)</u>	<u>209,170,112</u>
Expenses				
Retail services	110,804,462	-0-	-0-	110,804,462
Commercial services	22,460,986	-0-	-0-	22,460,986
Mission advancement	14,376,706	-0-	-0-	14,376,706
Education services	33,174,664	-0-	-0-	33,174,664
General and administrative	13,990,123	-0-	-0-	13,990,123
Fundraising	888,430	7,288,282	(6,938,942)	1,237,770
Total expenses	<u>195,695,371</u>	<u>7,288,282</u>	<u>(6,938,942)</u>	<u>196,044,711</u>
Excess revenues, gains and support over expenses	10,479,100	1,566,624	1,079,677	13,125,401
Other changes in net assets without restrictions				
Foundation management fees	1,079,677	-0-	(1,079,677)	-0-
Investment return, net	(721,191)	(10,201,747)	-0-	(10,922,938)
Loss on disposition of property and equipment	(3,236)	-0-	-0-	(3,236)
Gain on interest rate swaps	2,675,670	-0-	-0-	2,675,670
Gain on investment in affiliate	56,554	-0-	-0-	56,554
Total other changes in net assets without restrictions	<u>3,087,474</u>	<u>(10,201,747)</u>	<u>(1,079,677)</u>	<u>(8,193,950)</u>
Total change in net assets without restrictions	13,566,574	(8,635,123)	-0-	4,931,451
Changes in net assets with restrictions				
Contributions	-0-	1,637,972	-0-	1,637,972
Investment return, net	-0-	(777,436)	-0-	(777,436)
Net assets released from restrictions for specified purpose	(285,928)	(4,464,127)	-0-	(4,750,055)
Change in net assets with restrictions	<u>(285,928)</u>	<u>(3,603,591)</u>	<u>-0-</u>	<u>(3,889,519)</u>
Change in net assets	13,280,646	(12,238,714)	-0-	1,041,932
Beginning of year	93,752,491	74,461,657	-0-	168,214,148
End of year	<u>\$ 107,033,137</u>	<u>\$ 62,222,943</u>	<u>\$ -0-</u>	<u>\$ 169,256,080</u>

See Report of Independent Auditors on pages 1 through 3.